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EssilorLuxottica Half Year 2020 Results

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Operator: Hello, and welcome to the EssilorLuxottica H1 2020 Results Conference Call. My name is Kers, and I will be your coordinator for today's event. Please note that today's call is being recorded. And for the duration of the call, your lines will be on listen-only. However, you will have the opportunity to ask questions. This can be done by pressing star one on your telephone keypad. If you require assistance at any time, please press star zero and you will be connected to an operator.

I will now hand you over to your speaker, Paul du Saillant, CEO of Essilor, to begin today's conference. Thank you.

Paul du Saillant: Good morning, everybody. I'm delighted to welcome you to our H1 conference call together with our co-CFO, Stefano Grassi, David Wielemans, our co-Chief Integration Officer, Pierluigi Longo, and our IR team.

It is my first call with you since I lead Essilor as CEO and work very closely with Francesco Milleri to build EssilorLuxottica. My priority since March has been to deepen the collaboration between the two companies. And I'm happy to say that the chemistry between Francesco and myself and our teams is very good.

One illustration is this nice cover picture of Ray-Ban Authentic, the first complete pair launched in June combining the Ray-Ban brand with Essilor prescription lenses, a perfect match. Of course, it has been an unusual first half. With Francesco, we are very proud of the extraordinary commitment of our teams in quickly adapting to this new environment while supporting colleagues, customers, suppliers and a wider community.

This crisis is also a clear opportunity to strengthen our operating companies and their combination.

A few business highlights. I would first like to stress that our industry confirmed its resilience in this environment. The needs for good vision are structural. And consumers showed an intact appetite for quality vision solution and flagship brands. In addition, our industry is made of entrepreneurs who are eager to adapt, and it helps anticipating consumer needs. They were excited by all of the virtual training we provided.

EssilorLuxottica is fully equipped to champion this new COVID environment, thanks to its many strengths. We can say our Group comes out reinforced by the current crisis. The COVID-19 pandemic has clearly shown the relevance of the combination between Essilor and Luxottica and the depths of our business model.

In H1, we saw this strength at work in many respects. Our online sales remained very solid throughout the period and were up 69% in Q2 alone, thanks to our brand.com and eyewear platforms like EyeBuyDirect.com, readers.com. Our solid restart underpinned by structural needs in prescription, a prompt rebound in retail and new products well suited to the new environment.

We displayed great agility in adapting both to the ramp down and then to the ramp up. This was done by promptly and efficiently leveraging our global supply chain, our digital tools and our rich product portfolio, which relevance was amplified by COVID (comfortable eyeglasses, blue-cut, no-fog, anti-fatigue designs).

We also saw the results of our prudent cost and cash management. We finished the first half with a positive adjusted operating profit, which reflects the swift adaptation of our cost base to the different top line profiles across the world. And we have a strong balance sheet with €8 billion in cash and equivalents.

A few financial highlights that, of course, Stefano and David are going to walk you through in great detail. As a consequence of what I just said, our H1 financial performance proved very resilient. Revenue were down 29%, but this masked a trough in April, followed by marked sequential recovery in May and June in all our key operating segment and all our geographical areas with very strong e-commerce, as I said, 43% in the first half.

In June alone, France was up and China showed high single-digit growth for domestic lenses. We contained the multiplier effect from revenue to operating profit to around 3 times, which is an important achievement given our integrated business model, the financial support we provided to our employees and the decision to maintain sufficient operating structure to be able to lead in the restart quickly.

I remind you that our integrated business model is unique in this industry as it secures our technologies and distribution. We ended the period at net profit breakeven and generated positive free cash flow in Q2. All this illustrates our agility and solidity in reacting to the pandemic.

Managing the crisis while preparing for recovery. This is a major illustration of the strength of EssilorLuxottica during this period. Its ability to lead to opposite priorities at the same time, very complex, managing the crisis and preparing for the recovery. This involves powerful initiatives in many areas that you see on this slide and I would like to highlight a few:

Our first priority was to protect our human capital by dedicating €130 million to our people and their family in need. We supported the wider community around it by donating two million pieces of personal protective equipment, including safety goggles, protective eyewear and masks, to name just a few. We stayed very close to our customers and consumer base through numerous virtual training, townhalls, digital campaigns, which helped them to be fully ready to restart.

We made full use of our highly flexible and global supply chain to ensure business continuity. We restarted all our activities rapidly, thanks to resilient prescription needs, new sales protocol emphasising health and safety, powerful digital solution and a product pipeline well suited to the new environment (with Eyezen, blue-cut, Optifog, Shield Your Eyes protective eyewear from Oakley). And we successfully managed the closure and reopening of our stores, about 90% of them had reopened at the end of June.

So it has been a journey full of learnings for the company, and I will tell you later about how Francesco and I, together with all of our team, build on these learnings to prepare the future. But before that, I would now like to hand over the call to Stefano and David on financials and then to Pierluigi, who will update you on integration and GrandVision.

Stefano Grassi: Thank you very much, Paul, and good morning, everybody. Let's start looking at our top line results. And before digging into our performance by different business units, by different geography, we thought it was important for all of you to kind of have a look at our

monthly sales trend and really understand where are we today in our challenging journey for 2020.

In this chart, you do see two lines, the blue sky line that represents our 2019 monthly sales trend; and the dark blue one that represents our trend to-date on 2020. As you can see, in the month of January and February, our trend for 2020, display sales that were above 2019 level. As a matter of fact, January, February year-to-date, we're actually 3% positive on a constant FX basis, very much in line with our guidance provided to the market.

As the virus outbreak took place and spread, first in Asia and then throughout the rest of the world, we experienced a decline in our top line, very much during the second half of March that led to a negative 30% in the month of March, and we actually deepened our performance in the negative territory in the month of April with negative 70% top line decline in that month.

Progressively, as the deconfinement took place in Asia first and afterwards in Europe and in United States, we saw a progressive improvement and recovery in our top line performance. Our sales in the month of May were actually negative 50% approximately. And in the month of June, we are about negative 20%. Now you don't see on this page here, but for the month of July, our expectation is that we're going to be better than our negative 20% that we posted in the month of June.

Now I'm sure the question that all of you have is the following. When can we expect the dark blue line to consistently outpace the blue sky line, which really means our 2020 sales actually exceeding, in absolute terms, our 2019 levels? Well, I would say today, we're not in a position to answer that question yet. As you can see and read on the news, we still have several hotbeds throughout the world in Australia in the Victoria state, in China in the Beijing area, in Europe, as well as in other parts of North and South America, which very much mandate us a cautious approach to the second half of 2020.

But now let's look into more details of our revenue for the second quarter going throughout the different divisions. Before we're doing that, the overall number is negative 46% on the second quarter. You may have noticed that there are no material differences between our numbers on a constant and on a current FX basis, so very much unchanged, the difference.

As we noticed that during the second quarter, the US dollar devaluated against euro about 2%, but that was offset by a devaluation of other currencies, like the Brazilian reis, that devaluated approximately 26% against euro, as well as the Australian dollar that devaluated approximately 4%. You also see a bit of a rally of devaluation of the US currency in the latest – in the last few days. And I can say that if currency remain at current levels, we do expect a bit of a headwind in our current FX results for the second half of the year.

But now let's look into our different division. Let's start with the biggest one, the Lens and Optical Instruments. Negative 40% top line decline during the course of the second quarter. That performance showed though a progressive improvement of our numbers from April through May till June, where we actually trended on a low single-digit negative territory for our Lens and Optical Instruments. And this is a pretty promising result.

If you look at our geography, within that division, in North America, we noticed a strong recovery of our independent channel that turned into positive territory in the month of June.

And this is very important because as you probably know, about 50% of our revenue in the lens business in North America very much derived from our independent channel.

In terms of positive signs of recovery, one item that is worth to mention is China, where our prescription Rx lenses for the domestic market turning into positive at the end of April. In France, another important market, we saw positive trend already three weeks after the lockdown was actually lifted. And as Paul mentioned, overall during the pandemic disease outbreak, we noticed a high demand for Blue IQ lenses and a high demand for anti-fog, which very much helped our consumer to get through this challenging phase.

But at the same time, the company is very much committed to structural investment that we believe will better position EssilorLuxottica for the future. Paul mentioned before, on the front page of our presentation, you do see an inspiring shooting that very much introduced our new campaign See Beyond The Sun that will be launched on the largest scale in the month of September and then very much will introduce the large and new product offering for lenses, Ray-Ban, developed together with Essilor. They will be a perfect fit for our Ray-Ban frames.

We're also resuming our journey of rolling out our Transitions GEN 8. You might remember, last year, mid-last year, we started with North America. And now during the course of the second quarter, we're resuming our journey in Brazil, in China. And this will be another important pillar during our recovery journey.

Moving to the Sunglasses and Reader, negative 36% during the second quarter. The Bolon brand was down overall, but we saw that the prescription part of Bolon returned to sell-through year-over-year, double-digit growth. The FGX part of the business, proven to be more resilient on this reader side than on the sun side. Again, remember, the 70% of the overall infrastructure revenue of EssilorLuxottica is very much skewed towards the prescription side. And you will hear resiliency of prescription throughout this presentation several times.

But now let's move to our Wholesale division, negative 64% during the second quarter on a constant FX. The deceleration was very much driven by volume, while price/mix was substantially unchanged throughout the course of the quarter. We noticed a strong resilience of our independent channel in North America, in Europe, and this is very important.

In North America, our independent channels represents about 45% of our total revenue. In Europe, about 30%. So it's very important for us to really keep that strong engagement for that channel.

But now let's move to our Retail network, negative 43% during the course of the second quarter. And I will share with you two set of data that will help you to put in perspective our retail performance throughout the second quarter. The first set of data pertain to our store footprint network. In the month of April, we had about 30% of our retail network that was actually opened. That was very much our optical retail network.

In the United States, in Europe, in Italy, in particular, in Australia, in China, that was very much there to provide basic essential eyecare services for the population that very much needed that. As the deconfinement took place throughout the month of May, we had about 60% of our retail network opened, and we ended up in the month of June with about 90% of our total retail network up and running.

Our comp adjusted sales, so the comp that pertains to the stores that were opened during the pandemic disease, were down 80% in the month of April, and we actually improved that performance to negative 50% in the month of May to land in June at about 15% negative. And that 15% negative was very much the result and improvement that we've seen across the different retail division, and in particular, as we mentioned here, the Asia Pacific, the turn, the adjusted comp into positive territory in the month of June, very much thanks to the double-digit performance that we recorded for our optical and sun retail business in Australia.

But now let's turn now to the next slide and have a quick journey across our different geographies. Obviously, we need to start on the most important one, our biggest one, North America. Negative 44% top line decline on the second quarter, but again a sequential and progressive improvement from April to June. In North America, despite the different velocity of deconfinement across the different states, we're happy to report that the vast majority of our ECPs and the Essilor prescription lab were up and running at the end of June.

On the Wholesale side, I already mentioned before, the resiliency and the strong entrepreneurship spirit, there are independent hazards during the second quarter, while the department store channel was definitely more challenging. On the Wholesale side, same story, independent channel, the most resilient.

On the Retail, I would probably mention a couple of things. Happy to see Sunglass Hut business on the low single-digit comp sales, after a month of April, that was very challenging, where very much all the retail Sunglass Hut network was shut down. And we saw that progressive recovery throughout the month of June.

The vast majority of the recovery was driven by what we call the non-international Sunglass Hut location, while the international ones, the ones that are more exposed to touristic traffic, like New York, LA, Florida, those were the ones that suffered the most during the second quarter.

LensCrafters moved from the adjusted comp sales to negative 85% in the month of April to a promising negative 20%. And we are now on the low-single-digit in the month of July. So very, very promising rebound.

I couldn't finish this geography, North America, without talking about e-commerce business. Our e-commerce business in North America posted a triple-digit growth rate during the course of the second quarter. We were double digits in ray-ban.com – triple-digit in ray-ban.com. We were triple-digit in sunglasshut.com, and we were triple-digit in Oakley.com. So all our three major branded eyewear websites are very much on the triple-digit and on fire proving, once again, that the choice that we made years ago to enhance and further strengthen our e-commerce websites were definitely the right one.

But now let's move to Europe, negative 48%. The Essilor revenues in Europe was just a touch, slightly negative in the month of June and that was very promising. That was very much driven by the lens business. And thanks to a northern part of Europe, that was actually experienced a lower degree of decline in April and had a slightly softer rebound in May and June, while other countries like France or Italy deepened their decline in April, but had a stronger rebound in May and June.

On the Wholesale side, Northern Europe better than Southern Europe, and the STARS programme outpaced the remainder part of our Wholesale channel during the second quarter, and now weighs about 30% of the total Wholesale revenue in the region.

On the Retail side, kind of two velocity to report. On one side, the sun business really faced a major challenge during the second quarter. About 30% of our Retail Sunglass Hut footprint in Europe is very much exposed to touristic traffic, and that obviously caused a bit of an impact in our numbers. Conversely, our Salmoiraghi & Viganò, our optical retail chain, displayed sequential improvement week-after-week, pretty much throughout the quarter in our comp adjustment, meaning that the engagement with our consumer has been very successful. And we will continue to build on that during the second half of the year.

Now Asia Pac, negative 40% during the second quarter. China and Korea were the best performance in the regions. Those are really the first couple of countries that, if you think about it, really came out from the pandemic outbreak. In the month of June, in particular, we are happy to report that sales were substantially at 2019 levels in Mainland China and Australia.

Happy to report, in particular, in China, the high single-digit performance in our prescription orders. And we're also happy to report, as I mentioned before, the launch of our Transitions GEN 8 in the month of April in this strategic country for EssilorLuxottica. Still the prescription side of the business is notably more resilient, also in our retail network. Whether we look at Mainland China or Hong Kong, whether we look at Ray-Ban stores or LensCrafters, we continue to see higher degree of resiliency on our prescription side compared to our sun part of the business.

The last region I will comment is Latin America, definitely the most challenging one. We do see that our shopping mall, our touristic location, are definitely more exposed to the lack of touristic traffic in that area. But the company is undertaking major investments in this area, because we believe we need to keep the engagements with our clients.

We can give you a couple of examples. We're rolling out in this region, Transitions GEN 8, as we speak. We also launched in Brazil the new lens, Varilux Comfort Max, as Paul explained before. And we also launched a pretty unique digital event in Brazil that engage more than 20,000 ECP in that country to launch and explain the newness of our products, and at the same time, to keep that high degree of engagement with our Wholesale – with our B2B clients in Brazil.

Last but not least, our retail footprint in Latin America reports about 70% of our stores open at the end of June. That is probably the lowest percentage of store open that we report compared to any other region.

With that, I finish the journey across the different geographies. I won't go through the first half results, as we already commented, Q1 in our press release Q2 today. But hand it over to David, which will give us a little bit more colour with respect to our profitability results. David?

David Wielemans: Thank you, Stefano. Good morning, good afternoon, everyone. So let me take you through the P&L and try to cover the key highlights. I know that one of the main questions you have is about our fixed / variable cost structure. The answer is about 50-50, which translates to an operating deleverage of about 3 times. Paul already touched on it.

This deleverage rate is explained by a few factors. Firstly, by the fact that our business model is fully integrated from production of frames and lenses, all the way to wholesale, retail and online distribution. Secondly, by the fact that our wholesale and optical retail activities have never totally stopped. Our proximity labs and wholesale networks continue to operate during the crisis, even if at a much lower pace.

We also took the decision to maintain the right level of operating structures in order to be able to restart quickly. The last thing we wanted to do was to be on the back foot when the market reopened.

Lastly, we have, as you know, allocated €130 million to support our employees during this period, whilst we did benefit from government subsidies in some countries. Reaching this 50-50 cost structure required to take specific actions to lower our fixed cost base, the main ones being employee furlough, rent negotiation, marketing spend containment and reduction or deferral of management compensation. Getting into the numbers, we delivered in H1 a total sales of €6.2 billion, as Stefano explained in detail, and we ended with a gross profit of €3.5 billion equivalent to 56.9% of the sales.

The gross profit decreased versus last year obviously relates to less cost absorption in a low activity period on both retail and wholesale activities. However, the strong performance of e-commerce, that Stefano explained, and the good product mix we have experienced at the restart both helped to mitigate the impact on gross profit. The positive mix effect has been driven by better access to independent ECPs, who have restarted faster and have supported our key brands.

During the semester, we reduced our OpEx by around €600 million compared to last year to reach €3.4 billion. About 80% of that reduction came from lower commercial spend, (selling, distribution and marketing costs), and the remaining 20% came from G&A. As a result, we managed to post a positive €126 million adjusted operating profit. FX effect was very small, as already mentioned, impacting positively the P&L by €27 million on the top line and €8 million on operating profit.

We believe this is a good achievement as we manage to monitor our P&L, keeping intact our assets and not compromising our capability to be 100% ready when the markets are re-opening. Importantly, this also led to a minimal operating cash flow burden of €56 million on H1, Q2 free cash flow being positive, as Paul mentioned. I will come back on cash and liquidity just after.

Below operating profit, we had €64 million financial expenses, stable compared to last year. This is thanks to the refinancing we did last year, while the €3 billion bond we issued in May did not have a material impact on H1. Consistently with the limited profitability, our tax burden was low at €12 million. All the above leading to a slightly positive adjusted net profit on the period.

Moving forward, we have many reasons to be confident, but we need to be very cautious and stay agile as the situation remains volatile. We will continue to closely monitor our cost base and adapt our actions to the economic environment as we did in H1.

Moving to the next slide. I already covered most of it. Here is a recap of the short-term measures we have taken in the context of the COVID going after savings line-by-line through

the P&L. And in parallel, we have continued to actively work on the synergy programmes, which will provide short and long-term benefit to the company, but Pierluigi is going to cover it right after.

On the liquidity side, we see the overall benefit of all the efforts made by the company. Besides the cost containment measure I mentioned earlier, we have been very focused to tightly prioritise and monitor CapEx and working capital. M&A activities have also been put on hold during that period.

Consequently, and as mentioned before, we have limited the cash burden at €56 million in H1, which we believe is a strong achievement. At end of June, our cash and short-term investment amount to €7.9 billion, and our balance sheet stays solid with a net debt of €4.5 billion. If we use 2019 EBITDA as a reference, net debt to EBITDA ratio will be 1.2 times. We believe this supports a continued high rating profile.

The business fundamentals of the company and our solid balance sheet allow us to successfully issue a €3 billion bond in Q2. This bond is split into three tranches with an average yield of 0.46%. Also important to note is that we still have €5.2 billion of available committed and undrawn credit facilities at the end of the period.

With this, let me hand over to Pierluigi for the integration update.

Pierluigi Longo: Thank you, David. Good morning, ladies and gentlemen. I'm going to give you a quick update on the integration process.

Let me start by saying that the cooperation and the collaboration between our teams on all the integration projects has increased significantly since our last earnings call in March. Despite the several challenges we had to face following the global impact of the pandemic, the drumbeat of our integration process is intact, and all our integration workstream are progressing well with a refreshed motivation.

We are very proud of the efforts that all our team members put, especially during the lockdown period and over the results we achieved so far. We managed not only to keep the focus on the workstream that we initially selected, but we also identify new potential opportunities, which we are currently exploring.

We do believe that the effects of these joint efforts will become increasingly evident if the recovery in our markets continue to take shape. On this basis today, we can reiterate our confidence in the delivery of our initial synergy target range in '23, despite the current pandemic drag.

Now let's give a look at the key achievements over the last six months. As Stefano and Paul said, we just launched our Ray-Ban Authentic initiative in Italy, which is our first complete pair offerings that brings together the most loved eyewear brand in the world and Essilor's superior lens technology. These initiatives will be available both in clear and sun products. Ray-Ban Authentic represent the power of the combination between Essilor and Luxottica, and it is also a major step in our integration process.

We are currently working to launch an initiative in other key markets, potentially, next one will be the US, and we are also considering all other key brands of our portfolio, including license brands, which are willing to explore this new opportunity. In fact, our aim is to develop the

complete pair category in both retail and wholesale channels and to offer to our customers a new product.

We also expanded the cross-selling between Essilor and Luxottica platform. This was one of the first and most relevant initiative in our integration journey. Since the merger, we have been progressively accelerating the penetration of our products and brands of each party in all our distribution platform. The initiatives you heard at the Salmoiraghi & Viganò, LensCrafters and EyeBuyDirect, where we improve the assortment of Essilor and Luxottica brands, respectively, are relevant example of our cross-selling strength.

The integration of regional programmes for combined distribution of the company products is another example. We leverage on the strength of our complementary wholesale platforms, especially in emerging and growing markets, such as the Latin America. We launched an independent programme dedicated to ECPs in the US, which is called the EssilorLuxottica360, which will combine the offering of EssilorLuxottica and EyeMed solution and integrate the best of each company customer-facing programme.

This is an important pillar created at a time when ECPs are in need of a greater support from the industry main players and their key partners, and we are very proud to play our role. We also kicked off the integration on FramesDirect and Sunglasses-Shop, which are two e-commerce banners specialised in branded offering originally in the Essilor perimeter, which will be transferred into the company's unified online platform and retail brand portfolio.

Last but not least, we are continuing the deployment of a single IT and digital training platform throughout the company. After what we all experienced during the pandemic and during the mandatory confinement, we do have now a much better sense of the crucial role and the benefits that a state-of-the-art and an efficient digital platform can play in every corporation.

Now let's move to the GrandVision update. I'm sure that you are all aware of the recent developments with the antitrust procedures, particularly in Europe and on the legal proceeding with HAL and GrandVision. While those investigations and proceedings are underway, we cannot give any disclosure about them. Therefore, today, we cannot elaborate further, and that's why we cannot take questions on the case.

That being said, the strategic rationale of the GrandVision transaction is confirmed and still very valid. It is almost a year today from the announcement of the deal, and since then, we have obtained antitrust clearances in the US, Colombia, Russia and Brazil. We are still working with the authorities of Mexico, Chile, Turkey, and of course, the European Union to get the relevant approvals in this jurisdiction.

In Europe, in particular, we – the commission decided to stop the clock, and as a consequence, we do not expect a final decision before Q4 2020. Then on 18th July, we announced we initiated the legal proceeding before a Dutch district court to obtain from GV information, which they refuse to deliver on a voluntary basis. This is only to assess the way GV managed the course of its business during the COVID outbreak as well as the extent to which GrandVision breached its obligation under the support agreement.

On the other side, yesterday, we were informed that the HAL and GrandVision initiated arbitration proceedings to ensure that we comply with our obligations in respect of the transaction, which by the way, we do, and to determine whether GV breached its obligation.

We remain fully confident of a favourable outcome of these proceedings, and we will keep you updated on future developments.

I now hand it over to Paul for the final considerations. Paul?

Paul du Saillant: Thank you, Pierluigi, Stefano and David. A few final words before we go into the Q&A. You have seen listening to the three presentation the confidence that we have in the fundamental of our company. So I would like to tell you how we look at the time ahead of us.

Short-term visibility is still patchy, of course, because of the uncertain evolution of the pandemic and the increasing number of local areas where lockdowns are being reimposed. This is why we are not ready yet to reinstate financial objectives for the year, but it is likely that the third quarter will still be another period of transition on the way to normalisation. And you heard from Stefano that July is an encouraging entry into the third quarter.

For the mid-term, however, the crisis has confirmed both the transformation of the industry around brands, digital, new products and the strengths of EssilorLuxottica as they were presented to you at our Capital Markets Day in September. They are its unique position across frames, lenses, wholesale, retail and online; its ability to innovate in all these segments; its flexible supply chain; its global and local presence; its development of multiple digital solution in wholesale and retail; and its acceleration of Group integration, our fundamental strength at the heart of this industry transformation. All of this driven by a very clear mission to eliminate poor vision.

With Francesco, we are leveraging all these strengths to build EssilorLuxottica both in its market positioning and in its internal structure. To do these, three key ideas are guiding our teams for H2 and to 2021: innovation, digitalisation, integration.

Our innovation launches are resuming now that lockdowns are over, and they are fully aligned with the new environment. They are more than just new products. They transform entire categories and ways of doing business in eyecare and eyewear. I will not repeat that in prescription, the Ray-Ban Authentic launch in Italy in June is a milestone, as you heard it several times already.

In myopia management, Stellest was launched in China in July. It is a breakthrough innovation coming from our R&D that reduces the speed of myopia progression for children. We do not just correct, we prevent the risk of high myopia ! and that is a game-changer. We also launched a new industry standard for more precise eye correction, which measures the eye to the 100th of diopter. This is a transformation made possible by the new instrument Vision-R 800 with the associated AVA lens.

Many other key products are being rolled out such as Transitions GEN 8, Eyezen, Optifog. We launched new collections well suited to the COVID environment. With the Shield Your Eyes initiative, we leveraged the protection attributes of Oakley to meet the growing demand for clear and photochromic products that provide greater coverage around the eye area. Our top brands, Ray-ban and Oakley, launched powerful new collections to better support the sales restart. And Arnette and Costa reinforced their sustainability credentials with recycled materials.

A second major pillar is digitalisation, which the COVID environment has clearly boosted throughout the Group. We are transforming the consumer journey through omni-channel

experiences. The in-store experience itself is increasingly digital with digital windows, smart shopper, virtual mirrors. But digitisation goes way beyond retail. It is a process underpinning all the company activities, including wholesale with virtual collections, operations with the plant / lab interconnection. This brings me to the integration of EssilorLuxottica.

As you heard from Pierluigi, who works very closely with Eric Leonard to spearhead the entire integration synergy effort, the building of a strong combined Group has kept its momentum through the pandemic in many different areas. The COVID environment has even acted as a catalyst to transform ourselves further. And our priority with Francesco has been to deepen our collaboration and decision process in order to build a unified company.

All this serves our mission, which is to see more, be more and live life to its fullest. This is true for our customers and consumers of course but, given the number of initiatives that the four of us have described, it is also true for the company. Literally, EssilorLuxottica intends to see more and be more in the next few quarters. We are ready to enter 2021 with strong fundamentals, a sound business model and the construction of a unique and efficient company.

With this, we are very happy, the four of us, to take your questions.

Questions and Answers

Operator: As a reminder, if you would like to ask a question or make a contribution on today's call, please press star one on your telephone keypad. To withdraw your question, please press star two. You will be advised when to ask your question. We have a couple of questions in the queue already. The first question comes from the line of Elena Mariani from Morgan Stanley. You are unmuted. Please go ahead.

Elena Mariani (Morgan Stanley): Hi. Good morning, everybody. Thanks very much for the detailed presentation. I have three questions for you. The first one is on the trends you have experienced in July. I was wondering if you could be a bit more granular about what you've seen over the past four weeks, and in particular, whether the month-on-month improvement has been as linear as what you've seen over the past three months. Are we talking about sales declining like single digits or still in double-digit territory? I'm asking because I think consensus is currently assuming a pretty important improvement over the second half of the year for top line. So I was just wondering how July compares with these expectations. And secondly, second question on operating deleverage. So it was 3 times in the first half. Could you confirm whether you have implemented any cost synergies in the first half, whether you plan to do so in the second half of the year? And how we should think about this operating leverage equation in H2 as the business continues to improve? And then final question is about GrandVision. I understand there's not much you can disclose, but would it be possible to better understand what are the reasons of this agreement, because I think you mentioned that you believe GrandVision is in material breach of the agreement. So what exactly are we talking about is possible to disclose? And how does the timeline look like in light of the recent developments because as you mentioned in the slide, the arbitration process with GrandVision could last months, if not years. So could we still reasonably assume that the transaction could close by middle of next year? Thank you.

Paul du Saillant: Thank you, Elena. So I propose Stefano, you take one and two, and Pierluigi three.

Stefano Grassi: Yeah. Sure, Paul. Good morning, Elena. Bonjourno. So in terms of top line trend, as we mentioned, the month of July, it's not over yet, but we're very much there. So as I mentioned before, we do expect an improved trend compared to the month of July, whether it's our B2B wholesale, whether it's our other divisions. We do see an improvement in the month of July in terms of trend.

As I said, we need to be very cautious because during the month of July, we also have several parts of the world that came back in a kind of a lockdown or semi lockdown situation, for example is the confinement in Beijing as well as the one in Victoria states in Australia. So we are cautiously looking the evolution of those pandemic outbreak. But again, the positive thing that I got to report is that we do have an expectation of month of July improving compared to the negative 19% that you see on the slide before.

With respect to the operating deleverage, I mean, you've seen our results. We are 3 times compared to sales decline for the first half of the year. I won't go through any kind of indication for the second half of the year. I think there's still a degree of uncertainty with respect to the top line, even though we do see a trend at this stage. There is – I can tell you a couple of things. There is – the work that has been done, I would say, is pretty intense from EssilorLuxottica team to really make sure that we were probably sizing our cost structure.

And I think a portion of that you would see it in our profit and loss. I think another indication is in our free cash flow generation. I would tell you that clearly we are in a situation, which we need to look at our top line trend. And again, if you look at our presentation there, you can clearly see a shape of recovery. So we want to make sure that if this trend continue for the second half of the year, we do have the proper organisation size. We do have the proper pillar or investment size wherever is necessary.

And obviously, Pierluigi mentioned before, we're up and running with our integration efforts. So between the investment profile that we expect to keep on the second half of the year, between some of the cost efficiency that we are undertaking very much through the second quarter of 2020 and the integration effort, the cross-selling, the launch of new products and initiatives across the organisation, we do have – we look at the second half of the year cautiously optimistic with respect to trend, not just the top line, but also with our cost containment activities.

With respect to GrandVision, Pier?

Pierluigi Longo: Yeah. Elena, with respect to the third question, as I said, there is very little we can add, but it's pretty simple. If you refer to the legal proceedings that we initiated before the Dutch district court, the purpose of that is to obtain information from GrandVision. We need to assess the way GrandVision managed the business during the pandemic and to which stance these initiatives are in breach of the obligation under the support agreement. This is as simple as that.

Elena Mariani: Understood. But you're still aiming at closing the deal by July next year?

Pierluigi Longo: Once we get information, we're going to assess our position.

Elena Mariani: Okay. And then one – just one small follow-up for Stefano or for you as well. In terms of synergies just following up on that point. So are you still expecting to deliver something around €150 million of synergies this year, or given that practically you're not

delivering anything on the top line, then we should assume a smaller number? I'm asking just because I know that these could be under your control. Thank you.

Stefano Grassi: Elena, the synergy deliver, as you know, the portion of them is related to top line. And we discussed, I think, a bit extensively of the uncertainty and the cautious approach that we want to take for the second half. I think what Pierluigi and Eric have done across the organisation, it's also to reprioritise some of the work stream and to very much focus on the cost side of the synergy deliver.

So for us, it's a bit premature right now to put a number on the table. But I can tell you that we're also making some adjustments in the mix of our synergy deliver to really prioritise some of the things that we can go after, and that is very much on the cost side of the business. I don't know, Pierre, if you have any other colour.

Pierluigi Longo: I agree. I agree with you, Stefano.

Elena Mariani: Okay. Thank you very much to all of you.

Operator: Thank you very much. The next question comes from the line Antoine Belge from HSBC. You are unmuted. Please go ahead.

Antoine Belge (HSBC): Yes. Hi. Good morning. It's Antoine Belge at HSBC. Three questions, please. First of all, in terms of the shape of the recovery, it's quite obvious that prescription is coming much quicker. So what's your sort of outlook for then maybe more cyclical part of the business, especially sun products? And are you confident that you shouldn't see much trading down in certain products like a complete pair? Second question relates to the gross margin, quite a substantial decline. You explained the lower absorption of cost, but were there any like sort of provisions? And would you expect that when sales normalise that – I mean – and it seems that at least according to consensus that sales will normalise in H2, that then there is no longer a gross margin decline in the second half. And third question more relates to the organisation. And maybe, Paul, can you maybe talk us through some of the changes that you implemented since you've been in charge, especially some simplification in terms of organisation? And I think you highlighted the need to be more agile. And maybe has there been any sort of similar initiative on the Luxottica side? And I know it's maybe a fourth question, but so let's say it's part of the third. Can you update us on the search for the Group CEO? Thank you.

Paul du Saillant: Thank you, Antoine. So I propose, Stefano, maybe as you have been giving the picture on the sales, the top line that you comment on the first question. The gross margin, David. And I will take the third one.

Stefano Grassi: Sure. With respect to the shape of recovery, clearly, we highlighted the higher degree of resiliency on the prescription side of the business, Antoine. But let's not forget that in some discretionary parts, there are probably within that, kind of two velocity, especially on the retail side. The locations that are more exposed to touristic traffic inflows, take an example, the Sunglass Hut location in Paris, London department stores, Madrid, New York, Miami, those are the ones that are suffering the most.

But in the remainder part of our Sunglass Hut retail network, we actually do see a very stronger curve of recovery. And just to give you an example, at the end of the second quarter, the pace of velocity exiting from this challenging time between our sun and prescription business, it's

very much aligned. So again, we're suffering because of a lack of tourists in certain locations. Yes, we do so. But at the same time, we do see that when local has spending capacity, they put it into eyewear, into sun, ie plano plainsun products, and they do have an appreciation for our brands sold through Sunglass Hut online or physically to our stores. David, you want to answer the second question maybe?

David Wielemans: Yes. Thank you, Stefano. So Antoine, on your question on the gross margin. So I have already covered part of the explanation, meaning that we have never totally shut down our operations during the crisis. So we maintained a fixed cost base that was purposely maintained by the company in order to fulfil the orders and the business that was still ongoing and also in order to enable to restart quickly. So we have clearly a cost absorption effect due to the low activity.

And to your point on what about the normalised view, here, I get back to the comment on the top line. I mean, the normalised view will be that there the sales will be totally normalised, which we don't know yet how it will behave on the next month, even if July shows good trends.

But yes, once the business will be normalised, there is absolutely nothing that is impacting on the long-term the structure of our gross profit. So we should be back at the normal level and maybe also better going forward with all the integration workstream that are around the high part of the P&L, I would say.

Just to mention also that on H1, you have some effect of obsolescence because we had – because of the low activity to adjust our obsolescence provision on the first half. I hope I answered your question on that.

Paul du Saillant: Thank you. Thank you, David. And Stefano, I thought also on the first point that we could add something with regards to your trade down question. I think what we have observed, Stefano, that we can share on this call is that actually since the restart, the quality of the mix, and will we see how it goes forward, that has been quite good, and we have seen more of an improved mix led by the ECP channel, which are eager to provide the consumer with the right equipment.

So the mix in the prescription part of the business has been quite good in June and so far for what we can observe in July. It's just an additional, Antoine, detailed data point.

So on Essilor organisation. Yes, we – I am a sailor. We entered in March into a major storm. And as a sailor, when you have a major storm ahead, you want to make sure that you have a very good boat, which I'm convinced we do have. We have a very good sailing boat at Essilor, a very good sailing boat at Luxottica and a great one at EssilorLuxottica.

So Essilor is going through the storm with a good ship. I wanted to make sure that we had a simplified crew, very efficient, highly competent to lead the company through the storm. So I simplified the top of the house at Essilor as I took office to make it leaner, with a direct line of command and a very flat organisation. And that way, with Francesco also, we would have a very efficient operation in between the two organizations. And I think that has proven to be a good thing.

We have a very experienced team leading Essilor and the team of Essilor, which has been very decisive, efficient to the point, interacting daily, weekly, in a simplified operating model. So I think that was a very good thing for the company. And it allows us with Francesco to do the

following because you asked me where we were on the search. We're certainly not – I'm not here to comment that. I think we have a clear organisation in place where Francesco and I are the delegation of power, as you know, from Mr Del Vecchio and Mr Sagnières, to lead together EssilorLuxottica.

And Francesco is the CEO of Luxottica. A company he knows very well. There is a very strong team in Luxottica. And I lead Essilor, which I've just commented. So it's, I think, a very robust way to navigate in the current time. And as we work well together, I think this is a robust setup going into 2021. This is my comment on your third point, Antoine.

Antoine Belge: Thank you very much.

Operator: Thank you. The next question comes from the line of Luca Solca from Bernstein. You are unmuted. Please go ahead.

Luca Solca (Bernstein): Yeah. Good morning. Two questions, if I may. One is on the synergies guidance. I think it's difficult with your original guidance for me to do much, and there are two reasons for that. One is that COVID-19 has completely disrupted the market and the company's performance. Two, that appeared already during last year's conference call. It was not totally clear listening to Stefano how much of that were net synergies or gross synergies? Is there a possibility for you to state your synergy targets in a different manner? And when looking at the integration of EssilorLuxottica, what would be the ambition to grow the operating profit margin in three to five years when putting these two companies together? One could expect that at that time, COVID-19 disruption is going to be out of the way, or let's assume that, that is out of the way? Just to get a ballpark sense of what your ambition is in operating profit improvement. Secondly, coming to physical retail, it seems that when we look back at Luxottica's performance in retail, this typically was one or two steps back wholesale. In operating profit margin terms over 20 years, that was 9 percentage points lower. When we look at return on invested capital, it could be even more considering that you have assets in the retail – in the physical retail network. Now looking at the prospects of taking over GrandVision, what makes you confident that you will be able to improve retail performance? And why do you think that this is strategic at this stage? Could you possibly elaborate on that, especially on the first part of the question? What makes you confident that retail performance can improve? And again, let's take a medium to long-term view, putting COVID-19 to the side for a moment. Thank you.

Paul du Saillant: Thank you, Luca. So Stefano, do you want to take the question on the synergy guidance with Pierluigi?

Pierluigi Longo: Yes. If you don't mind, I mean, I can take the question on the synergies. As I said, I mean, we are confident to be able to achieve the synergy target of €420 million, €600 million by '23. That is intended as a net impact on our adjusted OI. There are a number of initiatives which we're working on.

For the time being, we predict a recovery of the business over the long-term. We do not have visibility on the pace at which this will happen in the short-term, but we are confident to get there. Well, there are now – as I said, there are a number of workstreams we're working. There are others which might be explored. So for the time being, that is the confidence we have.

In the future, we might elaborate on the margin growth, but as of today, we are not in a position to do so. I don't know, Stefano, whether you want to add anything on that?

Stefano Grassi: No. No. Absolutely. I think it's – the two things come together. We have the overall target. We're in a sudden storm and I think that's what we're aiming for.

Luca, with respect to your question in how that journey with GrandVision is going to look like. I think the company has a pretty well-proven track record of integrating retail chain within the organisation. I mean, you take – go back to 1995, really, the first one, LensCrafters, the biggest optical retail chain in North America that we purchased and integrated within our network.

Afterwards, our optical retail network in Australia, OPSM, Laubman & Pank. We did the same thing in China. Then the largest retail chain in South America, not to mention, last but not least, Salmoiraghi & Viganò. We have a very, I would say, proven track record of acquisition and integration within our infrastructure of optical retail chain.

The areas of integration and synergies are obviously still in the phase of being developed. So it's a bit premature. But you can definitely expect a high degree of focus on product assortment, whether it's frames, but I would say, in particular, lenses. We can also spread also our capability to develop more creative operating expenditures synergies on store labour, management practice, on infra – cost infrastructures. And we've seen that, for example, even during the first half of this year, in a very challenging time, where our retail network proven to be, I would say, fairly resilient, not just from a top line standpoint, but also from a profitability standpoint.

So I believe there's a lot that can be done on the product assortment part of the business but also on the overall OpEx management. And ultimately, again, what we're going to be looking more and more is our return on invested capital for the specific acquisition, which I think is going to be very much transformational in the European geography.

Paul du Saillant: Thanks. Next?

Operator: Thank you. The next question comes from the line of Julien Dormois from Exane BNP Paribas. You are unmuted. Please go ahead.

Julien Dormois (Exane BNP Paribas): Hi. Good morning, Paul, Stefano, David and Pierluigi. Thanks for taking my three questions. The first one relates to the short-term outlook. And in my view, you gave a pretty cautious view on what is going to happen in the next few months, and this is despite somewhat nice recovery you had in June. So should we assume that it has anything to do with the risk of an air pocket during Q3 because of the prescription that could not be returned during Q2 because of the lockdowns? So is there a risk there that we see – we could see some kind of a W-shaped recovery in the prescription market. The second question relates to the mid-term changes coming from the COVID pandemic. This is obviously making your case around omni-channel more important than ever. So I have two small questions here. The first one is online sales has been booming, and I would be interested to know where they stand in terms of profitability. Where do you stand on that side compared to a normative level of about 15% for the usual business? And the second question relates to the closing of retail in line with what Luca asked. I think your store count has declined by about 1% over the past six months. Is it something that is meant to accelerate going forward? And the very last

question, the one million dollar question about 2021 and the margin level. If we were to assume that you reach 2021 sales in absolute terms that would be close to the 2019 level, is there any reason why you could not restore the kind of 16% EBIT margin you delivered last year?

Paul du Saillant: Thank you, Julien. I propose, Stefano, I can take the first one on the prescription and the resilience of the demand restart. Maybe the online question, Stefano, and the profitability of the online. And I can complement also a bit on the online and then the 2021, Stefano, if you take it.

So I think it's a very important question, Julien. On the effect of the eye exam, it's clear that there was a shutdown of the eye exam for two months. And so there is a pent-up in the restart on prescription. But what has been striking to us is – so first is to not forget that the need for good vision is like a little sand here. You push it in front of you and it's still there. So the amount of need for correction, protection of the eye of the consumer has not diminished. It's there, and it is – the minute the store reopen or the online channel, people look for a solution. So that is what we have observed.

And Stefano took the example of China. We could talk about Korea, the US, France. Actually the restart has been very impressive to see France in a growth territory three weeks after the restart. Honestly, when I went out of being confined two months ago on 8th May and that the store were opening, I was not expecting three weeks after to have the Head of France tell me that the labs are fully loaded and that we have to get everybody back in the lab to take care of the business.

So I think we are still in this good momentum. As we are in this momentum, all eye exam is organising itself, and it is actually pushing new technology which are telemedicine-based technology. And there is a big acceleration in the retail inside EssilorLuxottica and also with our independent ECP to put in place tele-refraction, tele-diagnostics, tele-eye exam, remote eye exams. And I think they will help ensure that the eye exam capacity is there and that there is no secondary effect on it.

So of course, we are – when you go through such a shock wave like we have seen, we are cautiously optimistic like you have heard us say because of the possibility of further albeit smaller lockdowns. But at the same time, the resilience of the need for good vision has been proven in the last two months as being a fundamental need that people go for once they progressively go back into their normal lives.

And you should keep in mind that being at home behind your screen, behind your iPhone has actually made people even more conscious of the importance of taking care of their vision. So that is what we are observing today, and that makes me quite confident that we are in a very good market, extremely well positioned, pushing new technology, new products and the digitalisation acceleration will help us. On omni-channel and online, over to you Stefano?

Stefano Grassi: Yeah. Let me take the other question, Paul, for sure. On the e-commerce profitability, the growth that we've seen on our e-commerce business is very much driven by our branded eyewear website. We talked before in North America, ray-ban.com, Oakley and sunglasshut.com. Those are highly profitable business, materially margin accretive. So the more we see that push coming through our e-commerce website, obviously, the better it's going to be for our profitability. And that is something very pleasing, as I said, that due to the fact that those are really the major drivers of our online profitability.

With respect to retail store closure, if you look at our store count, we're slightly less than 300 stores less compared to the end of last year. You might remember that we announced the closing or the exiting from the Sears department stores due to the challenging situation and the [inaudible] was leaving, and that was happening during the first quarter of 2020. The remainder part of the difference is very much concentrated in North America, where we closed a handful of LensCrafters locations, and in China, where we closed a few stores very much due to profitability.

The other question, it's an interesting one, right? With respect to our profitability, given the hypothetical restoring of 2019 sales level. I mean, we obviously haven't done that exercise. But just stepping back and actually thinking about it, I can tell you, yes. I mean, we – there's no reason to believe we couldn't be potentially better than our 2019 profitability. And just looking at that and putting it in perspective, there are definitely obvious things that will happen, inevitable things that we will see.

We're definitely going to have a leaner organisation. So we will see more and more Essilor and Luxottica converging to a unique EssilorLuxottica organisation. And this is going to be true not just from a management and back office infrastructure, but also from the way we're going to go to our consumer, for the way we're going to go commercially our clients.

So the cross-selling activities and the convergence also from a commercial policy standpoint that Pierluigi described to you before, Julien. They very much to get you into the direction of a company that is definitely going to deliver a higher degree of synergies than what you've seen so far.

So back to your question. We don't have the economics on our hand, but just pure conceptually, no reason to believe we couldn't be better than what you've seen in 2019 with respect to profitability.

Julien Dormois: Thank you very much. It was really helpful. And enjoy the holidays.

Paul du Saillant: Thank you, Julien.

Operator: Thank you. The next question comes from the line of Domenico Ghilotti from Equita. You are unmuted. Please go ahead.

Domenico Ghilotti (Equita): Good morning. Three questions. The first is related to Wholesale. Has been really lagging behind the performance of the other divisions. So I'm trying to understand if there is just a time lag of if you see more structural elements, maybe some retaliation in Europe or any other thing that is explaining the underperformance? Then on the lenses business, you were commenting the exit piece. So the June performance for some markets, I didn't catch any way the trend for the EMEA and LATAM. And last question on the LensCrafter business, has been clearly underperforming. So during the quarter, for example, you were referring to hopefully you were Australia or even Target in North America. But – so could you elaborate a little bit more on what has been the reason for this underperformance, if you see a catch-up going forward, given also the more positive comment that you gave on the trend in July?

Paul du Saillant: Stefano, you take one and three, and David will take two.

Stefano Grassi: Absolutely, Paul. So on the Wholesale side – good morning, Domenico. I would say probably the easier way to explain that is that if you step into our optical location,

what is your behaviour? As you step into an optical location, the first thing that you see as you step in is a lot of frames. You don't see necessary lenses, but you do see frames.

So as we actually came out from the deconfinement really, as we went through the deconfinement phase, there is clearly a bit of a lag between the restart phase in our wholesale business compared to our lens part of the business. The – we needed to give the time to our optician to progressively restart their activities, to destock a little bit of their inventory in the stores to really see that.

And this is why probably the pace of our wholesale frame business is a bit softer than compared to what you've seen on the lens side. But I can tell you that already in the month of July, our wholesale trend is materially improved. Actually, if I have to tell you that probably one of the key driver of our even better performance or shape of recovery in July compared to June compared to May is very much our wholesale B2B business.

So we have really – we are really on a very promising restart of the business, I would say, on the lens – on the wholesale B2B side.

With respect to LensCrafters, it's – I would probably take a different angle here. I'm very surprised and pleasantly surprised with the Australian business rather than being disappointed with the LensCrafters performance. And I think, to be honest with you, despite I believe the Australian team has done an unbelievable job, I got to tell you that in Australia, the retail environment, especially in the month of May and June has been extraordinary.

I think the month of May, we have seen the highest increase in retail sales, just in the retail industry in general, that the Australian country has ever experienced before. And we obviously are on top of that, and we're very pleased with that. But if we look at, for example, LensCrafters performance, I would tell you that the month of April was definitely very challenging. We have a very limited amount of hours in which our stores were opened. We really provided essential care needs to the consumer that, let me say, we're kind of brave even to get out from their apartments for their houses and come to a location to just ask for a pair of contact lenses, to just ask for a replacement of their complete pair because maybe the frames was broken, maybe the lens was broken.

So the month of April, I would say it doesn't really account as a meaningful one. But after that, if I look at the performance and the sequential improvement that I have seen in LensCrafters, I can tell you that this is a pattern. This is a pattern that carried through the second half of May, continued to the month of June.

And again, in June, we were trending on the negative 20%. Now we are in the low single-digit negative from a comp sales perspective for the stores that were open. So this is a material improving trend. Yes, it is in lower pace than what we've seen in Australia, but I think it's probably more unusual, the Australian number, if I can say, than the consistent improvement that we are seeing on LensCrafters. David, you might want to take the second question.

David Wielemans: Yes. Sure, Stefano. And good morning, Domenico. Just to re-give you maybe the metrics and the performance on the length activity on the month of June, specifically, so for that you have a bit more colour of what's going on. In North America for the lens & instruments in total, we did around minus 5%, out of which you have some contact lenses

activity and not only lenses but on the pure lenses, a good indicator that our business with the independent ECP was showing positive comp versus last year on the month of June.

In Europe, same, very strong restart, as Stefano and Paul already explained. But overall, Europe was around plus 2% in the month of June with a few key countries also showing positive comp compared to last year, like France, Italy and Scandinavia. Whether some other countries are trailing behind such as the UK, which is still in negative territory, but ramping up behind the other European countries.

On Asia, AMERA – so China, in fact, the lens activity on the domestic market in China was overall very strong in the Q2 because China went out of lockdown before all the other countries. So on the Q2, the Rx activity on lens domestic market was double-digit growth. And even the stock lens activity was back to a positive comp on the month of June. The rest of Asia, so AMERA, here, we have a very different profile, but since, the recovery was steady.

And in the month of June, we had countries like Japan, Australia, Korea, also comparing positively versus last year, where as in India, for instance, the situation is more difficult right now. So we were still negative, a double-digit negative in India for the month of June. And lastly, for the whole Asia Pacific region, the performance was minus 1.4 % in total for the lens activity for the month of June.

And lastly, Latin America was around minus 28%. That's today, the most challenging region for EssilorLuxottica overall with, as you know, alternative period of lockdown, unlockdown, relockdown, so could be in Brazil, in Mexico. So it's also progressing. We see a progression month-after-month, but behind all the other regions as we all know.

Domenico Ghilotti: Thank you very much.

Operator: Thank you. The next question comes from the line of Delphine Le Louet from Société Générale. You are unmuted. Please go ahead.

Delphine Le Louet (Société Générale): Thank you very much. Good morning. Bonjour. So a bit of question on my side. I try to understand how you see the world post COVID. And in that context, I will start with the e-commerce and the e-commerce performance relatively to the gross margin, trying to understand how much the e-commerce helped the gross margin lending. Are we talking about a positive 2 percentage point impact over there? And do you think the e-commerce performance as a percentage of revenue at the Group level is going to be sustainable in the mid-term? Second question, deal with the mix. David and Paul, you mentioned we had a positive mix in June, July, which is fairly understandable considering the ECP trying to make their revenue for the year. But how do you think this is going to be sustainable at the back-to-school season considering what we see in the US and also the unemployment booming surely by the end of the year? Thirdly, when I look at the acquisition multiple and the acquisition, the CapEx you've had during earlier this year, you had the price to acquisition in the range of 3.5 times revenue, and that was already with the COVID looming around. Clearly, do you think it's something that is thinkable in the future near or mid-term? And lastly, regarding the margin development and the operating margin development. When I look at H1, I see minus 15% in selling, minus 23% in advertising, minus 12% in G&A. It sounds like you're not being pushing too much on the cost cutting. Is it something that we can expect you to be more aggressive and especially in G&A, or in advertising and marketing? Thank you.

Paul du Saillant: Thank you, Delphine. Stefano, do you want to take the first one on the e-commerce margin, and I will take the second one on the mix? I'm not completely clear, Delphine, on your third question.

Delphine Le Louet: It was just the price – yeah, the price of acquisition, 3.5 times revenue for the two acquisition you did in Jan and in March. Is it not too expensive looking forward in post-COVID?

Paul du Saillant: Okay. Stefano, you start?

Stefano Grassi: Yeah. Sure. On the profitability, Delphine, it's the branded eyewear.com are highly profitable. Those are driving and supporting our gross margin. Those are supporting our operating profit. Remember, the underlying infrastructure from an IT perspective is very much shared across the platforms.

The underlying supply chain is actually shared with our Wholesale, B2B, with our Retail. So we do have very much a common supply chain structure and a common IT ERP that allowed us to very much spread the cost through a broader phase of commercial division, not just the e-commerce. So the branded eyewear is the highly profitable one. The others are not as profitable as the branded eyewear.

But again, if the primary driver of that is very much the branded eyewear, I would say we continue to be very positive in terms of profitability in that respect. And that, again, is not just the operating profit, but it's also the gross margin. Paul, do you said you want to take the mid-term goal?

Paul du Saillant: No. I'm talking about the mid-term. I think, Delphine, the good news is the prescription business is very resilient. The ECP's are very dynamic. The consumer needs are there. We are restarting with a good mix. Yes, we are going to watch exactly the profile of the back-to-school and the condition in which the back-to-school will happen country by country.

So as we have been trying to say during this call, we think we are very well positioned. The teams are extremely close to the business, close to the ECPs, optimising the business, optimising the restart. We have a very good product portfolio. And personally, I'm quite confident, 70% of the activity of the company is linked to optical activity, addressing a basic need, like we pointed out in our communication for the Q1 sales.

So that's the way I look at it. And so far, I think the profile of the restart is good news for EssilorLuxottica from that standpoint. Also, we are going to be extremely agile and addressing properly the consumer need. But this industry is an entrepreneurial, very innovative industry, addressing a basic need. That's the takeaway. And the mix is good so far.

Delphine Le Louet: Okay.

David Wielemans: Delphine. David here. Maybe I will take to the next question. On the OpEx management, look, we have contained OpEx decrease at half of the sales decrease. But as we mentioned, we have never shut down the company. And one of our main priority was to be ready for the post-COVID.

So what does that mean? It means that we have to continue to work on our innovation. We have to continue to work on the back-to-school. We had to continue to look at the rebound in the future. So we maintain a certain level of activity. And also, as we mentioned, the online

activity was very strong in Q2. So we have obviously not stopped our marketing investments nor our digital investments as they were clear levers of growth for us in Q2.

So a personal thing that we did, and we all think that we did a pretty good job on our price containment. Going forward, we can adjust depending on how the business will evolve. And we'll continue to take all the necessary actions to monitor properly our OpEx going forward.

On your second point on the M&A, I will be very, very quick. In fact, the cash flow spend you see in the statements doesn't relate only to the two acquisitions we have done in January and March but also includes a number of earnouts and put options that have been exercised during the H1. So you should not just compare this number to the sales of the two acquisitions on the period because that is misleading. So in fact, the ratio of 3.5 is not reflecting really the picture and is effectively much lower, even if I don't have the number here with me.

Delphine Le Louet: Okay. Very interesting. Thank you very much.

Paul du Saillant: I think we should take maybe one or two more questions.

Operator: Okay. Question seven coming from the line of Veronika Dubajova from Goldman Sachs. You are unmuted. Please go ahead.

Veronika Dubajova (Goldman Sachs): Good morning, and thank you for taking my questions. I will keep it to two for the sake of everyone else. One, I just want to follow-up on some of the comments you guys made about wholesale and inventory. Just would be good to understand when do you think the wholesale performance starts to converge, a little bit closer to what you're seeing elsewhere in the business, whether I look at the retail or the lenses portfolio. I mean do you feel that inventory levels are low enough now? If you can give us some comments on that, that would be helpful. And then I think we're all very keen to hear a bit more about July. I appreciate you don't want to share figures. But maybe just a brief comment on have you seen any deterioration in performance as a result of some of the lockdowns that we have seen. If you look at the like-for-like momentum, let's say, in the US is that having any impact, Australia maybe as well, if you could share some colour with us on that, that would be terrific. Thank you.

Paul du Saillant: Thank you, Veronika. Stefano, you take the inventory wholesale?

Stefano Grassi: Yeah. And the retail trends in Australia as well. Yes, sure. No problem. I mean the situation on the wholesale side, as I said, it's developing, and it's improving quite materially. Again, we had to let our independent channel to really restart reopening the doors and welcome consumer in their shops. But we continue to observe that consistent pattern of improvement, in particular in North America, and also in Europe, I would say, throughout the early start of the third quarter.

Clearly, we need to look at how it's going to be the evolution of the pandemic outbreak. That's why we – as I said before, we are cautiously looking and observing how it's going to be the development of the second half of the year. But nevertheless, again, we are very pleased with the improvement in the wholesale trend, meaning that our channels, our independent channel, our key and top accounts are really restarting their level of activities with some good sell-out data. Even the STARS programme actually is giving us a pretty good indication in that respect.

With respect to the lockdown and the impact that we've seen, I would say, not material yet. In a way, it's pretty reassuring if you consider that, again, in Australia, we do continue to see,

even during the month of July, on our optical retail business, which is really the biggest part, our comp sales trending on the high-single-digit even in the month of July, which is very reassuring.

Clearly, in the region specifically Victoria, we do see an experience – a traffic decline that is materially higher than in the remainder part of the Australia. But that is very much due to the restriction and limitation that the local government put in place for the Australian citizen in that part.

But again, the overall trend even in optical Australia for the month of July is actually trending on the positive territories.

Veronika Dubajova: That's helpful. And would you say the same is the case – the same has been the case in the US, especially in the South?

Paul du Saillant: Stefano, I can take that one. July, your question is on July. So far, so good. We do not see any effect on our prescription activity, which is a key indicator. The trends in July in the US, in Canada, in Europe, are very encouraging. Overall Asia is improving also. So it's a very encouraging trend.

And you have to keep in mind that the government is taking a very granular, localised approach on the relockdowns. It's very localised at this point. They are more trying to let the people move around, wear mask to respect the distancing, the procedures, but it's a totally different attitude from the government to what it was in March, April, May. So far, the activity that we have seen in the restart has been quite robust through July.

Veronika Dubajova: That's very helpful. And so if I can just follow up quickly on that, just kind of slightly surprised. If you're not really seeing a lot of impact from the lockdowns, yet you sound fairly cautious on the third quarter. Sort of what's giving you that pause? Is it just simply that you cannot see what happens in August and September, or do you have other concerns above and beyond that?

Paul du Saillant: You saw the first fantastic curve of Stefano that showed minus 70, minus 52, minus 19. When you have such a curve, you are making sure that the company is reacting well to all of that. We are doing our best to adjust a very stable business model to a major disruption.

At the end of July, where we are now – I think we have very encouraging signs. We are cautiously optimistic because we are in a recovery period. But the signs, like you heard it from Stefano, from David, and from myself, are encouraging. So that's where we are for now. And we certainly look forward to sharing more about the recovery with you as we report our third quarter sales on 3rd November. I am looking forward to it.

Veronika Dubajova: Terrific. That's very clear. Thank you guys so much.

Operator: Thank you. The next question comes from the line of Francesca Di Pasquantonio from Deutsche Bank. You are unmuted. Please go ahead.

Francesca Di Pasquantonio (Deutsche Bank): Yes. Hi. Good morning. I have one or two more remaining follow on. The first is to understand better what you think could happen and could be in your control in the second half under a couple of scenarios. So if the recovery continues, I understand the need to make major cost decisions will be more limited. But what

if the recovery were to be slower than expectations, what could be your potential course of action? Because you stated in your presentation that your cost is 50-50 fixed and variable. It seems in the first half, this wasn't probably so much the case as potentially many variable costs were kept fixed. So in other words, will you have the intention and more room to be a bit more aggressive on cost downsizing in the second half? And then a follow-up on obsolescence, inventories in the trade and your balance sheet. How clean do you think the situation is, needs for buyback from third-party retailers, needs to make a sizable provision to take care of unsold stock? That would be helpful to know as well. Thank you.

Paul du Saillant: Thank you, Francesca. Stefano, do you want to take the first one?

Stefano Grassi: Sure, Paul. So with respect to the – what's in our control, Francesca, I would say that we have been taking a very precise course of action in containing our cost base. We've been very selective and very careful in the areas on which we're going to do cost containment. Remember that our cost contain exercise very much took place just during a single quarter. There was no really course of action during Q1. And that was very much taken into consideration during the second quarter.

The picture might evolve in a different manner during the second half of the year. There are a lot of variables that need to be taken into consideration. On one side, I think the priority that Pierluigi explained before was to really go not just on the top line but also on the cost containment, with cost synergies, to very much make our organisation converging one with the other, more and more. And those are choices that obviously reside in our hand, and those are choice that we continue to make to really make sure that more and more of our synergy delivery really resides in a part of action that we can execute and deliver despite a challenging top line.

The second important aspect that we obviously need to observe and understand it's very much in which extent the government subsidy are going to be granted, if any, also during the second half of the year because you know that government subsidy had been granted in the first half of the year, and particularly in the second quarter by some governments. And many of them are still up for renewal as we speak. Probably the biggest one in the United States, the famous furlough that we heard many times on the news.

So we also got to understand that part, how it's going to evolve. But clearly, we still have the capability to further deepen our work on cost containment. But again, I think we need to be conscious of our top line shape and carefully observing what is going to be the evolution of that. If the evolution is on a full recovery, I think we have a structure in place to support that recovery.

If by any chance, our shape diverge from the trend that you've seen on page five of the presentation, we're obviously able and capable to take further action on our cost base.

The other question with respect to inventory obsolescence, let me just be very straightforward, Francesca. Obsolescence is not a major item in the first half of the year. As David explained, our margin dilution is very much driven by under-absorption of cost, very much due to the decline in our top line that we experienced. But during the second half, we need to see what's going to be the progression in top line and obviously observe that and really draw our conclusions with respect to obsolescence and sell-out numbers at the end of the year. I think we would be in a good position as a checkpoint during the third quarter and obviously in excellent position to make further assessment at the end of the year.

Francesca Di Pasquantonio: Thank you.

Paul du Saillant: Thanks. Next?

Operator: Thank you. The final question of today comes from the line of Cedric Lecasble from MainFirst. You are unmuted. Please go ahead.

Cedric Lecasble (MainFirst): Yes. Good morning, everybody. And thank you for taking these questions. I have three, if I may. The first one on the Ray-Ban Authentic initiative, is it – was it instrumental to what you've done in Northern Italy and the integration of supply chains and the experiments you have started? And could you update us on the rollout of this experiment, if it will be rolled out to other geographies and how it's been going so far? The second one, just to come back to the sun season, especially in Wholesale. What kind of timing do you see as an issue as a sun season will end in maybe some weeks in the northern hemisphere? So is it not a little late to see a strong recovery in the sun season and outside as it was slow to restart? And the last one, I'm sorry to come back on GrandVision. But just to understand in terms of timing. We understood that the EU antitrust start the clock, just to see how the legal case evolves. How does this new arbitration news that came in yesterday interfere with that? I understand that the legal event ends in August in the Netherlands. What about the arbitration? And how do you see timing for that? And will the EU wait for such a long time if the arbitration takes longer? Thank you very much.

Paul du Saillant: Thank you, Cedric. Stefano, maybe you take the sun season aspect, Pierluigi the question on GrandVision, and I can say a few words with Stefano on the Ray-Ban Authentic launching. Is that fine? So Stefano, on the sun season.

Stefano Grassi: Sure. I mean you're right, Cedric. The sun season has been – kind of derailed, right, by the, let's say, progressive deconfinement at different stages in the northern hemisphere. So it's definitely a softer kind of sun season. But again, as Paul explained before, the stronger resiliency of our prescription business in the area where we suffer more the sun, for example, in Europe, for example, in Asia, allowed us to at least partially compensate that kind of weakness.

Nonetheless, let's not forget that a lot of our sun had a pretty strong online sell-out proposition. So we've seen sunglasshut.com trending on the double, triple-digit in several different geographies. So yes, have seen a softer sun season, for sure, than what we've seen before. But I would say the higher degree of resiliency of our prescription side of the business, it's very encouraging, especially for the second half of the year trend where, back to your point, the Northern Hemisphere is now going to obviously enjoy sun any longer, will be probably the only exception of the holiday season, which obviously, at this stage, is a bit far away, and we need to see how it's going to look like.

Paul du Saillant: Thanks. A word Pierluigi on GrandVision point?

Pierluigi Longo: Sure, Paul. Yeah. Cedric, with respect to the proceeding, I mean, it's going to be – today, it's very complex to predict what's going to happen in the timeframe. But what we can tell you is that with respect to the legal proceedings that we initiated before the Dutch district court, we are going to have an hearing at the beginning of August. So we expect that, that could take a few weeks to understand the position of the court.

With respect to the arbitration, which were initiated by GV and HAL, this is more difficult to understand. We are looking into that, but it might take several months before we have visibility on the outcome.

Cedric Lecasble: Thank you very much.

Paul du Saillant: Thank you. So on Ray-Ban, so we did the launch in mid-June. The real full launch in Italy will take place in September during the the back-to-school, which is a good time we think to do it. In June, we were still in the middle of the restarting period with the reopening of the stores. And then the idea is to launch it, but we have not communicated any specific geographies, but clearly across some of our key geographical positions.

So it's a very promising offer which makes a lot of sense. It's very well received by our ECP network. And I think the big rendezvous will be in September during the back-to-school in Italy.

So I think this was our last question. So this is going to end today's call. Thanks a lot for all of your questions. We are very happy to share all of this with you. I am personally with Francesco, with all of our teams, very determined in the building of EssilorLuxottica. I think the COVID crisis is actually – I hate to say this, but in a way, an opportunity to accelerate the pace of the company, to accelerate key trends in the industry.

The company is very well positioned. And if you have seen us cautiously optimistic, you have seen the recent trends which are actually quite encouraging and the fundamental positioning of the Group is definitely the right one.

So I hope that was helpful to you. The next rendezvous is on 3rd November, and we were, the four of us, extremely happy with the IR team to have this call this morning and this afternoon for some of you. Thanks a lot, and see you or talk to you soon. Have a good day.

Operator: Thank you for joining today's conference. You may now disconnect your handsets.

[END OF TRANSCRIPT]