

Risultati 2020

Resilienza, digitalizzazione e sinergie portano verso una forte ripresa e pongono solide basi per il futuro

- Rapida reazione alla pandemia di COVID-19 con adozione di misure a favore di dipendenti, clienti e della società in senso ampio
- Ricavi in costante recupero tra il primo ed il secondo semestre dell'anno
- La divisione Lenses & Optical Instruments, il Retail e l'e-commerce guidano la ripresa
- La pipeline di prodotti innovativi e gli investimenti sui marchi posizionano la Società in modo ottimale per il futuro
- Forte rimbalzo del margine operativo in termini sia reported³ sia adjusted² nel secondo semestre
- La generazione di cassa⁴ supera quella dello scorso anno, sinergie e processo di integrazione in linea con i tempi previsti

Charenton-Le-Pont, Francia (12 marzo 2021 - 7:00) - Il Consiglio di Amministrazione di EssilorLuxottica si è riunito l'11 marzo 2021 per l'approvazione del progetto di bilancio consolidato per l'esercizio chiuso al 31 dicembre 2020. Quest'ultimo è stato sottoposto a revisione; la relazione di revisione è in corso di emissione.

“Per capire veramente le qualità di EssilorLuxottica, basta guardare a come abbiamo affrontato le difficoltà dello scorso anno e il modo in cui abbiamo trasformato le avversità in opportunità per il 2021. Nella prima parte dell'anno, la Società e le nostre persone hanno dato prova di grande resilienza, stringendo relazioni ancora più forti con i clienti. Nella seconda metà, abbiamo cambiato passo e investito sulla ripresa continuando a garantire alle nostre organizzazioni, ai partner e ai clienti le risorse e il supporto di cui avevano bisogno per tornare a crescere. È questo il segno distintivo di un'azienda di riferimento per l'intero settore, che mette a disposizione le sue caratteristiche e capacità a beneficio di tutti gli stakeholder: una Mission coinvolgente, la partecipazione azionaria dei dipendenti, le relazioni consolidate con i clienti, la digitalizzazione del business, una supply chain flessibile e l'innovazione di prodotto e a supporto dei marchi.

I solidi risultati dimostrano la qualità del nostro modello di business e i benefici del processo di integrazione. La domanda strutturale di prodotti e servizi per la correzione visiva e i nostri marchi riconosciuti in tutto il mondo, unitamente all'integrazione verticale, all'innovazione e al controllo attendo dei costi hanno sostenuto la redditività.

EssilorLuxottica è oggi in una posizione unica per sostenere l'evoluzione del settore dell'eyewear e dell'eyecare, con risorse e nuove categorie di prodotto come le lenti per il contrasto della miopia o il paio di occhiali completo tra montature e lenti per creare valore nel lungo periodo”, commentano Francesco Milleri e Paul du Saillant, rispettivamente Amministratore Delegato e Vice Amministratore Delegato di EssilorLuxottica.

“Ringrazio l'attuale management per gli importanti risultati ottenuti in un anno molto difficile. Alla luce di questi risultati intendo proporre al nuovo Consiglio di confermare Francesco Milleri nel ruolo di Capo Azienda e Paul du Saillant come suo Vice”, ha aggiunto Leonardo Del Vecchio, Presidente di EssilorLuxottica.

Risultati 2020

In milioni di Euro	2020	2019	Variazioni a cambi correnti	Variazioni a cambi costanti ¹
Fatturato	14.429	17.390	-17,0%	-14,6%
Utile lordo	8.476	10.817	-21,6%	-19,3%
Utile lordo adjusted ²	8.493	10.887	-22,0%	-19,6%
% del fatturato	58,9%	62,6%	-	-
Utile operative	452	1.678	-73,1%	-69,4%
Utile operativo adjusted ²	1.374	2.812	-51,1%	-48,5%
% del fatturato	9,5%	16,2%	-	-
Utile netto attribuibile agli azionisti della capogruppo	85	1.077	-92,2%	-88,6%
Utile netto attribuibile agli azionisti della capogruppo adjusted ²	788	1.938	-59,3%	-57,0%
% del fatturato	5,5%	11,1%	-	-

EssilorLuxottica ha registrato ricavi per 14.429 milioni di Euro, in calo del 17,0% a cambi correnti e del 14,6% a cambi costanti¹, rispetto al 2019. Queste riduzioni sono state il risultato diretto delle misure di lockdown messe in atto in tutti i mercati nella prima parte dell'anno per fronteggiare la pandemia di COVID-19. L'utile lordo reported³ e adjusted² della Società si attestano rispettivamente al 58,7% e al 58,9% delle vendite, mentre l'utile operativo reported³ e adjusted² è stato rispettivamente del 3,1% e del 9,5% delle vendite. L'utile netto reported³ e adjusted² attribuibile agli azionisti della capogruppo è pari a 85 milioni di Euro e 788 milioni di Euro rispettivamente (i dati reported³ riflettono anche l'impatto negativo non monetario della PPA pari a 528 milioni di Euro relativo alla combinazione di Essilor e Luxottica).

Risultati secondo semestre

In milioni di Euro	Secondo semestre 2020	Secondo semestre 2019	Variazioni a cambi correnti	Variazioni a cambi costanti ¹
Fatturato	8.199	8.614	-4,8%	0,3%
Utile lordo	4.941	5.331	-7,3%	-2,3%
Utile lordo adjusted ²	4.948	5.337	-7,3%	-2,2%
% del fatturato	60,4%	62,0%	-	-
Utile operativo	830	640	29,7%	39,9%
Utile operativo adjusted ²	1.249	1.300	-4,0%	2,3%
% del fatturato	15,2%	15,1%	-	-
Utile netto attribuibile agli azionisti della capogruppo	496	406	22,2%	32,2%
Utile netto attribuibile agli azionisti della capogruppo adjusted ²	781	891	-12,3%	-6,5%
% del fatturato	9,5%	10,3%	-	-

Highlight operativi e finanziari

- Solida ripresa a “V” dal mese di maggio. Il business vista, che rappresenta il 75% del fatturato, ha sostenuto lo slancio delle vendite dopo i lockdown. I ricavi del quarto trimestre e del secondo semestre sono aumentati rispettivamente dell'1,7% e dello 0,3% a cambi costanti¹.
- Durante tutto l'anno, business cruciali come lenti, optical instrument e montature oftalmiche oltre che l'e-commerce e il Retail hanno mostrato una performance superiore alle aspettative. In tutte queste aree, la richiesta di un'assistenza oculistica di qualità ha confermato la propria resilienza e le proprie caratteristiche strutturali nonostante le condizioni sanitarie e lo scenario economico instabili, con un buon mix in termini di prodotti, canali e aree geografiche.
- Una solida pipeline di prodotti innovativi in nuove e promettenti categorie come il complete pair con Ray-Ban Authentic, le soluzioni per la correzione della miopia come le lenti Stellest, gli esami della vista sempre più avanzati, gli strumenti per la misurazione come il pacchetto Vision R-800 e AVA e infine gli smart glasses grazie alla collaborazione con Facebook.
- Significativo aumento della digitalizzazione in diversi ambiti, dall'esperienza del consumatore in negozio (display digitali, smart shopper, virtual mirror), all'interattività online (sistema di prenotazione degli appuntamenti, drive-to-store, siti informativi), agli esami della vista e di misurazione (tele-optometria), alla supply chain.
- L'e-commerce su piattaforme di proprietà ha registrato ricavi per 1,2 miliardi di Euro nel 2020 con una crescita del 40% sull'intero anno e del 39% nel solo quarto trimestre a cambi costanti¹. La crescita è stata guidata da tutte le principali piattaforme monomarca come Ray-Ban, Oakley, Sunglass Hut e Costa, nonché dalla piattaforma multi-brand EyeBuyDirect. L'e-commerce ha nel complesso registrato un margine operativo superiore rispetto alla media di Gruppo.
- Buoni progressi sul fronte delle sinergie dato che l'integrazione tra le due società operative è proseguita senza stop durante la pandemia.

Highlights per divisioni e aree geografiche

- La divisione Lenses & Optical Instruments ha beneficiato dell'appetito per soluzioni ottiche a valore aggiunto: i ricavi sono aumentati del 4,0% nella seconda metà dell'anno, in calo solo del 9,5% nell'intero anno a cambi costanti¹. Gli ottici indipendenti si sono adattati rapidamente al nuovo contesto di business, alimentando una rapida ripresa in tutto il mondo. Il Nord America, la Francia e la Cina sono stati i paesi chiave.
- Il business della divisione Wholesale si è progressivamente normalizzato durante la seconda parte dell'anno, insieme alle riaperture dei clienti ottici, portando i ricavi a raggiungere quasi la parità con l'anno precedente. Il Nord America è stato il motore principale con un aumento a doppia cifra nel secondo semestre a cambi costanti¹, sostenuto da ottici indipendenti e dalle piattaforme e-commerce di terze parti.
- Il Retail ha registrato una ripresa durante la seconda metà dell'anno, poiché più del 90% dei negozi sono rimasti aperti. Nel quarto trimestre la divisione è stata supportata dal buon andamento delle insegne vista, in particolare in Nord America, Australia e America Latina, mentre ha risentito di nuovi lockdown nell'ultimo periodo in determinate aree dell'Europa e del Nord America.
- Per quanto riguarda le aree geografiche, i ricavi a cambi costanti¹ in Nord America, il più grande mercato sviluppato della Società, sono aumentati sia nel quarto trimestre e sia nella seconda metà dell'anno. I ricavi a cambi costanti¹ in Cina sono aumentati di circa il 10% nel quarto trimestre. L'Australia, che ha mantenuto sempre vendite solide, e il Brasile, in recupero, sono stati tra i mercati con le migliori performance nel quarto trimestre, entrambi in crescita a doppia cifra a cambi costanti¹.

Highlights finanziari

- Una gestione efficiente dei costi ha portato l'utile operativo adjusted² al 15,2% di incidenza percentuale sui ricavi nella seconda metà del 2020, in linea con il livello raggiunto nella seconda metà del 2019.
- La Società ha registrato un forte generazione di cassa⁴ pari a 1.842 milioni di Euro, in linea con il 2019, che riflette la rapida implementazione di misure di contenimento dei costi e di salvaguardia della liquidità, nonché la solida ripresa dell'attività osservata nella seconda metà dell'anno.

Continua a crescere la partecipazione azionaria dei dipendenti di EssilorLuxottica a livello internazionale, con il 44% della popolazione aziendale che detiene una partecipazione azionaria. La Società ha inoltre proseguito con le sue iniziative sul tema diversità e inclusione in tutto il mondo, guadagnandosi il riconoscimento dal Financial Times come "Diversity Leader".

COVID-19

Sebbene la pandemia di COVID-19 abbia pesato sullo scenario economico per tutto il 2020, allo stesso tempo ha permesso a EssilorLuxottica di mettere in luce alcune caratteristiche fondamentali del proprio modello di business e della sua cultura aziendale:

- **Impegno costante nei confronti dei dipendenti e della società intesa in senso ampio.** La prima priorità della Società è stata quella di investire nel benessere delle persone e delle comunità. Ciò include l'impegno attraverso l'istituzione di un fondo COVID-19 di circa 160 milioni di Euro per proteggere il capitale umano del Gruppo con misure mirate come il sostegno del reddito per i suoi dipendenti in difficoltà. Parallelamente, EssilorLuxottica ha donato più di due milioni di dispositivi di protezione individuale a ospedali, istituzioni pubbliche, dipendenti e partner.
- **Rapida adattabilità al nuovo scenario.** La Società ha fatto leva su una rete produttiva e una supply chain diversificate e flessibili, sui laboratori lenti e sulla propria rete retail per assicurare la continuità operativa nonostante le chiusure richieste dai governi. Ha mostrato rapidità di esecuzione sia a livello globale sia locale per adattarsi alle diverse situazioni di "stop-and-go" imposte dai lockdown locali. Ha imparato a gestire i suoi negozi con nuovi protocolli sanitari e orari di apertura ridotti che hanno comportato un traffico inferiore ma tassi di conversione più elevati. Alla fine di dicembre, la maggior parte dei negozi nel mondo aveva riaperto.
- **Rapporto di fiducia con i clienti.** EssilorLuxottica si è avvicinata ancora di più ai clienti ottici indipendenti aiutandoli a riavviare i propri business dopo i lockdown, implementare nuovi protocolli di vendita, riorganizzare i negozi e avere accesso a più strumenti digitali. Le nuove soluzioni tecnologiche come lo store locator e i sistemi di prenotazione degli appuntamenti online hanno aiutato a indirizzare l'esperienza del consumatore verso i partner del Gruppo. Il fondo della Società a impatto sociale, "Vision for Life", ha anche sostenuto finanziariamente molti fornitori di assistenza oculistica di base che hanno dovuto fronteggiare la pandemia di COVID-19.
- **Facilitazione alle nuove abitudini di consumo.** La pandemia ha cambiato comportamenti dei consumatori innescandone molti per i quali EssilorLuxottica è particolarmente predisposta: una maggiore consapevolezza della necessità di prendersi cura dei propri occhi, in particolare a causa dell'aumento del tempo passato davanti agli schermi durante la pandemia di COVID-19; una maggiore richiesta di soluzioni per la correzione della miopia, dovuta all'utilizzo dei monitor, che è stata alla base del successo del lancio di Stellest; un crescente appetito dei consumatori per soluzioni visive a valore aggiunto; e un maggiore familiarità nell'acquisto online di soluzioni per la cura della vista e di occhiali.
- **Rigida disciplina finanziaria.** Il contenimento dei costi è stato messo in atto rapidamente attraverso

la riduzione dei compensi dei dirigenti o il loro posticipo, la prioritizzazione delle spese di marketing e la rinegoziazione dei contratti con fornitori e locatori. La liquidità è stata preservata tramite la sospensione del programma di acquisto di azioni proprie, il posticipo del pagamento dei dividendi e la sospensione temporanea di tutti gli investimenti non essenziali. Nuove acquisizioni e partnership sono state sospese.

Nel complesso, la Società ha sfruttato la situazione della pandemia per favorire ulteriormente il processo di integrazione, digitalizzare i processi di business, migliorare le piattaforme di e-commerce, rafforzare i rapporti con i clienti ottici indipendenti e arricchire ulteriormente la propria pipeline di prodotti innovativi.

Sinergie e integrazione

Nel 2020 è proseguita l'integrazione tra le due società operative. Di conseguenza, il management team ribadisce la propria fiducia nel raggiungimento di sinergie comprese nel range tra 300 e 350 milioni di Euro di utile operativo adjusted² entro la fine del 2021 e tra 420 e 600 milioni di Euro entro la fine del 2023. Nonostante la pandemia di COVID-19, sono ventotto i progetti attivi.

I punti salienti delle sinergie realizzate nel 2020 comprendono:

Sinergie di fatturato

- Il lancio di Ray-Ban Authentic, il nuovo complete pair con la tecnologia delle lenti di Essilor. Dopo il successo del lancio in Italia, a fine anno il prodotto era pronto per essere lanciato negli Stati Uniti e in Canada.
- Presentazione ad agosto di EssilorLuxottica 360, un programma congiunto dedicato ai clienti ottici che combina le offerte di Essilor, Luxottica ed EyeMed in Nord America.
- Espansione delle opportunità di cross-selling tra le piattaforme Essilor e Luxottica. Ad esempio, le lenti Essilor sono state rese disponibili presso tutte le catene retail Luxottica a livello globale registrando una solida performance nel 2020. Le montature Luxottica hanno aumentato la loro penetrazione tra i membri Vision Source e sulla piattaforma FrameDream di Essilor.

Sfruttare competenze ed economie di scala

- Completamento dell'integrazione di Costa nel portafoglio marchi di Luxottica, con l'obiettivo di aumentarne la distribuzione facendo leva sui canali wholesale, retail ed e-commerce della Società.
- Integrazione di OPV, insegna vista attiva in Cile, il cui completamento è previsto nella prima metà del 2021.
- Ottimizzazione della distribuzione attraverso la creazione di programmi dedicati alla consegna dei prodotti della Società in maniera integrata per area geografica così come per le consegne delle vendite online.

Supply Chain

- Continua integrazione delle supply chain delle due società operative.
- Annuncio nel 2020 di alcune integrazioni di laboratori, in particolare in Nord America.
- Avvio della progettazione di una logistica integrata per il complete pair, con l'obiettivo di creare un solido processo comune in tutte le aree geografiche a servizio dei principali clienti.

- Ottimizzazione delle attività di approvvigionamento, grazie alla definizione di nuovi processi a supporto.

Infrastrutture

- Una piattaforma SAP comune è stata implementata con successo in Italia ed è in programma la sua estensione a livello globale.
- Continuo accorpamento di processi di acquisto e funzioni.

Social impact e sostenibilità a supporto della Mission

Nel corso del 2020, la performance non finanziaria della Società ha acquisito slancio su molti fronti:

Debattere i problemi di vista in tutto il mondo

EssilorLuxottica ha intensificato gli sforzi per dare accesso alla cura della vista con l'obiettivo di debellare i problemi di vista in tutto il mondo entro il 2050. A partire dal 2013 la Società ha fornito accesso a cure oculistiche a oltre 420 milioni di persone nei paesi in via di sviluppo, creando più di 17.300 aziende inclusive o fornitori di assistenza oculistica di base e oltre 200 Sustainable Vision Center. Ad oggi, ha anche corretto e protetto la vista di oltre 39 milioni di persone attraverso un business inclusivo e azioni filantropiche. Nel 2020, nonostante il difficile contesto dovuto alla pandemia di COVID-19, i programmi sono proseguiti in tutto il mondo in quattro aree chiave:

- Accesso alla cura della vista attraverso business inclusivi. La creazione di canali ottici informali nelle piccole città ha creato un forte impatto in Cina con il programma Eye Partner e in Indonesia con il programma Mitra Mata. In Bangladesh, il programma Eye Mitra è stato ampliato per formare oltre 1.000 fornitori di assistenza oculistica di base nei prossimi due anni. OneSight ha completato il centro per le cure oculistiche in Ruanda nel 2020, dove ora il 100% delle popolazioni in difficoltà è in grado di raggiungere un centro per la cura della vista entro un giorno di viaggio.
- Innovare per accelerare l'accesso alla cura della vista. L'innovativo laboratorio Base of the Pyramid (BoP) di Essilor ha aperto la strada all'utilizzo di una piattaforma di teleconsulto per i fornitori di assistenza oculistica di base per connettersi con gli optometristi nelle aree urbane che supervisionano a distanza la misurazione. In India è stato sperimentato un modello di consegna a domicilio, dove i clienti possono programmare screening della vista a domicilio facilitati dal teleconsulto. Il BoP Innovation Lab ha anche sviluppato ClickCheck, un dispositivo di screening della vista a basso costo.
- Aumentare la consapevolezza dell'importanza della cura della vista. In Cina, la Società ha siglato una partnership con EyeQMe e Tencent per promuovere una maggiore consapevolezza sul problema della miopia giovanile. In India, ha contribuito a espandere la campagna See Now che ha raggiunto quasi 50 milioni di persone in Uttar Pradesh con messaggi molto importanti sulla salute degli occhi. Ha inoltre rinnovato la sua partnership con la Fédération Internationale de l'Automobile (FIA) per la sensibilizzazione sull'importanza di una buona vista per una guida sicura.
- Fornire assistenza a chi ne ha bisogno. Essilor ha lanciato un programma di cura della vista per 300.000 lavoratori migranti a Singapore, ha creato un'unità mobile in Francia per portare la cura della vista in alcune aree svantaggiate e ha riavviato un progetto in India per debellare i problemi della vista nella regione di Doddaballapur. OneSight ha organizzato 12 cliniche di beneficenza negli Stati Uniti, in Australia, Nuova Zelanda, Bangladesh e Sud Africa, fornendo a più di 13.500 persone esami della vista e occhiali gratuiti. EssilorLuxottica ha fornito cure per la vista gratuite a 1,5 milioni di persone nel 2020.

Integrare la sostenibilità nelle scelte strategiche del Gruppo

"Integrare la sostenibilità nelle scelte del Gruppo" è uno dei pilastri della visione strategica di EssilorLuxottica. Nel 2020 la Società ha rafforzato il proprio impegno per uno sviluppo sostenibile mettendo insieme gli storici pilastri in ambito di sostenibilità:

- Ha avviato i primi flussi di lavoro comuni tra le due società operative su temi cruciali come ricerca e sviluppo, la filiera responsabile, le iniziative legate al cambiamento climatico, l'offerta sostenibile e la formazione delle persone, identificandoli come punti cardine della road map integrata di sostenibilità.
- Ha introdotto innovativi materiali bio-based su tutti i prodotti che hanno permesso il lancio di specifiche collezioni, da Arnette a Burberry fino a Emporio Armani.
- Ha sostenuto le raccomandazioni della Task Force on Climate-related Financial Disclosures (TCFD) per garantire un'informativa completa e trasparente sui rischi e le opportunità legati al clima e sta costruendo ed mettendo in atto la propria roadmap sui cambiamenti climatici.
- Ha rafforzato i parametri di sostenibilità aggiornando la valutazione e individuando le priorità dei rischi CSR, rafforzando la campagna di rendicontazione non finanziaria, la misurazione degli indicatori principali e l'applicazione del Codice Etico.

Dividendi e posizione finanziaria

La Società ha chiuso l'anno con 8,9 miliardi di Euro di liquidità e investimenti a breve termine e un indebitamento finanziario netto⁵ di 3,0 miliardi di Euro (comprese le passività per leasing) rispetto a un indebitamento netto⁵ di 4,0 miliardi di Euro alla fine del 2019. Inoltre, la Società dispone di linee di credito committed non utilizzate per 5,1 miliardi di Euro. Il solido bilancio riflette anche la forte generazione di cassa⁴ dell'anno, grazie alle misure di controllo dei costi e di tutela della liquidità.

Il 28 dicembre 2020 è stato pagato un acconto sul dividendo di Euro 1,15 per azione per l'esercizio 2020. Tale decisione è stata supportata dall'efficacia delle misure adottate per contenere i costi e preservare la liquidità e dalla solida ripresa del business osservata nella seconda metà dell'anno.

Il Consiglio di Amministrazione raccomanderà agli azionisti in occasione dell'Assemblea annuale che si terrà il 21 maggio 2021 di approvare il pagamento di un dividendo finale di Euro 1,08 per azione. Agli azionisti verrà offerta la possibilità di ricevere il dividendo finale in contanti o in azioni di nuova emissione (scrip dividend). La data di stacco della cedola sarà il 28 maggio 2021 e il dividendo finale sarà pagato - o le azioni emesse - a partire dal 21 giugno 2021.

Outlook

EssilorLuxottica inizia il 2021 con fiducia nella capacità di sovraperformare il settore dell'eyewear e dell'eyecare, grazie a prodotti e processi innovativi e alla capacità di continuare a trasformare l'esperienza del consumatore.

Tenendo conto delle incertezze causate da COVID-19, il momento positivo già visibile in Asia- Pacifico e la speranza che le campagne di vaccinazione inizieranno a normalizzare gradualmente il contesto economico in tutte le altre aree geografiche dal secondo trimestre in poi, la Società ambisce a una performance paragonabile a quella dei livelli pre-pandemici.

Inoltre, la Società ritiene che alcune tendenze attualmente in atto probabilmente continueranno: e-

commerce forte, vendite solide dei prodotti vista, retail vista che supera la vendita delle insegne sole.

Conference call

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

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

https://channel.royalcast.com/landingpage/essilorluxotticaen/20210312_1/

Prossimi eventi per gli investitori

- Fatturato del primo trimestre 2021 e conference call: 6 maggio 2021
- Assemblea degli Azionisti: 21 maggio 2021
- Risultati primo semestre 2021 e conference call: 30 luglio 2020
- Fatturato del terzo trimestre 2021 e conference call: 29 ottobre 2021

Note al comunicato

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

2 Misure adjusted: rettificate dai costi o dai proventi relativi alla combinazione tra Essilor e Luxottica e ad altre operazioni insolite, non frequenti o non correlate al normale svolgimento dell'attività, poiché l'impatto di tali eventi potrebbe influire sulla comprensione delle prestazioni del Gruppo.

3 Indicatori o dati reported: indicatori o dati derivanti direttamente dal bilancio consolidato IFRS.

4 Generazione di cassa: Flusso di cassa netto fornito dalle attività operative meno la somma di acquisto di immobili, impianti e macchinari e attività immateriali e pagamenti in contanti per la parte principale delle passività per leasing secondo il rendiconto finanziario consolidato IFRS.

5 Indebitamento netto: somma dei debiti finanziari correnti e non correnti, delle passività per leasing correnti e non correnti, meno gli investimenti a breve termine, la liquidità e mezzi equivalenti e l'Interest Rate Swap misurato al fair value come indicato nel bilancio consolidato IFRS.

EssilorLuxottica è un leader globale nella progettazione, produzione e distribuzione di lenti oftalmiche, occhiali da vista e da sole. Costituita nel 2018, la sua mission è aiutare il mondo a vedere meglio, vivere meglio e godere appieno della vita. L'azienda unisce le competenze complementari di due pionieri nel settore, uno nelle tecnologie all'avanguardia per lenti oftalmiche e l'altro nella realizzazione di occhiali da vista e da sole iconici, definendo nuovi standard nel settore dei prodotti per la cura della vista e nell'esperienza dei consumatori. Marchi iconici come Ray-Ban e Oakley nell'eyewear, Varilux e Transitions nelle lenti, Sunglass Hut e LensCrafters nel retail ottico e sole fanno parte della famiglia EssilorLuxottica. Con circa 140.000 dipendenti, nel 2020 EssilorLuxottica ha registrato ricavi pro forma di circa 14,4 miliardi di Euro. EssilorLuxottica è quotata sul mercato Euronext Paris ed è inclusa negli indici Euro Stoxx 50 e CAC 40. ISIN: FR0000121667; Reuters: ESLX.PA; Bloomberg: EL:FP.

CONTATTI

EssilorLuxottica Investor Relations

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

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

E-mail: ir@essilorluxottica.com

EssilorLuxottica Corporate Communications

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

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

E-mail: media@essilorluxottica.com

Excerpt from 2020 Management Report

Please refer to the footnotes of the Management Report on page 35.

Significant events

Licenses renewal

On March 18, 2020 Luxottica Group and Dolce&Gabbana announced the early renewal of an exclusive license agreement for the development, production and worldwide distribution of sunglasses and prescription frames under the Dolce&Gabbana brand.

On April 10, 2020 Luxottica Group and Versace announced the early renewal of an exclusive license agreement for the development, production and worldwide distribution of sunglasses and prescription frames under the Versace brand.

Share buyback

On March 17, 2020, the Company announced the launch of a share buyback program. In light of the COVID-19 pandemic EssilorLuxottica decided to stop the execution of its share buyback program on March 27, 2020. In ten days, 1.55 million shares for an average price of €102.54 were repurchased.

Launch of Ray-Ban Authentic

The Company enriched its innovation pipeline including Ray-Ban Authentic, the prescription integrated product fitting for the first time the most loved eyewear brand with Essilor's advanced lens technologies.

EssilorLuxottica's new bond issuances

On May 28, 2020, EssilorLuxottica successfully launched a bond issuance for a total amount of €3 billion with tenors of 3.6 and 5.6 and 8 years, carrying respectively a coupon of 0.25%, 0.375% and 0.5% with an average yield of 0.46%. The order book peaked close to €11 billion, attracting quality institutional investors, demonstrating high confidence in EssilorLuxottica's business model and credit profile.

Updates on GrandVision

The proposed acquisition of GrandVision N.V. ("GrandVision") by EssilorLuxottica (the "Proposed Acquisition"), announced on July 31, 2019, has been unconditionally cleared so far by antitrust authorities in the United States, Russia, Colombia, Mexico and Brazil, and it is currently under review in Chile and Turkey as well as in Europe.

On February 6, 2020, the European Commission has initiated a Phase II review of the Proposed Acquisition. On June 5, 2020, the European Commission issued to EssilorLuxottica a statement of objection which the Company has challenged. The review process is still ongoing. Further information regarding recent developments can be found in paragraph *Subsequent events*.

On July 18, 2020, EssilorLuxottica initiated legal proceedings before a District Court in Rotterdam, the Netherlands, to obtain information from GrandVision. This is to assess the way GrandVision has managed the course of its business during the COVID-19 crisis, as well as the extent to which GrandVision has breached its obligations under the Support Agreement.

On July 30, 2020, GrandVision and Hal Optical Investments B.V. (“HAL”), its majority shareholder, have initiated an arbitration process against EssilorLuxottica, which the Company regards as an obvious attempt by HAL and GrandVision to detract from GrandVision’s breaches of its contractual commitments and its failure to provide EssilorLuxottica with required information.

EssilorLuxottica’s demands for disclosure of information from both HAL and GrandVision was dismissed by the Dutch District Court. On September 4, 2020 EssilorLuxottica filed an appeal against the judgment dismissing the Company’s demands for disclosure of information from GrandVision. Appeal decision is expected on April 6, 2021, and the arbitration proceedings are on-going.

EssilorLuxottica 360

On August 17, 2020, the Company announced EssilorLuxottica 360, a new joint program that will drive growth for independent eyecare professionals across the US. Created at a time when independent ECPs are in need of greater support from the industry, EssilorLuxottica 360 will help increase their traffic, visibility and capture rate, deliver added support around an enhanced patient experience and improve practice profitability.

Partnership with Facebook

On September 16, 2020, EssilorLuxottica and Facebook announced a multiyear collaboration to develop the next generation of smart glasses.

The partnership will combine Facebook apps and technologies, Luxottica’s category leadership and iconic brands, and Essilor’s advanced lens technology to help people stay better connected to their friends and family. The first product will be branded Ray-Ban and is scheduled to launch in 2021.

Organizational changes

On December 17, 2020, the Board of Directors of EssilorLuxottica decided to adjust EssilorLuxottica’s governance in full respect of the equal powers principle of the business combination agreement, in order to accommodate its Executive Vice-Chairman’s desire to retire. Mr. Sagnières left all his executive responsibilities at EssilorLuxottica and its subsidiaries and remains as non-executive Vice-Chairman of the Company. In order to preserve the equal powers principle of the business combination agreement currently in place, Leonardo Del Vecchio decided to voluntarily step back from his executive responsibilities at EssilorLuxottica and remains non-executive Chairman of the Company. The Board granted executive powers to Francesco Milleri and Paul du Saillant, who were appointed as Chief Executive Officer (CEO) and Deputy Chief Executive Officer (Deputy CEO) of EssilorLuxottica, respectively, until the appointment of the new Board of Directors by the 2021 Annual General Meeting of Shareholders.

Other organizational changes during the year include the cooptation of Paul du Saillant as a new Director of the Company on March 30, 2020 in place of Laurent Vacherot, former CEO of Essilor International, who elected to retire, and the appointment of David Wielemans as co-CFO of EssilorLuxottica alongside Stefano Grassi, in replacement of Hilary Halper.

Interim dividend

On December 17, 2020, the Board of Directors decided to pay an interim dividend for the 2020 financial year of €1.15 per share. This decision was supported by the efficacy of the measures taken to rein in costs and preserve cash and by the sound business recovery observed in the second half of the year.

Update on recovery of funds in Thailand

On December 30, 2019, the Company announced that it had discovered fraudulent financial activity at an Essilor plant in Thailand and recorded in its 2019 accounts an overall financial impact for the Company of €185 million.

As of March 11, 2021, the Company had recovered approximately €79 million. Additional funds are currently being traced and expected to be recovered in the coming quarters.

Revenue by operating segment

€millions	2020	2019*	Change at constant exchange rates ¹	Currency effect	Change at current exchange rates
Lenses & Optical Instruments	5,960	6,791	-9.5%	-2.7%	-12.2%
Sunglasses & Readers	595	740	-18.0%	-1.6%	-19.6%
Equipment	158	221	-26.9%	-1.6%	-28.5%
Essilor revenue	6,714	7,752	-10.8%	-2.6%	-13.4%
Wholesale	2,471	3,383	-24.3%	-2.7%	-27.0%
Retail	5,244	6,255	-14.1%	-2.1%	-16.2%
Luxottica revenue	7,715	9,638	-17.7%	-2.3%	-19.9%
Total	14,429	17,390	-14.6%	-2.4%	-17.0%

€millions	H1 2020	H1 2019*	Change at const. exchange rates ¹	Change at current exchange rates	H2 2020	H2 2019*	Change at const. exchange rates ¹	Change at current exchange rates
Lenses & Optical Instruments	2,592	3,377	-23.1%	-23.2%	3,368	3,414	4.0%	-1.3%
Sunglasses & Readers	268	374	-28.9%	-28.4%	327	366	-6.8%	-10.5%
Equipment	63	99	-36.8%	-36.0%	95	122	-18.9%	-22.3%
Essilor revenue	2,923	3,850	-24.0%	-24.1%	3,790	3,902	2.3%	-2.9%
Wholesale	1,040	1,829	-42.8%	-43.1%	1,431	1,554	-2.6%	-7.9%
Retail	2,266	3,097	-27.6%	-26.8%	2,978	3,158	-0.8%	-5.7%
Luxottica revenue	3,307	4,926	-33.2%	-32.9%	4,408	4,712	-1.4%	-6.4%
Total	6,230	8,776	-29.2%	-29.0%	8,199	8,614	0.3%	-4.8%

€millions	4Q 2020	4Q 2019*	Change at constant exchange rates ¹	Currency effect	Change at current exchange rates
Lenses & Optical Instruments	1,685	1,701	5.3%	-6.2%	-0.9%
Sunglasses & Readers	188	214	-8.8%	-3.6%	-12.3%
Equipment	50	70	-24.3%	-3.7%	-27.9%
Essilor revenue	1,923	1,985	2.7%	-5.8%	-3.1%
Wholesale	692	774	-3.9%	-6.7%	-10.6%
Retail	1,498	1,545	3.2%	-6.2%	-3.0%
Luxottica revenue	2,190	2,319	0.8%	-6.4%	-5.6%
Total	4,113	4,304	1.7%	-6.1%	-4.4%

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

EssilorLuxottica reported revenue of €14,429 million, down 17.0% at current exchange rates and down 14.6% at constant exchange rates¹, compared to 2019 revenue.

Lenses & Optical Instruments

Lenses & Optical Instruments revenue was down by only 0.9% year-on-year in the fourth quarter (up 5.3% at constant exchange rates¹). The solid performance at constant exchange rates¹ confirmed the resilience of vision needs and the higher awareness about eyecare resulting from the increased screen time brought about by the pandemic. By products, consumers showed a growing appetite for higher value-added branded solutions, notably around blue-cut and anti-fatigue. The new products launched in the past twelve months continued their successful ramp up, especially the latest myopia management lens Stellest, the new photochromic lens Transitions Signature GEN 8, the new progressive lens Varilux Comfort Max, the Advanced Vision Accuracy lens or the VR-800 measuring instrument.

As a result of this continued sequential recovery, revenue in the second half of the year were up by 4.0% year-on-year at constant exchange rates¹. By channels, Eye Care Professionals (ECPs) and e-commerce fared better than shopping malls. As ECPs were considered essential needs, they continued to operate during most lockdowns, albeit by appointment or with reduced opening hours. Although foothold suffered as a result, sale conversions surged. EyeBuyDirect.com, Clearly.ca and VisionDirect.co.uk continued to drive online sales. By countries, developed markets outperformed developing economies⁵, which often struggled to contain the pandemic with a few notable exceptions such as Greater China.

For the full-year, divisional revenue was down 12.2% (-9.5% at constant exchange rates¹). This reflected a steep decline in sales in the second quarter, which was followed by a gradual V-shaped recovery driven by the outperformance of the Group's prescription business.

Sunglasses & Readers

The Sunglasses & Readers division posted revenue down 12.3% in the fourth quarter (-8.8% at constant exchange rates¹). This performance masked two opposite trends. First, a sequential improvement in underlying growth compared to the previous quarter, driven by the optical business. This was due both to Readers at FGX and to prescription frames at Xiamen Yarui Optical (Bolon). Bolon became the leading optical brand in China. The sunglass business, for its part, stayed under pressure.

By channels, online around the world and dollar stores in North America drove the momentum while travel retail, department stores and mass merchandisers remained difficult. Second, the division's activities were streamlined with a view to improve efficiency; FGX simplified its go-to-market and merchandising organizations and stopped its hats/apparel business while MJS downsized its network of franchises in China.

As a result, the magnitude of year-on-year revenue decline shrank materially in the second half of the year compared to the first. This was driven by strong momentum in optical frames, the success of new collections and solid e-commerce sales.

For the year as a whole, revenue was down 19.6% (-18% at constant exchange rates¹). The above trends partially offset the earlier impact of COVID-19 related lockdowns in China, Europe and the United States as well as the resulting pressures on department stores and travel retail.

Equipment

The Equipment division saw its fourth quarter revenue decline by 27.9% (-24.3% at constant exchange rates¹). Consumables proved resilient while sales of machines, spare parts and services continued to suffer from the pandemic, due to the limited access to client facilities. In the meantime, customer interest remained high and translated into a significant increase in the order backlog.

For the year, revenue was down 28.5% (-26.9% at constant exchange rates¹). Customers reduced their investments early in the year as the pandemic weighed on visibility. Sales of new machines remained subdued from March onwards, despite occasional blips supporting second half revenue. Sales of consumables showed resilience throughout the year.

Wholesale

In the fourth quarter, the Wholesale division posted revenue down 10.6% (-3.9% at constant exchange rates¹) and continued to benefit from the resilience of the optical category, that was positive in the period. In terms of geographies, North America continued to grow driving the overall division, while Latin America significantly improved compared to previous quarters. Conversely, most of the markets and channels in Europe and Asia, Oceania and Africa suffered renewed impact of COVID-19. In particular, the European business decelerated in the last two months of the year because of new restrictions. Among brands, Oakley stood out again as one of the best performers, thanks to growing prescription eyewear and apparel winter collections.

Over the entire second semester, revenue declined by 7.9% (-2.6% at constant exchange rates¹), experiencing a sharp improvement compared with the first half performance (-42.8% at constant exchange rates¹). From a geographical perspective, it is worth underlining that in the North American market Wholesale emerged as the fastest growing business in the second half of the year. Performance in the region was boosted by the resilience of the independents channel, fueling the optical category, as well as by the buoyant growth of third-party e-commerce platforms. The European market kept its revenue substantially stable in the semester at constant exchange rates¹, thanks to the restocking activity of independents and key accounts, whilst business with customers exposed to touristic flows remained subdued. The Wholesale performance lingered into negative territory in both Asia, Oceania and Africa and Latin America, notwithstanding revenue going back to positive growth at constant exchange rates¹ in Mainland China in the semester and the strong recovery seen in Brazil in the last quarter of the year.

In the full year, the divisional revenue decreased by 27% (-24.3% at constant exchange rates¹), following a trajectory that mirrored the COVID-19 outbreak throughout the year. STARS closed the year nearing 17,500 doors (after almost 900 net additions), posting positive revenue growth at constant exchange rates¹ over the entire second semester and ending the full year at 16% of the Wholesale's total turnover.

Retail

The Retail division was heavily affected by the unprecedented business conditions of last year, with total trading hours in the brick-and-mortar activity materially lower than the year before due to lockdowns and restrictions imposed worldwide, with a different phasing depending on the virus outbreak across the regions. Conversely, the e-commerce business was boosted by consumer confinements, gaining a new audience, and posted a spectacular growth in branded eyewear platforms. Since the second quarter, the division posted sequentially improving revenue as the physical business restarted under strict safety protocols. The number of stores open hit a low in mid-April, with approximately three fourths of the corporate fleet closed, then progressively recovered throughout May and June, since when closed locations remained below 10% of the total network. During the course of the fourth quarter, further

restrictions were introduced in Europe in November and December and affected SunglassHut, with one third of the network closed, and Salmoiraghi & Viganò, mainly during weekends.

The entire division finished the year on a sound tone, with revenue up 3.2% at constant exchange rates¹ in the fourth quarter (down 3.0% at current exchange rates, mostly due to the US dollar impact), supported by an overall improvement of in-store execution. Comparable store sales⁴ were still overall negative in the period, with optical positive and sun negative due to the different impact of restrictions on the two businesses, since optical locations were allowed to remain open (with limitations) as a necessary service even in those areas and periods where sun stores were shut down, as well as the structurally higher resilience of optical. North American and Australian optical banners were the main drivers, with LensCrafters, Target Optical and OPSM all contributing, plus the addition of GMO in Latam. Sun performance was more troubled than optical in brick-and-mortar, with SunglassHut negative worldwide, dragged by store closures and lack of tourism, harder in Europe than North America. The whole division registered different trends in revenue in the two semesters of the year, down by almost one third in the first and flattish in the second half at constant exchange rates¹.

Direct e-commerce kept a strong pace throughout the entire year, with a marked acceleration started in March. Revenue were up 56% year-on-year at constant exchange rates¹ in the fourth quarter and 74% in the full year, boosted by the top-four house brands' online platforms, Ray-Ban, Oakley, SunglassHut and Costa del Mar, which all together generated €576 million revenue.

In the full year the division recorded a drop in revenue of 16% and 14% at current and constant exchange rates¹. Business-to-consumer activities, including brick-and-mortar and online revenue of the entire Group, represented in the full year slightly more than 40% of the total turnover.

Revenue by geographical area

€millions	2020	2019*	Change at constant exchange rates ¹	Currency effect	Change at current exchange rates
North America	7,901	9,146	-11.8%	-1.8%	-13.6%
Europe	3,450	4,239	-17.5%	-1.1%	-18.6%
Asia, Oceania and Africa	2,362	2,891	-16.4%	-1.9%	-18.3%
Latin America	715	1,114	-21.9%	-13.8%	-35.8%
Total	14,429	17,390	-14.6%	-2.4%	-17.0%

€millions	H1 2020	H1 2019*	Change at const. exchange rates ¹	Change at current exchange rates	H2 2020	H2 2019*	Change at const. exchange rates ¹	Change at current exchange rates
North America	3,426	4,580	-26.9%	-25.2%	4,475	4,566	3.3%	-2.0%
Europe	1,506	2,232	-32.1%	-32.5%	1,944	2,007	-1.2%	-3.1%
Asia, Oceania and Africa	1,016	1,435	-28.5%	-29.2%	1,346	1,457	-4.5%	-7.6%
Latin America	282	530	-38.5%	-46.8%	433	584	-6.9%	-25.8%
Total	6,230	8,776	-29.2%	-29.0%	8,199	8,614	0.3%	-4.8%

€millions	4Q 2020	4Q 2019*	Change at constant exchange rates ¹	Currency effect	Change at current exchange rates
North America	2,213	2,270	4.2%	-6.6%	-2.5%
Europe	911	971	-3.7%	-2.5%	-6.3%
Asia, Oceania and Africa	727	757	-1.0%	-3.0%	-4.0%
Latin America	263	305	7.1%	-21.1%	-14.0%
Total	4,113	4,304	1.7%	-6.1%	-4.4%

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

North America

In the fourth quarter, Group revenue in North America decreased by 2.5% but were up 4.2% at constant exchange rates¹. For the full year 2020, revenue decreased by 13.6% (and by 11.8% at constant exchange rates¹) thanks to a strong rebound during the second half of the year after a significant decline in revenue in the second quarter.

In Lenses and Optical instruments, the business continued its rebound throughout the fourth quarter. This solid recovery was driven by independent ECPs, with an outperformance of the alliances supported by the Group, as well as retail chains, which improved materially after relative weakness in the third

quarter. The business with independent ECPs was boosted by the success of the Essilor Experts program, which reached 7,800 doors by the end of 2020, and yielded stronger traffic, better mix of Essilor branded products as well as capture and patient retention rates above market average. The EssilorLuxottica 360 program was deployed to approximately 1,000 doors in the second half of 2020, driving overall value for lenses and complete pairs. Both independent ECPs and retail chains benefitted from a positive product mix driven by Crizal in anti-reflective lenses, Transitions GEN 8 in photochromic lenses and Varilux in progressive lenses. Instrument sales were up double digits as optometrists sought to continue to improve the eye exam experience and the overall level of service. Online sales were again up double digits in the fourth quarter, reflecting growing demand and premiumization. In the second half, divisional revenue was flat in the region and up mid-single digits at constant exchange rates¹. This was driven by the United States as well as Canada, which performed well despite a stricter lockdown environment than in the neighboring country. Overall, on a full year basis, divisional revenue in the region were down less than 10% at constant exchange rates¹. Independent ECPs were instrumental in offsetting the negative effect of the first-half lockdowns. They were first to implement new safety protocols to leverage patient interactions, improve conversion rates and support the product mix. Sales were also boosted by the strong e-commerce performance throughout the year, especially at EyeBuyDirect.com in the US and Clearly.ca in Canada.

In Sunglasses & Readers, regional sales were down double digits in the fourth quarter. This was mainly due to a decline of sunglass shipments in December, as customers remained cautious about the upcoming sun season in a persistent COVID-19 environment. Sales of readers were back to year-on-year growth. In the second half of the year, the magnitude of revenue decline more than halved compared to the first half of the year, thanks to the performance of the online channel and dollar stores, which offset weakness in other channels. For the full year, revenue was down double-digits in the region.

Equipment sales in North America were still down double-digits in the fourth quarter as new machine sales continued to suffer from a customer focus on cash preservation. Although revenue fared better in the second half than in the first, it was still significantly down for the year as a whole.

The Wholesale division finished the year on a sound tone, with positive revenue in constant exchange rates¹ in the fourth quarter (then posting 10% growth in the second half at constant exchange rates¹), as a consequence of the strong rebound of independents and booming third-party e-commerce (+85% in the fourth quarter), while department stores and boutiques were confirmed exceptions. Oakley was the top performer among house brands, up in the high-teens in eyewear in the fourth quarter at constant exchange rates¹, and with growth in both eyewear and AFA businesses still fueled by the successful NFL partnership. In the full year, the entire Wholesale division registered a 15% drop in sales at constant exchange rates¹, dragged by the higher-than-one-third drop in the first half.

The Retail division showed stronger acceleration in the fourth quarter, with revenue up mid-single digit at constant exchange rates¹, leading the second half to positive performance at constant exchange rates¹ following a drop of one fourth in the first. Optical banners drove the recovery, with LensCrafters, Target Optical and Pearle Vision recording positive revenue in the second half and fourth quarter at constant exchange rates¹. They all regained their sound pre-COVID-19 pace, with LensCrafters in the low-to-mid single digit, and both Target Optical and Pearle Vision in double-digit areas. The Company's optical retail business model proved to be working well, supported by digitalization as well as more focused assortment. Conversely SunglassHut was negative in the fourth quarter and the second half, heavily impacted by dropping in-store domestic traffic as well as dried up tourism flows, which hit hard on locations more depending on travelers' demand. E-commerce on proprietary mono-brand platforms generated sales of half a billion euros in the region on a full year basis, up 76% year-on-year at constant exchange rates¹. All in all, in the full year, the entire Retail division recorded a 12% decline at constant exchange rates¹.

Europe

In the fourth quarter, revenue in Europe decreased by 6.3% (-3.7% at constant exchange rates¹). For the full year 2020, revenue in the region declined by 18.6% (-17.5% at constant exchange rates¹).

In Lenses and Optical instruments, the business confirmed its rebound in the fourth quarter, delivering year-on-year growth at constant exchange rates¹. This was particularly the case in France, thanks to the success of the multi-network distribution strategy, the restart of marketing campaigns and the desire of consumers to trade up. The Nordics and the UK also fared well. Spain, Portugal and Poland delivered a weaker performance as they were penalized by a challenging COVID-19 business environment. In terms of products, blue-cut lenses continued to benefit from intense screen usage in the new COVID-19 environment. Varilux in progressives, Crizal in anti-reflectives, Transitions GEN 8 in photochromics, Eyezen in anti-fatigue and the VR-800 precision instrument all fared well during the quarter. In the second half of the year, the Lenses and Optical instruments division displayed material year-on-year growth at constant exchange rates¹. ECPs across the region showed a very strong ability to leverage the new business environment in order to generate better conversion rates as well as an improvement in product sales mix. In addition, e-commerce continued to drive divisional revenue, especially thanks to double-digit growth in sales of eyeglasses. As a result of these trends, for the year as a whole, the division delivered the most resilient performance of the group in Europe, although revenue was still down year-on-year.

The Sunglasses & Readers division experienced double-digit sales declines in the region in the fourth quarter, as its customers were reluctant to update their displays or prepare the upcoming sun season. Despite a sequential recovery in the second half of the year compared to the first, its revenue ended the year materially down, mainly due to the impact of the lockdowns in the UK and Italy.

The Equipment division experienced double-digit revenue declines in the region, both in the fourth quarter and the full year, as its customers were reluctant to buy new machines.

In the fourth quarter, the Wholesale division was once again impacted by COVID-19 in most European countries, with softness persisting in Spain and the UK and partially resurfacing in France, Germany and Italy, while STARS gave some relief to the overall performance of the area on the back of the optical business. Revenue for the division remained roughly stable at constant exchange rates¹ in the second half of the year, benefiting from the restocking activity of independents and key accounts started in July and August, while channels more exposed to tourism continued to be troubled. On a full year basis, the division registered a decline in revenue by approximately one fourth at constant exchange rates¹, dragged by the business drop of the first semester.

In Retail, Europe was the only region remaining into negative territory at constant exchange rates¹ in the fourth quarter, after three negative quarters, due to new waves of virus outbreak and consequent new restrictions. Sunglass Hut had to shut down stores in various important countries, like France, the UK, Germany and the Netherlands. In addition, the locations heavily dependent on travelers' demand were severely hit and had a material adverse impact on the overall banner's performance. After a nice start to the fourth quarter, in November and December Salmoiraghi & Viganò was impacted by new restrictions. Over the entire year, Retail registered a decline in revenue of approximately one third at constant exchange rates¹.

Asia, Oceania and Africa

Revenue in Asia, Oceania, Africa declined by 4% in the fourth quarter (-1.0% at constant exchange rates¹). For the full year, the revenue decline was 18.3% (-16.4% at constant exchange rates¹).

The Lenses & Optical Instruments division returned to revenue growth at constant exchange rates¹ in the fourth quarter and was driven by continued momentum in Greater China, Japan and Australia. In Mainland China, sales accelerated further with a good product mix around flagship brands and a good

channel mix as high-end distribution networks outperformed mid-tier ones, while e-commerce remained solid. Transitions Signature GEN 8 was launched during the quarter. Stelless continued its successful ramp-up in myopia management and was deployed in both hospitals and traditional networks. In Japan, the division improved its positions thanks to strong innovation and a good level of activity with optical chains. Sales in Australia were driven by branded lenses at both optical chains and independent ECPs. Revenue in the rest of the region remained slow as the countries struggled to contain the COVID-19 pandemic. This was especially the case in India, Indonesia and Malaysia. These trends confirmed the sequential recovery gathering momentum since April and allowed second-half revenue to be flat year-on-year at constant exchange rates¹. As a result, the division ended the year with a revenue decline in the region of less than 10% at constant exchange rates¹.

The Sunglasses & Readers division enjoyed another quarter of revenue growth in the region, thanks to a very strong performance of the optical business at Xiamen Yarui Optical (Bolon), both in wholesale and own retail, partly driven by new store openings. Online revenue growth remained strong, especially at MJS, which also saw a return to sales growth of its own stores. These trends more than offset the persistent headwinds in the sunglass business (travel and vacation restrictions, homeworking) and the closure of underperforming franchise stores at MJS. As a result, for the second half of the year, the division posted year-on-year revenue growth in the region at constant exchange rates¹. Although this represented a significant swing compared to the revenue decline of the first half caused by country lockdowns, the division still ended the year with a revenue decline of slightly more than 10% at constant exchange rates¹.

In the fourth quarter the Wholesale division remained under pressure, with most of the countries still impacted by COVID-19. Mainland China was the bright spot, further consolidating the revenue rebound started in the third quarter. At the opposite, Hong Kong and South-East Asia remained into double-digit negative trend in revenue at constant exchange rates¹. Japan suffered mostly from lower tourism flows, but improved its Oakley apparel, footwear and accessories business. Revenue performance overall lingered into negative territory in the entire second half of the year, despite positive trends in Mainland China and Australia. On a full year basis, the division registered a decline in revenue by more than one third at constant exchange rates¹.

The Retail division turned positive in revenue at constant exchange rates¹ in the fourth quarter. The business pace accelerated further in optical retail in Australia, despite few localized lockdowns as a consequence of COVID-19 new outbreaks. Excellent in-store execution and lens upselling translated into double-digit comparable store sales⁴ at OPSM. Retail business progressively improved in Mainland China, with optical and sun including e-commerce moving into positive territory at constant exchange rates¹, while Hong Kong was impacted by a new wave of COVID-19 cases at the end of the year. After a decrease in revenue by almost one third at constant exchange rates¹ in the first half of the year, the second semester was only slightly negative, sustained by the top-performing Australian optical business, leading the division to mid-teen decline in the full year.

Latin America

In the fourth quarter, Group revenue in Latin America decreased by 14.0% but were actually up 7.1% at constant exchange rates¹. For the full year 2020, revenue in Latin America decreased by 35.8% (-21.9% at constant exchange rates¹).

The Lenses & Optical instruments division recorded high single-digit revenue growth at constant exchange rates¹ in the fourth quarter. This solid performance was driven by strong momentum in Brazil, Mexico, Chile and Argentina, which all benefitted from the limited level of store closures for most of the quarter. Revenue in Brazil was supported by positive sales momentum of blue-cut products and Kodak lenses in the mid-tier as well as Transitions GEN 8 photochromic lenses and Varilux progressive lenses in the high end. Mexico experienced a good dynamic with key accounts and progressive lenses. Argentina also benefitted from a good product mix. Instruments also delivered a strong rebound in the

fourth quarter as opticians were eager to invest more into an improved customer experience and the division expanded its business with ophthalmologists in Brazil. In the second half, revenue was down only slightly at constant exchange rates¹ in the region, a very material improvement compared to the first half. This was driven by strong consumer demand for established retailers and innovative brands.

The Sunglasses & Readers division continued to be penalized in the fourth quarter by the caution of its customers about the upcoming sun season in a challenging and uncertain health environment. In 2020, its overall negative performance was significantly impacted by store closures during the second quarter of the year.

Sales in the Equipment division rebounded strongly during the fourth quarter in the region, after reaching a low point in the second quarter. As a result, second half and full year revenue was up year-on-year at constant exchange rates¹.

The Wholesale business rapidly normalized in the fourth quarter, registering slightly negative sales at constant exchange rates¹ on the back of the reopening and restocking of independent retailers and bigger chains. The key market of Brazil bounced back nicely in the period, up high single digit in revenue at constant exchange rates¹, with optical and sun frames both contributing. Óticas Carol stores restarted supporting the business from the lowest level of activity due to restrictions at the end of the third quarter, reflecting the seasonal phasing of the virus outbreak in the country and the region. Mexico was a laggard, still negative in sales in the last quarter of the year.

The Retail activity evolved according to a shifted timeframe compared to other areas, with the store open count at one fifth of the regional fleet at the end of March, slightly above half of the total at the end of June and above 90% during the second half of the year, with the footfall recovery more visible in the last months of the year. Divisional sales were up 20% at constant exchange rates¹ in the fourth quarter, with adjusted comparable store sales³ at +10%. Both the optical and sun businesses contributed, with GMO up double digit led by Chile (easy comparison base), outpacing Sunglass Hut (stable in Brazil).

In the full year, the Wholesale and Retail divisions posted a decline in revenue of one third and one fifth respectively, at constant exchange rates¹. Price increases were selectively adopted throughout the year as a result of the sharp devaluation of key markets' currencies, impacting especially the performance of the second semester.

Statement of profit or loss and Alternative Performance Measures

EssilorLuxottica condensed consolidated statement of profit or loss

€millions	2020	2019	Change
Revenue	14,429	17,390	-17.0%
Cost of sales	(5,953)	(6,573)	-9.4%
Gross profit	8,476	10,817	-21.6%
<i>% of revenue</i>	<i>58.7%</i>	<i>62.2%</i>	
Total operating expenses	(8,024)	(9,138)	-12.2%
Operating profit	452	1,678	-73.1%
<i>% of revenue</i>	<i>3.1%</i>	<i>9.7%</i>	
Profit before taxes	313	1,534	-79.6%
<i>% of revenue</i>	<i>2.2%</i>	<i>8.8%</i>	
Income taxes	(164)	(350)	-53.1%
<i>Effective tax rate</i>	<i>52.4%</i>	<i>22.8%</i>	
Net profit	149	1,185	-87.5%
Net profit attributable to owners of the parent	85	1,077	-92.2%

The table above shows the performance of EssilorLuxottica activities in 2020 and 2019. The comparability in 2020 consolidated financial statements is no longer affected by the accounting of the combination between Essilor and Luxottica occurred on October 1, 2018 (the “EL Combination”), which was considered a reverse acquisition according to the requirements of IFRS 3 – *Business Combinations*.

The 2020 financial results were heavily affected by the COVID-19 pandemic.

- *Revenue* decreased by 17%; detailed comments on the net sales performance over the year as well as their breakdown by segment and geographical area are reported in paragraphs *Revenue by operating segment* and *Revenue by geographical area*.
- *Operating expenses* are still materially affected by the depreciation and amortization resulting from the recognition of tangible and intangible assets following the purchase price allocation related to the EL Combination (approximately €740 million in 2020 versus approximately €747 million recorded in the same period of last year). Moreover, in 2020 the Company recognized the costs incurred in connection with the COVID-19 fund, implemented, in line with the historical values of Essilor and Luxottica, to support the Company’s employees and their families in need with a number of initiatives launched all over the world, for approximately €160 million. Additionally, significant restructuring costs were accrued over the year, mainly link to restructuring plans relating to the North American Lenses and Sunglasses and Readers businesses, as well as the enhancement of the Group’s regional organization in Asia (see comments in the paragraph Adjusted measures). Finally, the Group has benefited, in some jurisdictions, from governmental grants and other forms of governmental assistance for approximately €137 million. Those subsidies refer to various governmental schemes on labour costs granted following the periods of reduced operating activity and do not include amounts directly paid to employees through those governmental support schemes.
- *Net profit* decreased to €149 million from €1,185 million reported in 2019, reflecting the contraction of the Company’s activities caused by the COVID-19 pandemic.

EssilorLuxottica Alternative Performance Measures (APM)
Condensed consolidated statement of profit or loss: reconciliation with adjusted² figures

Year ended December 31, 2020

€ millions	2020	Adjustments related to PPA impacts	Other non-GAAP adjustments	2020 Adjusted ²
Revenue	14,429	-	-	14,429
Cost of sales	(5,953)	-	17	(5,936)
Gross profit	8,476	-	17	8,493
<i>% of revenue</i>	<i>58.7%</i>			<i>58.9%</i>
Total operating expenses	(8,024)	666	239	(7,118)
Operating profit	452	666	256	1,374
<i>% of revenue</i>	<i>3.1%</i>			<i>9.5%</i>
Cost of net debt	(119)	(6)	-	(125)
Other financial income / (expenses)*	(21)	-	-	(21)
Profit before taxes	313	660	256	1,229
<i>% of revenue</i>	<i>2.2%</i>			<i>8.5%</i>
Income taxes	(164)	(123)	(73)	(360)
Net profit	149	537	183	868
Net profit attributable to owners of the parent	85	528	176	788

* Including Share of profit of associates.

Year ended December 31, 2019

€ millions	2019	Adjustments related to PPA impacts	Other non-GAAP adjustments	2019 Adjusted ²
Revenue	17,390	-	-	17,390
Cost of sales	(6,573)	61	8	(6,503)
Gross profit	10,817	61	8	10,887
<i>% of revenue</i>	<i>62.2%</i>			<i>62.6%</i>
Total operating expenses	(9,138)	669	395	(8,074)
Operating profit	1,678	730	404	2,812
<i>% of revenue</i>	<i>9.7%</i>			<i>16.2%</i>
Cost of net debt	(117)	(7)	9	(115)
Other financial income / (expenses)*	(27)	-	1	(26)
Profit before taxes	1,534	723	414	2,672
<i>% of revenue</i>	<i>8.8%</i>			<i>15.4%</i>
Income taxes	(350)	(142)	(126)	(618)
Net profit	1,185	581	288	2,054
Net profit attributable to owners of the parent	1,077	574	287	1,938

* Including Share of profit of associates.

Adjusted² measures

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

The combination of Essilor and Luxottica (the “EL Combination”), as well as events that are unusual, infrequent or unrelated to normal operations, have a significant impact on the consolidated results. Accordingly, in order to provide additional comparative information on the results for the period under review compared to previous periods, to reflect the EssilorLuxottica actual economic performance and enable it to be monitored and benchmarked against competitors, some measures have been adjusted (“adjusted measures”). In particular, management adjusted the following measures: *Cost of sales*, *Gross profit*, *Operating expenses*, *Operating profit*, *Profit before taxes* and *Net profit*. Such adjusted measures are reconciled to their most comparable measures reported in the consolidated statements of profit or loss for the years ended December 31, 2020 and 2019.

In 2020 and 2019, adjusted measures exclude: (i) the incremental impacts of the purchase price allocations related to the EL Combination; and (ii) other adjustments related to transactions that are unusual, infrequent or unrelated to normal operations, as the impact of these events might affect the understanding of the Group’s performance. These adjustments are described below.

Year ended December 31, 2020

- Non-recurring *Cost of sales* for €17 million related to restructuring and reorganization expenses incurred with respect to the optimization of the Group’s distribution centers (in US and Italy), the integration of Costa operation within Luxottica perimeter, as well as the costs of Luxottica’s restricted shares plan (LTI) for employees working for operations activities.
- Non-recurring *Selling* expenses for €42 million associated with restructuring projects in US (closing of LensCrafters corners at Macy’s) and Europe, and with the impairment of some stores’ assets in the global retail network.
- Non-recurring *General and administrative* expenses for €198 million associated with the following impacts:
 - non-recurring costs related to restructuring and reorganization projects aiming at increasing the Group’s operational and organizational efficiency for €103 million especially in the North America region for the Lenses and Sunglasses & Readers businesses; the non-recurring costs mainly refer to severance, accelerated depreciation and write-off;
 - non-recurring costs related to the accelerated amortization of software resulting from the decision to progressively converge toward a unified IT platform for approximately €25 million;
 - expenses related to share-based payments for about €28 million linked to the removal of the performance conditions from the 2015 and 2016 Essilor’s share-based plans and to Luxottica’s restricted shares plan (LTI);
 - non-recurring expenses related to M&A projects for €22 million mainly linked to the transaction costs incurred in connection with GrandVision N.V. proposed acquisition announced on July 31, 2019; and

- other one-off costs incurred by the Group of which approximately €10 million of external consulting fees linked to the fraudulent financial activities discovered at the end of 2019 at an Essilor's plant in Thailand (the "EMTC fraud"), both for investigation procedures and recovery work streams (net of the insurance reimbursement received by the Group) and approximately €10 million of other one-off costs linked to integration streams.
- *Other income/(expenses)* are adjusted for a net positive effect of €4 million mainly associated with:
 - the positive effect recorded following the recovery of misappropriated funds from the EMTC fraud for approximately €24 million;
 - the costs linked to early termination of the lease related to Costa facilities and the wind-down of the local activities for about €10 million; and
 - a net negative effect of approximately €11 million related to significant claims and litigations.
- *Income taxes* are adjusted for an amount of €(73) million corresponding to:
 - the tax effects of the above-mentioned adjustments for approximately €(73) million, including the recognition of deferred tax assets on the probable future cash recovery from EMTC fraud; and
 - neutral effect of non-recurring tax impacts, including the negative effect related to the tax strategy on deferred tax valuation in France (€22 million), partially compensated by positive tax effects recorded in North America.

Year ended December 31, 2019

- Non-recurring *Cost of sales* for €8 million mainly associated with restructuring and reorganization expenses incurred with respect to projects aimed at the optimization of the central warehouses of the Group and the costs of Luxottica's restricted shares plan (LTI) for employees working for operations activities.
- Non-recurring *Selling* expenses for €30 million mainly associated with the closing of the US retail chain Sears Optical, announced by the Group in December 2019.
- Non-recurring *General and administrative* expenses for €199 million associated with the following impacts:
 - non-recurring costs related to restructuring and reorganization projects aiming at increasing the Group's operational and organizational efficiency for €71 million; the non-recurring costs mainly refer to severance, accelerated depreciation and write-off;
 - non-recurring expenses related to M&A projects for €21 million mainly linked to the transaction costs incurred in connection with GrandVision N.V. proposed acquisition announced on July 31, 2019, and to the acquisition of Barberini S.p.A. completed in August 2019;
 - one-off costs incurred by the Group for €36 million, including transaction costs linked to the finalization of the Mandatory Tender Offer (MTO) and the delisting of Luxottica shares in the context of the EL Combination and to other one-off integration costs;
 - expenses related to share-based payments for about €65 million linked to the removal of the performance conditions from the 2015 and 2016 Essilor's share-based plans, the international employee shareholding plan extended to Luxottica Group employees in late 2019 and to Luxottica's restricted shares plan (LTI); and
 - non-recurring expenses for €6 million incurred in connection with the settlement of a commercial litigation.

- Non-recurring *Other income/(expenses)* are adjusted for €166 million corresponding to the following impacts:
 - non-recurring loss related to the fraudulent financial activities in a plant in Thailand for an amount of €185 million (including foreign exchanges impacts);
 - non-recurring costs related to M&A and divestment transactions for €22 million mainly related the loss resulting from the sale of Merve as a condition required by the Turkish antitrust authorities to approve the combination of Essilor and Luxottica for €14 million, as well as a non-recurring impact on final deferred payments paid on various past acquisitions;
 - net negative impact of €5 million related to other non-recurring transactions linked to significant claims and litigations; and
 - the elimination of a non-recurring net gain for €46 million mainly related to the profit recorded from the sale of the Group's 25% ownership in a US based entity and the sale of another investment.
- *Cost of net debt* is adjusted for €9 million mainly corresponding to non-recurring financial expenses linked to early repayment of debt at Luxottica Group level in the context of the restructuring and centralization of financial debt at EssilorLuxottica level.
- *Income taxes* are adjusted for an amount of €(126) million corresponding to the tax effects of the above-mentioned adjustments for €(56) million and to the elimination of non-recurring net tax gains for €(70) million mainly due to i) the one-off recognition of deferred tax assets on tax losses carry forward in a Canadian entity following the merger of the Essilor and Luxottica entities in Canada into one tax group and to ii) the reimbursement granted from the Italian tax authorities on IRAP tax related to fiscal years 2014 to 2016.

Adjusted² consolidated statement of profit or loss

€ millions	2020	2019	Change at current exchange rates	Change at constant exchange rates ¹
Revenue,	14,429	17,390	-17.0%	-14.6%
Cost of sales	(5,936)	(6,503)	-8.7%	-6.2%
Gross profit	8,493	10,887	-22.0%	-19.6%
<i>% of revenue</i>	<i>58.9%</i>	<i>62.6%</i>		
Research and development	(287)	(291)	-1.1%	-0.3%
Selling	(3,981)	(4,595)	-13.4%	-11.0%
Royalties	(134)	(168)	-20.1%	-17.9%
Advertising and marketing	(1,058)	(1,236)	-14.4%	-12.3%
General and administrative	(1,644)	(1,777)	-7.4%	-5.1%
Other income / (expenses)	(14)	(8)	70.6%	80.1%
Total operating expenses	(7,118)	(8,074)	-11.8%	-9.5%
Operating profit	1,374	2,812	-51.1%	-48.5%
<i>% of revenue</i>	<i>9.5%</i>	<i>16.2%</i>		
Cost of net debt	(125)	(115)	8.9%	10.3%
Other financial income / (expenses)	(22)	(24)	-7.7%	8.0%
Share of profits of associates	1	(2)	-151.7%	-149.7%
Profit before taxes	1,229	2,672	-54.0%	-51.5%
<i>% of revenue</i>	<i>8.5%</i>	<i>15.4%</i>		
Income taxes	(360)	(618)	-41.7%	-38.5%
<i>Effective tax rate</i>	<i>29.3%</i>	<i>23.1%</i>		
Net profit	868	2,054	-57.7%	-55.4%
Net profit attributable to owners of the parent	788	1,938	-59.3%	-57.0%

Revenue for the year totaled €14,429 million, a decline of 17.0% at current exchange rates and 14.6% at constant exchange rate¹.

Adjusted² Gross profit: -22.0% at current exchange rates and -19.6% at constant exchange rates¹

Adjusted² *Gross profit* in 2020 ended at €8,493 million, representing 58.9% of revenue versus 62.6% in 2019. The gross margin was mostly affected by the lower cost absorption of the manufacturing footprint, particularly in the first half of the year, and by higher logistics costs. Gross margin was also affected by a lower insurance margin in the second half of the year due to an increased level of claims. However, this impact was partly offset by efficiency programs focusing on the Group's manufacturing footprint in North America and Latin America. The Group also managed to limit the gross margin erosion in 2020 thanks to the good progress on the procurement synergies linked to the integration.

Adjusted² Operating expenses: -11.8% at current exchange rates and -9.5% at constant exchange rates¹

Adjusted² *Operating expenses* amounted to €7,118 million for 2020, translating to 49.3% of revenue, and decreased by 11.8% (-9.5% at constant exchange rates¹). The Company put in place material cost containment measures to offset the decline in revenue triggered by the COVID-19 crisis, ranging from employee furloughs reductions or deferrals of manager compensation, reduction of marketing expenses and negotiations with suppliers and landlords.

Operating expenses include:

- *Research and development* costs of €287 million, as the Group put on hold few non-critical investments and benefited from the reorganization of its Lenses R&D footprint in North America.
- *Selling* costs of €3,981 million, a decrease of €615 million compared to the prior year, mainly driven by a decline in labour and occupancy costs starting from the second quarter of 2020.
- *Royalties* of €134 million, a decrease of €34 million compared to 2019 mainly related to the decline in sales of the Group's licensed eyewear brands.
- *Advertising and marketing* costs of €1,058 million, a reduction of approximately €180 million compared to the prior year, due to the re-prioritization of non-crucial marketing activities at the peak of the COVID-19 crisis during the first half of the year, while during the second half of 2020 the Group unlocked some key investments.
- *General and administrative* costs of €1,644 million, a decrease of more than €130 million compared to the prior year, thanks to savings on discretionary spending, simplification of the organization structure and reductions in managers' compensation.

Adjusted² Operating profit: -51.1% at current exchange rates and -48.5% at constant exchange rates¹

The Group posted an adjusted² *Operating profit* of €1,374, representing 9.5% of revenue compared to 16.2% in the prior year.

Adjusted² Cost of net debt, Other financial income/(expenses) and Share of profits of associates

The adjusted² *Cost of net debt* increased to €125 million in 2020 following the bonds issuance occurred in November 2019 (€5 billion) as well as in May 2020 (€3 billion). *Other financial expenses* amounted to €22 million and *Share of profits of associates* showed a profit of €1 million.

Adjusted² Income taxes

EssilorLuxottica reported adjusted² *Income taxes* of €360 million, reflecting an adjusted² tax rate of 29.3% for 2020 compared to an adjusted² tax rate of 23.1% in the prior year, resulting from a more negative geographical mix of earnings and from a negative impact of losses in certain countries.

Adjusted² Net profit attributable to owners of the parent: -59.3% at current exchange rates and -57.0% at constant exchange rates¹

Other non-GAAP measures

Other non-GAAP measures such as EBITDA, Free Cash Flows, Net debt and the ratio Net debt to EBITDA are also included in this document in order to:

- improve transparency for investors;
- assist investors in their assessment of the Group's operating performance and its ability to refinance its debt as it matures and incur additional indebtedness to invest in new business opportunities;
- assist investors in their assessment of the Group's cost of debt;
- ensure that these measures are fully understood in light of how the Group evaluates its operating results and leverage;
- properly define the metrics used and confirm their calculation; and
- share these measures with all investors at the same time.

Those other non-GAAP measures are not meant to be considered in isolation or as a substitute for items appearing in EssilorLuxottica's consolidated financial statements prepared in accordance with IFRS. Rather, these other non-GAAP measures should be used as a supplement to IFRS results to assist the reader in better understanding the operating performance of the Group. Moreover, investors should be aware that the Group's method of calculating those non-GAAP measures may differ from that used by other companies.

The following table provides a reconciliation of those non-GAAP measures to the most directly comparable IFRS financial measures.

€millions	2020	2019
Net cash flow provided by operating activities ^(a)	2,953	3,299
Purchase of property, plant and equipment and intangible assets ^(a)	(650)	(903)
Cash payments for the principal portion of lease liabilities ^(a)	(461)	(571)
Free Cash Flow	1,842	1,825
Operating profit ^(b)	452	1,678
Depreciation and amortization ^(a)	2,136	2,121
EBITDA	2,588	3,800
Net debt ^(c)	2,975	4,046
Net debt / EBITDA	1.1	1.1

(a) As presented in the consolidated statement of cash flows.

(b) As presented in the consolidated statement of profit or loss.

(c) Net debt is presented in Note 21 – *Financial debt, including lease liabilities* of the Notes to the consolidated financial statements; its components are also reported in the *Net debt* paragraph below.

Statement of financial position, net debt and cash flow

EssilorLuxottica reclassified statement of financial position

The reclassified consolidated statement of financial position aggregates the amount of assets and liabilities from the consolidated statement of financial position in accordance with functional criteria which considers the Group conventionally divided into the three fundamental areas focusing on resources investments, operations and financing.

€ millions	December 31, 2020	December 31, 2019
Goodwill	22,658	24,074
Intangible assets	10,031	11,300
Property, plant and equipment	3,348	3,620
Right-of-use assets	1,753	2,014
Investments in associates	17	18
Other non-current assets	374	378
FIXED ASSETS	38,181	41,404
TRADE WORKING CAPITAL	2,131	2,808
EMPLOYEES BENEFIT AND PROVISIONS	(924)	(960)
Tax receivables / (payables)	(336)	(362)
Deferred tax assets / (liabilities)	(1,470)	(1,708)
TAX ASSETS / (LIABILITIES)	(1,805)	(2,069)
OTHER OPERATING ASSETS / (LIABILITIES)	(1,809)	(1,805)
NET INVESTED CAPITAL	35,774	39,378
EQUITY	32,798	35,332
NET DEBT	2,975	4,046

Fixed assets decreased by €3,223 million compared to December 31, 2019 mainly due to foreign currency fluctuations (approximately €1.5 billion on *Goodwill*, €0.4 billion on *Intangible assets* and €0.2 billion on *Property, plant and equipment*) and depreciations and amortization of the period (€2,136 million). These decreases were partially offset by the capital expenditures of the period (additions for €682 million), the recognition of new Right-of use assets in connection with lease contracts signed in 2020 (€442 million) and new acquisitions performed by the Group in the first semester of the year resulting in a €155 million *Fixed assets* increase.

Trade working capital (i.e. the sum of inventories, trade receivables and trade payables) decreased by €677 million compared to December 31, 2019 thanks to the measures the Group undertook to monitor its exposure towards commercial counterparties and manage inventory stock levels, as well as for the effects of foreign currency fluctuations.

Equity decreased as a result of foreign currency fluctuations (for approximately €2 billion) and due to the dividend distribution of the year: €503 million distributed to EssilorLuxottica's shareholders in December 2020, as interim dividend for the year 2020, and €59 million distributed to minorities shareholders of the Group's subsidiaries throughout the course of the year.

Net debt decreased by €1,071 million compared to December 31, 2019 as illustrated in the following paragraph.

Net debt

Group *Net debt (excluding Lease liabilities)* amounted to €1,038 million at the end of December 2020, decreasing by €860 million compared to the position at the end of December 2019.

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

€ millions	December 31, 2020	December 31, 2019
Non-current borrowings	9,324	6,864
Current borrowings	633	403
TOTAL LIABILITIES	9,957	7,268
Short-term investments	(200)	(500)
Cash and cash equivalents	(8,683)	(4,836)
TOTAL ASSETS	(8,883)	(5,336)
Interest Rate Swap measured at fair value	(36)	(34)
NET DEBT excluding Lease liabilities	1,038	1,898
Lease liabilities (current and non-current)	1,938	2,148
NET DEBT	2,975	4,046

Reclassified statement of cash flows

The reclassified consolidated statement of cash flows reconciles the EBITDA to the net cash flow generated by the Group highlighting the cash flow derived from its operations (Free Cash Flow).

In 2020, cost containment and cash preservation measures were swiftly implemented following the spread of the COVID-19 pandemic. The Company stopped the execution of its share buyback program (announced on March 17, 2020) and thoughtfully controlled its capital expenditure and acquisition projects throughout the year. Only at the end of 2020, in light of the sound business recovery observed during the second half of the year, the Company decided to pay to its shareholders an interim dividend for the 2020 financial year for a total cash-out amounting to €503 million.

€ millions	2020	2019
EBITDA	2,588	3,800
Changes in trade working capital ^(a)	432	(82)
Capital expenditures	(650)	(903)
Lease payments (excluding interests) ^(b)	(461)	(571)
Other cash flows from operations	(67)	(419)
FREE CASH FLOW	1,842	1,825
Dividend paid	(561)	(959)
Acquisition net of cash acquired	(133)	(370)
Other changes in equity	(217)	(596)
Other changes in financial and non-financial assets	302	(421)
Changes in borrowings (excluding FX)	2,737	3,506
NET CASH FLOW	3,970	2,985

(a) *Trade working capital* comprises inventories, trade receivables and trade payables.

(b) *Cash payments for the principal portion of lease liabilities* as presented in the consolidated statement of cash flows.

In 2020, *Capital expenditure* amounted to €650 million, representing approximately 5% of the Group's revenue. Capital expenditure were put on hold mainly in retail, manufacturing and IT.

Despite COVID-19, the Group's *Free Cash Flow* increased to €1,842 million from €1,825 generated in 2019.

The line *Other changes in equity* includes the effects of transactions with non-controlling interest (€94 million in 2020; €628 million in 2019 when the cash-out related to the final phases of the Mandatory Tender Offer over Luxottica's shares occurred), the cash-out related to the share buyback program (€159 million on 2020) and the proceeds from share capital increases (€36 million in 2020; €32 million in 2019).

The flows reported in the line *Other changes in financial and non-financial assets* mainly refers to the investment in 2019 of a portion of the proceeds from the issuance of the €5 billion bonds (€500 million) in cash deposits with a maturity of less than 12 months (short-term investments) that were partially re-invested in cash equivalent instruments at the end of 2020 (€300 million).

Acquisitions and partnerships

EssilorLuxottica completed six transactions in 2020, representing full-year revenue of around €95 million.

The major transactions are indicated in the table below.

Company	Country	Business	Full-year revenue	% held	Consolidated from
Optical House Limited	Ukraine	Optical retailer and wholesaler	€69 million	51%	January 2020
Miraflex SAS	Colombia	Designer and manufacturer of ophthalmic frames for children	€4 million	75%	March 2020
Premier Ophthalmic Services LLC	United States	Distribution of ophthalmic instruments	€23 million	80%	March 2020

Investments made and planned for 2021

€ millions	2020	2019	2018	
	EssilorLuxottica	EssilorLuxottica	Essilor	Luxottica
Property, plant and equipment and intangible assets <i>(gross of disposals)</i>	650	903	334	593
Depreciation and amortization	2,136	2,121	361	515
Financial investments net of cash acquired	133	370	270	19
Purchase of treasury shares	159	0	0	0

Capital expenditure

In 2020, EssilorLuxottica cash-out related to capital expenditures amounted to €650 million (4.5% on revenue) and decreased by approximately €250 million compared to 2019, due to the actions implemented after the COVID-19 spread in the first quarter of 2020. Capital expenditures restarted during the last quarter of 2020, driven by operations and IT investments.

Year-on-year, investments in retail decreased by approximately €120 million, while investments in operations and IT decreased by approximately €70 million.

Financial investments

Financial investments net of cash acquired amounted to €133 million in 2020 compared to €370 million in 2019. These amounts represent the net cash-out related to business combinations completed during the year and, to a less extent, price supplements and/or deferred payments on acquisitions completed in prior years. In 2020, the amount included the net cash-out related to the acquisition of Optical House, the leader in the optical market in Ukraine, Premier Ophthalmic Services LLC in US and Miraflex SAS in Colombia, while in 2019 it included the effects of the acquisition of Barberini S.p.A., the world's leading optical glass sun lens manufacturer, as well as the acquisitions of Brille 24 in the online business, Devlyn in Mexico, Future in Sweden, and Optimed in the instrument division.

In 2020, the Company acquired 1.55 million EssilorLuxottica shares in the context of the share buyback program announced on March 17, 2020 (see paragraph *Significant events*) for an average price per share of €102.54 and a total cash-out amounting to €159 million. The shares acquired are intended to be awarded or transferred to employees and corporate directors of EssilorLuxottica and its subsidiaries, especially in the context of profit-sharing plans, bonus and performance share awards, stock option plans, and employee share ownership plan.

Main future investments

In 2021, the Group will re-start investing strongly in the evolution of its retail network and manufacturing capacities, IT and Technology platforms to facilitate the integration, as well as in M&A and partnership projects.

Subsequent events

Ray-Ban Authentic launch in the US

On January 12, 2021, EssilorLuxottica announced the launch in the US of the first commercial product leveraging the strength of the new Group by strategically combining the expertise of Essilor and Luxottica.

The latest edition of Ray-Ban Authentic represents the perfect match of Ray-Ban's legendary style and Essilor's expertise in sight and will capitalize on the assets of both to meet consumer needs with the aim of diversifying the single vision category as well as growing the prescription sun category for private practices. This latest edition was launched on January 19, 2021.

Ray-Ban's history in the field of prescription lenses has witnessed many ground-breaking developments, but the combination of iconic frames and the latest generation of clear, gradient and sun lenses is a significant revolution made possible by the integration of Essilor and Luxottica. The key innovation is the ability to offer premium and lightweight lenses that perfectly adapt to the shape and curvature of the Ray-Ban frame, making the most of the latest optical technologies.

With prescription glasses being an important part of every look, there will be over 1,400 lens-frame combinations available to consumers, including those featuring Transitions technology with photochromic lenses and blue light filtering. The new range also includes a Special Edition, enhanced with Essilor's best-known and most innovative lens solutions such as Varilux, Eyezen and Crizal.

Ray-Ban's complete experience with its tailored optical solutions by Essilor creates a new innovative category for a future of fully customized products for both customers and consumers.

Crossing of legal and statutory thresholds by BPI

On January 25, 2021, BPI Investissement SAS notified the Company that LAC 1 SLP had exceeded the statutory threshold of 1% of the capital and voting rights of EssilorLuxottica. LAC 1 SLP held at that date 4,500,688 shares and voting rights in EssilorLuxottica representing 1.02% of the Company's share capital and voting rights.

Joint venture with CooperCompanies for the acquisition of SightGlass Vision

On February 3, 2021, EssilorLuxottica and CooperCompanies announced they entered into an agreement to create a 50/50 joint venture for the acquisition of SightGlass Vision, a US based life sciences company focused on developing innovative spectacle lenses to reduce the progression of myopia in children.

EssilorLuxottica and CooperCompanies will leverage their shared expertise and global leadership in myopia management to accelerate the commercialization of SightGlass Vision spectacle lenses. Through this partnership, they will further strengthen innovation opportunities and go-to-market capabilities to grow the myopia control category. SightGlass Vision's technology will complement both companies' existing solutions, including Essilor's Stellest lens and CooperVision's MiSight and Orthokeratology contact lenses.

The joint venture will acquire SightGlass Vision from CooperCompanies, and the closing of the acquisition and creation of the joint venture is subject to regulatory approvals and other customary closing conditions. CooperCompanies previously held a minority ownership interest in SightGlass Vision and completed its acquisition of SightGlass Vision in January 2021.

EssilorLuxottica expands employee shareholding reaching a record high

On February 4, 2021, EssilorLuxottica announced the results of its 2020 international employee share ownership campaign ("Boost 2020"), increasing its employee shareholding to a record high of 44% at Company level. Recognizing its long-term commitment towards promoting employee shareholding, EssilorLuxottica has also been awarded with the "Grand Prix FAS 2020" by the French Federation of Employee Shareholder Associations (FAS).

Following the success of Boost 2020, a total of approximately 63,000 EssilorLuxottica employees in 81 countries now hold a financial stake in the Company, up from near 56,000 employees in 2019, representing an increase of approximately 13%. In addition, more than 10,000 EssilorLuxottica employee retirees are also shareholders showing their engagement and confidence in the Group.

Despite the challenging context of the past year, the subscription rate in Boost 2020 reached over 62% of eligible employees, which is considerably above the 2019 market average of 20% and well in line with the previous Boost initiatives. Specific plans rolled-out at local level complemented the global initiative and contributed to its overall success, in particular the French *Plan d'Epargne d'Entreprise* (P.E.E. or employee savings plan), with a record amount invested.

These results illustrate both EssilorLuxottica employees' desire to contribute to the Company's long-term development and value creation and their dedication to the Company's mission to help people see more, be more and live life to its fullest.

The continued expansion of employee shareholding across EssilorLuxottica represents another major step in the integration of the combined Company and was recognized by the "Grand Prix FAS 2020" at the 16th edition of the French Grand Prix FAS Employee Shareholding Awards on February 2, 2021. This award acknowledges the Company's leadership and continued commitment in the area of employee shareholding, a cornerstone of EssilorLuxottica's governance model and long-term strategy.

Update on the proposed acquisition of GrandVision by EssilorLuxottica

On February 9, 2021, the European Commission has initiated a new market test in connection with possible remedies submitted by the Company aiming at finalizing the Phase II review relating to the proposed acquisition of GrandVision by EssilorLuxottica.

The European Commission is likely to make a final decision on or before April 12, 2021.

Update on fraud at Essilor Manufacturing Thailand Co.

On December 30, 2019, the Company announced that it had discovered fraudulent financial activity at an Essilor plant in Thailand and recorded in its 2019 accounts an overall financial impact of €185 million.

Approximately €24 million were recovered during the course of 2020. Moreover, following a Court's decision issued at the end of January 2021, additional USD 67 million were recovered in 2021 as of the date of approval of the consolidated financial statements. Additional funds are currently being traced and expected to be recovered in the coming quarters.

Nominees to the new Board

On February 24, 2021, EssilorLuxottica Board of Directors decided to propose the nomination of the following individuals to compose the future Board:

- Mr. Leonardo Del Vecchio, as non-independent director
- Mr. Francesco Milleri, as non-independent director
- Mr. Paul du Saillant, as non-independent director
- Mr. Romolo Bardin, as non-independent director
- Ms. Juliette Favre, as non-independent director
- Mr. Jean-Luc Biamonti, as independent director
- Ms. Marie-Christine Coisne, as independent director
- Mr. José Gonzalo, as independent director
- Ms. Swati Piramal, as independent director
- Ms. Cristina Scocchia, as independent director
- Ms. Nathalie von Siemens, as independent director
- Mr. Andrea Zappia, as independent director

Resolutions will be submitted to shareholders' vote at the Company's 2021 Annual General Shareholders' Meeting. The mandates of the directors representing employees, Ms. Delphine Zablocki and Mr. Léonel Pereira Ascencao, will expire on September 20, 2021 and are not up for immediate renewal.

Notes

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

2 Adjusted measures or figures: adjusted from the expenses or income related to the combination between Essilor and Luxottica and other transactions that are unusual, infrequent or unrelated to the normal course of business as the impact of these events might affect the understanding of the Group's performance.

3 Adjusted comparable store sales: reflect, for comparison purposes, the change in sales from one period to another by taking into account in the more recent period only those stores already open during the comparable prior period. Stores that are or were temporarily closed due to the COVID-19 crisis are excluded from the calculation for the duration of the store closure. For each geographic area, the calculation applies the average exchange rate of the prior period to both periods.

4 Comparable store sales or comps: reflect, for comparison purposes, the change in sales from one period to another by taking into account in the more recent period only those stores already open during the comparable prior period. For each geographic area, the calculation applies the average exchange rate of the prior period to both periods.

5 Fast-growing/emerging/developing countries/economies/markets: China, India, South Asia, South Korea, Hong Kong, Taiwan, Africa, the Middle East, Russia, Eastern Europe and Latin America.

Excerpts from the Consolidated Financial Statements

Consolidated statement of profit or loss

€ millions	2020	2019
Revenue	14,429	17,390
Cost of sales	(5,953)	(6,573)
GROSS PROFIT	8,476	10,817
Research and development	(544)	(548)
Selling	(4,320)	(4,918)
Royalties	(134)	(168)
Advertising and marketing	(1,149)	(1,331)
General and administrative	(1,867)	(2,000)
Other income / (expenses)	(10)	(174)
Total operating expenses	(8,024)	(9,138)
OPERATING PROFIT	452	1,678
Cost of net debt	(119)	(117)
Other financial income / (expenses)	(22)	(25)
Share of profits of associates	1	(2)
PROFIT BEFORE TAXES	313	1,534
Income taxes	(164)	(350)
NET PROFIT	149	1,185
Of which attributable to:		
Owners of the parent	85	1,077
Non-controlling interests	64	108
Weighted average number of shares outstanding:		
Basic	435,868,811	434,084,752
Diluted	439,003,665	441,137,525
Earnings per share (EPS) for net profit attributable to owners of the parent:		
Basic (in euro)	0.19	2.48
Diluted (in euro)	0.19	2.44

Consolidated statement of financial position
Assets

<i>€ millions</i>	December 31, 2020	December 31, 2019
Goodwill	22,658	24,074
Intangible assets	10,031	11,300
Property, plant and equipment	3,348	3,620
Right-of-use assets	1,753	2,014
Investments in associates	17	18
Other non-current assets	374	378
Deferred tax assets	418	429
TOTAL NON-CURRENT ASSETS	38,598	41,833
Inventories	1,930	2,166
Trade receivables	2,066	2,411
Tax receivables	195	94
Other current assets	847	1,243
Cash and cash equivalents	8,683	4,836
TOTAL CURRENT ASSETS	13,720	10,750
TOTAL ASSETS	52,318	52,583

Equity and liabilities

<i>€ millions</i>	December 31, 2020	December 31, 2019
Share capital	79	79
Share premium reserve	22,012	21,979
Treasury shares reserve	(201)	(68)
Other reserves	10,294	11,730
Net profit attributable to owners of the parent	85	1,077
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	32,268	34,796
Equity attributable to non-controlling interests	530	536
TOTAL EQUITY	32,798	35,332
Non-current borrowings	9,324	6,864
Non-current lease liabilities	1,411	1,619
Employee benefits	484	556
Non-current provisions	170	265
Other non-current liabilities	73	193
Deferred tax liabilities	1,887	2,137
TOTAL NON-CURRENT LIABILITIES	13,349	11,634
Current borrowings	633	403
Current lease liabilities	527	529
Trade payables	1,864	1,770
Tax payables	530	455
Current provisions	271	139
Other current liabilities	2,346	2,320
TOTAL CURRENT LIABILITIES	6,171	5,617
TOTAL EQUITY AND LIABILITIES	52,318	52,583

Consolidated statement of cash flows

<i>€ millions</i>	2020	2019
NET PROFIT	149	1,185
Depreciation and amortization	2,136	2,121
(Gains) / losses from disposal of assets	6	(43)
Expense arising from share-based payments	156	154
Income taxes	164	350
Finance result, net	140	142
Other non-cash items	(4)	29
Changes in provisions	63	(13)
Changes in trade working capital	432	(82)
Changes in other operating receivables and payables	178	75
Taxes paid, net	(356)	(502)
Interest paid, net	(112)	(116)
NET CASH FLOWS PROVIDED BY / (USED IN) OPERATING ACTIVITIES	2,953	3,299
Purchase of property, plant and equipment and intangible assets	(650)	(903)
Disposal of property, plant and equipment and intangible assets	8	30
Acquisitions of businesses, net of cash acquired	(133)	(370)
Changes in other non-financial assets	8	(13)
Changes in other financial assets	287	(437)
NET CASH FLOWS PROVIDED BY / (USED IN) INVESTING ACTIVITIES	(480)	(1,692)
Share capital increase	36	32
(Purchase) / sale of treasury shares	(159)	-
Dividends paid:		
- to the owners of the parent	(503)	(887)
- to non-controlling interests	(59)	(72)
Transactions with non-controlling interests	(94)	(628)
Cash payments for principal portion of lease liabilities	(461)	(571)
Issuance of bonds, private placements and other long-term debts	2,981	4,954
Repayment of bonds, private placements and other long-term debts	-	(1,324)
Changes in other current and non-current borrowings	(244)	(125)
NET CASH FLOWS PROVIDED BY / (USED IN) FINANCING ACTIVITIES	1,498	1,379
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	3,970	2,985
Cash and cash equivalents at the beginning of the financial year	4,836	1,829
Effects of exchange rate changes on cash and cash equivalents	(123)	22
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	8,683	4,836