ESSILORLUXOTTICA

2019 INTERIM FINANCIAL REPORT

EssilorLuxottica

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This is a free translation into English of the 2019 Interim Financial Report issued in French.

July 31, 2019

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First-half 2019 results

Combination at work and acceleration of the integration process
Strong free cash flow[7]

- **Revenue growth of 7.3%[1] (+3.9%[1] at constant exchange rates[2])**
- **2Q sales growth higher than in 1Q at constant exchange rates[2]**
- **Adjusted[6] net profit growth in line with revenue growth[1]**
- **Free cash flow[7] of Euro 748 million**
- **Management focus on accelerating the integration and simplification of the Group**
- **Full-year objectives confirmed**

Charenton-le-Pont, France (July 31, 2019 – 7:00am) - The Board of Directors of EssilorLuxottica met on July 30, 2019 to approve the condensed consolidated interim financial statements for the six months ended June 30, 2019. The Statutory Auditors have performed a limited review of these financial statements. The Board of Directors has also approved the Unaudited *Pro Forma*[1] condensed Consolidated Interim Financial Information, which has been prepared for illustrative purposes only.

"*We are pleased with the results of the first half which show growth for the Group in terms of sales and a steady pace of profitability. The quality of our business is reflected not only in the numbers but also in the confirmation of trust and collaboration from Bulgari and other leading luxury and fashion houses. We now expect the second half of the year to deliver further growth and a strong improvement in profitability compared to last year, thanks to the launch of a new generation of products in the market that will allow us to improve the consumer experience. The expected synergies are well addressed, and we will take action on them according to the plans we communicated to the market*," commented the Executive Chairman Leonardo Del Vecchio.

"EssilorLuxottica's results are a testament to its powerful mission and integrated yet open business model. Unmet demand for eyesight improvement translated into particularly significant gains for Essilor's vision correction and sun protection solutions as well as for Luxottica's retail activities. The good results posted by the divisions are also proof that buy-in is strong among eyecare professionals for our efforts to reimagine the consumer experience. Our investments in customer relations, network segmentation, innovative products and services, omni-channel solutions, the digitalization of our businesses and fast-growing markets, are all bearing fruit. At the same time, the integration of the two companies is moving forward in order to create a more efficient and responsive operating platform", said Hubert Sagnières, Executive Vice Chairman of EssilorLuxottica.

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First-half 2019 adjusted[6] results

In million of Euros	1H 2019	1H 2018* Pro forma[1]	Change	Change at constant exchange rates[2]
Revenue	8,776	8,177	+7.3%	+3.9%
Adjusted[6] gross profit	**5,549**	**5,195**	**+6.8%**	**+3.1%**
% of revenue	63.2%	63.5%		
Adjusted[6] operating profit	**1,512**	**1,450**	**+4.3%**	**-0.4%**
% of revenue	17.2%	17.7%		
Adjusted[6] net profit	**1,099**	**1,029**	**+6.8%**	**+1.9%**
% of revenue	12.5%	12.6%		

** 1H 2018 comparative information has been restated following the application of IFRS 16 Leases.*

EssilorLuxottica reported revenue of Euro 8,776 million, up 7.3% at current exchange rates and up 3.9% at constant exchange rates[2], compared to first-half 2018 *pro forma*[1] revenue. Growth at constant exchange rates[2] gathered pace throughout the period, with 1Q up 3.7% and 2Q up 4.1%. Adjusted[6] operating profit and adjusted[6] net profit increased by 4.3% and 6.8% respectively.

Operating highlights

During the first half of the year, the performance of the Company was characterized by:

- Lenses & Optical Instruments and Sunglasses & Readers delivering revenue growth of 4.9% and 8.4% respectively at constant exchange rates[2];
- Retail up 3.6% at constant exchange rates[2], decelerating in the second quarter, due to both Sears difficulties and the unseasonal weather in May and early June. The division expanded its footprint in target areas: Sunglass Hut in Europe, Ray-Ban in China with more than 150 locations now open in the country, and Óticas Carol in Brazil;
- Wholesale up by 1.7% at constant exchange rates[2], accelerating in the second quarter owing to a rebound in North America mainly driven by independents and department stores. The STARS program generated more than 12% of net sales of the division and further expanded globally, with more than 13,000 doors served today;
- Ray-Ban sustaining its pace of healthy growth across all regions and channels, with a fast-growing presence in the direct-to-consumer channel (mono-brand stores and Ray-Ban.com);
- Fast-growing markets[4] driving revenue in geographic terms with around 10% growth at constant exchange rates[2]. These countries represented close to 20% of consolidated sales;
- Delivering significant innovation to the market with Blue UV Capture™, a lens providing enhanced protection against both UV rays and harmful blue-violet light; Eyezen™ Start, a new generation of lenses for single vision wearers under 40 years old; Vision-RTM 800, a more precise eyesight testing device; and Visioffice® X, the latest generation of optical measuring systems. In parallel, the Company prepared for the launch, at the very beginning of the second half, of Transitions® Signature® GEN 8™, a new light management solution offering both darker tones and faster activation. In eyewear, Luxottica reinforced its position as the most digital forward eyewear company in the world by presenting its latest brand collections to top customers in a high-engagement, hi-tech environment showing what the future of optical retail could look like;

- Continuing digitization of the business illustrated by close to 14% online revenue growth at constant exchange rates[2]. Several factors speed up the development of an omnichannel platform giving consumers access to the latest digital technologies combined with the expertise of eyecare and eyewear professionals. Such factors include the deployment of the "Digital Acceleration" program at Essilor, further development of Luxottica's in-store digital communications and digital tools for its retail brands and wholesale customers, strong growth at Ray-Ban.com and Sunglasshut.com and Essilor's acquisition of online retailer Brille 24 in Germany;
- The resumption of the bolt-on acquisition strategy with four transactions completed in Europe, Latin America and China.

Synergies and integration

During the first half of the year, the Group has put in place a structured organization and solid process to drive its integration and deliver synergies confirmed to range from Euro 420 to Euro 600 million as a net impact on adjusted[6] operating profit within the next three to five years.
As announced on May 13, 2019, the integration process and simplification of the Group are being accelerated by the management team. Integration work is now in full swing. 22 priority work streams are being implemented globally under the leadership of key executives and with the full commitment from dedicated teams. They seek to leverage the complementarity between frames and lenses, the capillarity of the Group's retail networks, the cross-selling opportunities in wholesale while enhancing efficiency, optimizing the supply chain and growing and shaping the eyecare and eyewear industry.

Eradicating poor vision around the world

EssilorLuxottica's mission is to help people around the world to *"See more, be more and live life to its fullest"*. This is the cornerstone of all its businesses and the culture shared by all its employees. To further this mission during the first half, Essilor notably continued to underscore the importance of good vision for safe driving. At the 5th United Nations Road Safety Week, Essilor unveiled a new Memorandum of Understanding with French automotive company Renault to develop innovative solutions to improve drivers' visual experience. The Company also conducted nearly 1,000 vision screenings during the 24 Hours of Le Mans race. In Bhutan, Essilor and the royal government officially launched their partnership to make this country the first one in the world to eradicate poor vision. The first 10,000 pairs of eyeglasses have been distributed to the "Bhutan School Sight" program, which is offering students aged six to eighteen vision screening and glasses if they need them. In India, Essilor's 2.5 New Vision Generation business reached the milestone of equipping 10 million people from underserved communities with glasses. The innovations in terms of distribution and technology delivered by Eye Mitra, its network of primary eye care providers, played a key role in crossing this milestone. They were recognized at the 6th annual Eye Mitra Convention in Jaipur last May. Separately, Essilor's Vision for Life supported a campaign to raise awareness for eye health among the poorest communities in India with support from a major film star.
In the first half, Luxottica, through its support for OneSight, an independent non-profit organization of which the company is the founding sponsor, served close to 17,000 patients providing eye exams and glasses across 17 charitable clinics located in the US, Jordan, Puerto Rico, Chile, Mexico, Cambodia, China, Brazil, and Thailand. Onesight also opened 25 brand new Sustainable Vision Centers in 5 countries (US, Rwanda, Zambia, China, Bangladesh). Each clinic is staffed with Luxottica employees and doctors and over 575 Luxottica employees had an opportunity to volunteer in the first half of 2019.
EssilorLuxottica has created a new form of cultural integration among Essilor and Luxottica employees, by encouraging several Essilor employees to volunteer in OneSight missions in the first half of the year.

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Subsequent events

EssilorLuxottica to acquire HAL's 76.72% interest in GrandVision

EssiloLuxottica announced today an agreement under which it will acquire HAL Holding N.V.'s entire 76.72% stake in GrandVision N.V. at a cash price per share of Euro 28 (see page 12 of the interim management report).

Acquisition of Barberini

The Group is announcing that all the relevant antitrust approvals regarding the acquisition of Barberini have been obtained and that all the conditions precedent to the transaction closing have been met (see page 13 of the interim management report).

Renewal of the licence agreement with Bulgari

Luxottica and Bulgari SpA today announced the early renewal of their exclusive license agreement (see page 13 of the interim management report).

Outlook for 2019

EssilorLuxottica confirms its financial objectives for 2019. Including synergies and at constant exchange rates[2], it is projecting the following:

- Sales growth: +3.5-5%
- Adjusted[6] operating profit growth: 0.8-1.2x sales
- Adjusted[6] net profit growth: 1-1.5x sales

Conference call

A conference call in English will be held today at 10:30 am CET.
The meeting will be available live and may also be heard later at:
https://hosting.3sens.com/EssilorLuxottica/20190731-4AEBD6F3/en/webcast/startup.php

Forthcoming investor events

- September 25, 2019: Capital Market Day in London, UK
- October 30, 2019: Q3 2019 sales

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Notes

1 Pro forma: the Unaudited Pro Forma Condensed Consolidated Interim Financial Information has been produced for illustrative purposes only, with the aim of providing comparative information for the first six months ended June 30, 2018 as if the combination between Essilor and Luxottica had occurred on January 1, 2018. For further details, please refer to the table in the Appendix.
2 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.
3 Like-for-like: growth at constant scope and exchange rates.
4 Fast-growing countries or markets: include China, India, ASEAN, South Korea, Hong Kong, Taiwan, Africa, the Middle East, Russia, Eastern Europe and Latin America.
5 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.
6 Adjusted measures or figures: adjusted from the expenses 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.
7 Free Cash Flow: *Net cash flow provided by operating activities* less the sum of *Purchase of property, plant and equipment and intangible assets* and *Cash payments for the principal portion of lease liabilities* according to the IFRS consolidated statement of cash flow.

EssilorLuxottica is a global leader in the design, manufacture and distribution of ophthalmic lenses, frames and sunglasses. Formed in 2018, its mission is to help people around the world to see more, be more and live life to its fullest by addressing their evolving vision needs and personal style aspirations. The Company brings together the complementary expertise of two industry pioneers, one in advanced lens technology and the other in the craftsmanship of iconic eyewear, to set new industry standards for vision care and the consumer experience around it. Influential eyewear brands including Ray-Ban and Oakley, lens technology brands including Varilux® and Transitions®, and world-class retail brands including Sunglass Hut and LensCrafters are part of the EssilorLuxottica family.
In 2018, EssilorLuxottica had nearly 150,000 employees and pro forma consolidated revenues of Euro 16.2 billion.
The EssilorLuxottica share trades on the Euronext Paris market and is included in the Euro Stoxx 50 and CAC 40 indices.
Codes and symbols: ISIN: FR0000121667; Reuters: ESLX.PA; Bloomberg: EL:FP.

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First-half 2019 management report

First-half 2019 revenue by operating segment

In millions of Euros	1H 2019	1H 2018 *Pro forma*[1]	Change at constant rates[2]	Currency effect	Change (reported)
Lenses & Optical Instruments	3,377	3,136	+4.9%	+2.8%	+7.7%
Sunglasses & Readers	456	407	+8.4%	+3.5%	+11.9%
Equipment	99	93	+1.3%	+4.4%	+5.8%
Essilor revenue	**3,932**	**3,636**	**+5.2%**	**+2.9%**	**+8.1%**
Wholesale	1,759	1,703	+1.7%	+1.6%	+3.3%
Retail	3,086	2,838	+3.6%	+5.1%	+8.7%
Luxottica revenue	**4,844**	**4,541**	**+2.9%**	**+3.8%**	**+6.7%**
Total	**8,776**	**8,177**	**+3.9%**	**+3.4%**	**+7.3%**

Lenses & Optical Instruments sales rose by 7.7% in the first six months, to Euro 3,377 million (+4.9% at constant exchange rates[2]) and were up by 3.8% like-for- like[3].
Growth accelerated in the second quarter. The main drivers were good momentum in fast-growing markets[4], especially China, Southeast Asia and all of Latin America. Online sales once again saw double-digit gains, fuelled by robust demand for prescription glasses. Growth in developed markets was powered by Europe and Australia. Results in the United States were more mixed, notably due to the timing of the launch of the new Transitions® lens.

The **Sunglasses & Readers** division posted revenue of Euro 456 million during the first half, an increase of 11.9% (8.4% at constant exchange rates[2]). Growth of 14.1% in the second quarter at constant exchange rates[2] underscored an acceleration for Costa and FGX International. Costa continues to execute its optical frame rollout strategy with a focus on Independent Eyecare Professionals and benefitted from a positive reception to new collections. FGX International recorded strong in store sales and gained additional shelf space. In China, business remained solid due to the strong performance of optical frames and despite slower Sunglasses sales for Xiamen Yarui Optical (Bolon™) and MJS due to sluggish market conditions and unfavorable spring weather.

Equipment sales rose by 5.8% to Euro 99 million in the first half (+1.3% at constant exchange rates[2]). Positive momentum in fast-growing markets[4] in Asia and Latin America made up for the wait-and-see approach by some customers in developed countries. Good demand for surfacing solutions bolstered sales of VFT-Orbit 2™ digital generators and Multi-FLEX™ polishers throughout the first six months. The order book nonetheless showed a slight slowdown in demand for these machines and renewed interest in coating solutions.

Wholesale division was up 3.3% in the first half (+1.7% at constant exchange rates[2]). All regions were on the rise apart from North America, which turned positive in the second quarter on a rebound with independents and department stores. The best performing countries were Brazil, Mexico, Germany, Eastern Europe, Japan and Korea, while a rebuilt business in China doubled sales in the first half. The

STARS evolution and roll-out continued with rapid sales growth in Europe, North America and Brazil. On a global basis, the STARS program is now comprised of more than 13,000 doors, representing over 12% of sales for the Wholesale division. Online sales to third-party platforms were down, mostly due to timing effects between quarters and slowdown with certain North American customers.

Retail division revenue was up 8.7% in the first half (+3.6% at constant exchange rates[2]) and flat on a comparable store sales[5] basis. This reflected the strong performance of Europe (Sunglass Hut and Salmoiraghi & Viganò), Asia-Pacific (Australia) and Latin America (Brazil), paired with double-digit growth at Target Optical and EyeMed in the US. On a global level, Sunglass Hut posted 3% growth at constant exchange rates[2] with slightly negative comparable stores sales[5] due to the weak performance in North America, which was affected by unfavorable weather. LensCrafters remained largely flat in the first half, confirming its focus on margin progression. The sound overall performance of the division reflects the benefits of a number of initiatives taken on assortment, pricing, store remodeling and digitalization. Online business growth in the first half was fueled by the proprietary platforms, which posted double digit gains in the second quarter.

First-half 2019 revenue by geographical area

In millions of Euros	1H 2019	1H 2018 *Pro forma*[1]	Change at constant rates[2]	Currency effect	Change (reported)
North America	4,583	4,211	+1.9%	+6.9%	+8.8%
Europe	2,231	2,151	+4.7%	-1.0%	+3.8%
Asia, Oceania and Africa	1,436	1,336	+5.8%	+1.6%	+7.4%
Latin America	526	479	+12.3%	-2.6%	+9.8%
Total	**8,776**	**8,177**	**+3.9%**	**+3.4%**	**+7.3%**

In **North America**, revenue increased by 8.8% (+1.9% at constant exchange rates[2]).
Lenses & Optical Instruments, e-commerce and Sunglasses & Readers all showed strong growth in the second quarter. The core US lens business grew largely in line with market levels during the first half with sequential improvement shown in both the first and second quarter. Essilor continued to expand programs to support Independent Eyecare Professionals including Essilor Experts and Alliance Groups while recent key account wins began to contribute. E-commerce revenue continued to grow at a double-digit rate in North America, particularly online sales of eyeglasses. The Sunglasses & Readers business had seen mixed results in the US in the first quarter, but both FGX International and Costa rebounded sharply in the second.
Business in Canada and sales of Transitions® lenses to other lens casters declined over the course of the first half, with the latter occurring ahead of the Transitions® Gen 8™ launch expected early in the third quarter.
Luxottica's wholesale business returned to growth in the second quarter, primarily driven by the sound performance with independent eyecare professionals. This counterbalanced a slight deceleration in retail, which faced a higher comparison base and less favorable weather conditions. LensCrafters posted a largely flat trend in the first half in both revenue and comparable store sales[5] while it maintained its above-group-average operating profitability. Among the other optical retail banners, Target Optical continued to grow comparable store sales[5] at a double-digit pace in the second quarter, proving to be highly successful in the lower-end of the premium segment. Sears continued to weigh heavily on the quarter, although the store count is currently stabilizing. EyeMed, currently covering 55 million lives,

maintained its double-digit growth in revenue in the second quarter. Sunglass Hut comparable stores sales[5] remained negative in the second quarter, affected by unseasonal weather conditions (May and early June) and also consequently lower flows in tourist locations. However, after a three-year hiatus, the brand returned to television in May with its new adverting campaign that is expected to deliver benefits in the months to come. E-commerce continue its rapid growth in the region, with Ray-Ban.com and SunglassHut.com as the best performers. The acceleration of the latter suggests a moderate level of traffic substitution (online versus brick-and-mortar).

In **Europe**, revenue increased by 3.8% (+4.7% at constant exchange rates[2]).
All Essilor businesses contributed to this strong sales performance. In Lenses & Optical Instruments, Russia, Eastern Europe and Turkey delivered double-digit growth. The main driver was a sharp rise in sales of value-added lenses, notably progressive lenses, fueled by targeted marketing investments. In a growing French market, all key categories and brands posted good results with new loyalty programs for consumers and the popularity of Nikon® lenses providing support. Instruments also drove growth in France and Europe with the rollout of Visioffice® X, the new tool for personalizing lenses at points of sale, and the new Vision-R™ 800 phoropter. Demand for Transitions® lenses was strong, notably in Italy, while the new Eyezen™ Start lens for connected activities boosted growth both for the category and for the brand.
Within the Sunglasses & Readers division, FGX companies posted solid gains, notably in Italy.
In the first half of the year, Europe continued to be a growth driver for Luxottica with positive contributions from both the Wholesale and Retail divisions. The wholesale business steadily grew in the six months driven by volume and the development of the prescription offering, including the new Ray-Ban complete pair model, up double digit versus the same period of last year. Italy, Germany, Turkey, the Netherlands and Eastern Europe were among the best performing markets, benefiting from the introduction of new digital tools. These extended Luxottica's innovative omnichannel platform and in-store digital communications to its customers' locations as well. The company continued to invest in the development of STARS, which currently represents over 20% of wholesale revenue in the region and reported a sound acceleration, up 18% in the second quarter.
Sales were also driven by the double-digit growth of the Retail division, thanks to the strong and consistent in-store execution and the significant contribution of Sunglass Hut and Ray-Ban stores. Both grew at mid-single digit in comparable sales[5] with around 20 successful new openings during the first half of the year. Retail sales were strong in many markets in the region, including Italy where Salmoiraghi & Viganò grew nicely in comparable sales[5] sales and Persol opened its first store in Europe (in Milan).

In **Asia, Oceania and Africa** sales rose by 7.4% (+5.8% at constant exchange rates[2]).
The Lenses & Optical Instruments division was a major driver of this growth. In China, the division delivered double-digit sales growth thanks to myopia control solutions, Eyezen™, Crizal®, Nikon® and Transitions® lenses in the high-end segment, and innovation in the midrange. The division also posted strong gains in Southeast Asia and South Korea, notably fueled by progressive and photochromic lenses. In India, revenue generated online and through inclusive distribution channels for base-of-pyramid consumers partially offset weaker results in conventional distribution channels. Continued commercial inroads with optical retail chains led to a positive performance in developed countries in the region.
The Sunglasses & Readers division also contributed to the region's results, thanks to the successful expansion of Bolon™ and Molsion into optical frames and online sales.
Luxottica's Wholesale and Retail businesses travelled on parallel tracks during the first half, notwithstanding a challenging situation in Hong Kong due to political turmoil. Japan, Korea, Southeast Asia and the Middle East all fueled the wholesale business, while China realized the benefits of the rebuilt wholesale distribution network. The Retail division confirmed its strength in Australia and New

Zealand, where OPSM accelerated its growth in the second quarter. Ray-Ban continued its expansion in the region with the inauguration of two other stores in Japan and the opening of 20 new stores in China.

In **Latin America** sales ended the first half up by 9.8% (+12.3% at constant exchange rates[2]).
Essilor's businesses achieved double-digit gains on a like-for- like[3] basis, with Brazil and Spanish-speaking countries making very similar contributions. Sales of Varilux® progressive lenses in Brazil rose by more than 10%. This growth was notably driven by an offer including a second pair of quality lenses, which lifted sales of prescription sunglasses, a category with significant potential for increased penetration in Brazil. Sales were also very buoyant for regional chains. Growth in Colombia was fueled by the addition of new customers and by the "Cambia tu cara" promotion, which gave sales of Transitions® photochromic lenses a substantial boost. In Mexico, value-added lenses and the entry-level range both contributed to double-digit sales growth. Essilor signed a supply contract with Opticas Devlyn, the leading optical chain in the country (see "Acquisitions and partnerships" section, page 12). In addition, consumers in Mexico and Colombia can now use the Spanish-language edition of the eye care website "AllAboutVision.com", which will make it easier for them to set up appointments in partner stores.
Solid growth was also flagged by Luxottica's wholesale and retail businesses across the region. In Brazil, both divisions enjoyed solid momentum and leading to double-digit revenue growth in the first half: in Wholesale, STARS and the franchise system of Óticas Carol expanded their reach with the addition of new doors. In Retail, the existing network of Sunglass Hut stores accelerated, mainly in Brazil. Mexico strongly rebounded in the second quarter, with both wholesale and retail boosting revenue (Ray-Ban and Sunglass Hut continued their expansion in the country). The GMO network posted steady growth throughout the first six months.

Second-quarter 2019 revenue by operating segment

In millions of Euros	2Q 2019	2Q 2018 *Pro forma*[1]	Change at constant rates[2]	Currency effect	Change (reported)
Lenses & Optical Instruments	1,703	1,582	+5.3%	+2.4%	+7.7%
Sunglasses & Readers	256	218	+14.1%	+3.4%	+17.5%
Equipment	55	54	-1.3%	+3.8%	+2.4%
Essilor revenue	**2,014**	**1,853**	**+6.1%**	**+2.6%**	**+8.7%**
Wholesale	921	884	+2.4%	+1.8%	+4.2%
Retail	1,632	1,524	+2.7%	+4.3%	+7.0%
Luxottica revenue	**2,552**	**2,408**	**+2.6%**	**+3.4%**	**+6.0%**
Total	**4,566**	**4,261**	**+4.1%**	**+3.0%**	**+7.2%**

Revenue for the second quarter stood at Euro 4,566 million, an increase of 7.2% as reported and of 4.1% at constant exchange rates[2], in acceleration versus the first quarter.

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Second-quarter 2019 revenue by geographical area

In millions of Euros	2Q 2019	2Q 2018 *Pro forma*[1]	Change at constant rates[2]	Currency effect	Change (reported)
North America	2,394	2,204	+2.6%	+6.0%	+8.6%
Europe	1,177	1,136	+4.3%	-0.7%	+3.6%
Asia, Oceania and Africa	728	681	+5.7%	+1.2%	+6.9%
Latin America	267	239	+13.0%	-1.6%	+11.4%
Total	**4,566**	**4,261**	**+4.1%**	**+3.0%**	**+7.2%**

In **North America**, growth improved sequentially in the US lenses & Optical Instruments division, e-commerce businesses and Sunglasses & Readers division during the second quarter. The US lens business benefited from stronger market conditions and contributions from recent key account wins. The Sunglasses & Readers business showed significant improvement compared to first quarter levels. Sales in Canada declined during the quarter while Equipment growth recovered from first quarter levels. The Wholesale business bounced back in the second quarter, turning positive thanks to a recovery in the independent segment. Meanwhile Retail decelerated sequentially due to an ongoing headwind from Sears along with unfavorable weather conditions in May and early June that affected Sunglass Hut performance. Notably, Target and EyeMed continued to growth at a double-digit pace in the second quarter, in line with first quarter performance. In e-commerce, Ray-Ban.com and SunglassHut.com were standout performers, both with double-digit increases in the second quarter.

In **Europe**, sales of the Lenses & Optical Instruments division improved sequentially with better performance in France, Russia, Eastern Europe,Turkey and the Instruments business during the second quarter. Performance in Equipment and Sunglasses & Readers was more muted during the second quarter when compared to the first quarter of 2019.
Wholesale and Retail both grew in the second quarter. Wholesale was supported in particular by solid performance with the key accounts as well as the fast-growing business of STARS, up 18% at constant exchange rates[2] during the period. Retail developed positively across all the areas with Sunglass Hut and Ray-Ban stores growing faster through a mix of positive comparable stores[5] growth and new space added.

In **Asia, Oceania and Africa**, the Lenses & Optical Instruments business posted double-digit growth for the second quarter in China, most Southeast Asian countries and South Korea. Sunglasses & Readers benefitted from optical frames sales in China and online sales.
Wholesale and Retail progressed similarly in the second quarter. Retail was primarily driven by a strong Australia and New Zealand with OPSM accelerating during the period along with new openings under the Ray-Ban banner. Results in Hong Kong deteriorated due to the impact of political turmoil. In Wholesale, the key markets of Japan, Korea, South East Asia and the Middle East all contributed to growth, while China benefited from the rebuild of the business and saw a resurgence from a healthier basis.

In **Latin America**, the Lens & Optical instruments business continued to grow in double digits with improved growth rates in Brazil and the Spanish speaking markets growing above 10 %. Growth in the Equipment business was heavily weighted toward the second quarter while Sunglasses & Readers and e-commerce continued to grow in double digits.

Wholesale and Retail were fueled by a buoyant Brazil, which maintained its double-digit growth at constant exchange rates[2] in the second quarter. Sunglass Hut strongly accelerated its pace of comparable stores[5] growth sales while Oticas Carol and STARS posted solid gains. Growth in Mexico stepped up in the second quarter, reaching 20% at constant exchange rates[2]. GMO sustained its positive trajectory during the period.

Reported condensed consolidated interim statement of profit or loss

€ millions	1H 2019	1H 2018 Restated*	Change
Revenue	8,776	4,569	+92.1%
Cost of sales	(3,290)	(1,587)	+73.1%
Gross profit	**5,486**	**2,982**	**+68.8%**
% of revenue	*62.5%*	*65.3%*	
Total operating expenses	**(4,440)**	**(2,199)**	**+101.9%**
Operating profit	**1,046**	**783**	**+33.6%**
% of revenue	*11.9%*	*17.1%*	
Profit before taxes	**978**	**735**	**+33.1%**
% of revenue	*11.1%*	*16.1%*	
Income taxes	(253)	(204)	+25.9%
Effective tax rate	*25.9%*	*27.7%*	
Net Profit	**725**	**531**	**+36.5%**
Net profit attributable to owners of the parent	**675**	**530**	**+27.4%**

* 2018 information has been restated following the application of IFRS 16 *Leases*.

As a result of the combination between Essilor and Luxottica the structure of the condensed consolidated interim financial statements is as follows:

Statements	***First semester 2019 and as at June 30, 2019***	***First semester 2018***	***As at December 31, 2018***
Profit or loss	EssilorLuxottica's 6 months (Jan-June)	Luxottica's 6 months (Jan-June)	n.a.
Financial position	EssilorLuxottica's historical cost	n.a	EssilorLuxottica's historical cost

Therefore, the information presented as comparative information for the six-months ended June 30, 2018 in the condensed consolidated interim financial statements is not fully comparable and as a result, the financial information deemed relevant to comment on the performance of the Group in the management report is based on the unaudited *pro forma*[1] consolidated financial information. The Unaudited *Pro Forma*[1] Condensed Consolidated Interim Financial Information has been produced with the aim of providing comparative information for the first six months ended June 30, 2018.

Moreover, key performance indicators are adjusted from the impacts of events that might affect the understanding of the Group's performance such as those related to transactions that are unusual, infrequent or unrelated to regular operations.
The tables below present the reconciliation with the adjusted[6] figures for the first semester 2019 and 2018.

Reported figures are commented below:

- Reported *Revenue* showed a 92.1% growth due to the contribution of Essilor revenue amounting to Euro 3,932 million for the 2019 first semester;
- Reported *Operating profit* grew by 33.6% primarily because of the contribution of Essilor which is affected by the effects on statement of profit or loss resulting from the purchase price allocation. In the first semester 2019, the Group recorded the impact related to the use of inventories subject to a fair value step up for about Euro (61) million within the *Costs of sales*. These costs will not have a recurring impact on the results of the Group. The six-month amortization impacts related to the fair value of intangible and tangibles assets recognized as part of the purchase price allocation exercise were recorded for an amount of Euro 325 million;
- Reported *Net profit* grew by 36.5% essentially due to the contribution of Essilor as described above.

Condensed consolidated interim statement of profit or loss: reconciliation with adjusted[6] figures

First semester 2019

€ millions	**1H2019 Reported**	**Adjustments related to PPA impacts for the 6-month period**	**Other non-GAAP adjustments**	**1H2019 *Adjusted*[6]**
Revenue	8,776			8,776
Cost of sales	(3,290)	61	3	(3,227)
Gross profit	**5,486**	**61**	**3**	**5,549**
% of revenue	*62.5%*			*63,2%*
Total operating expenses	**(4,440)**	**325**	**77**	**(4,037)**
Operating profit	**1,046**	**386**	**80**	**1,512**
% of revenue	*11.9%*			*17.2%*
Cost of net debt	*(59)*	*(3)*	*1*	*(62)*
Other financial income / (expenses)*	*(8)*			*(8)*
Profit before taxes	**978**	**383**	**81**	**1,442**
% of revenue	*11.1%*			*16.4%*
Income taxes	(253)	(71)	(20)	(343)
Net Profit	**725**	**312**	**62**	**1,099**
Net profit attributable to owners of the parent				**1,047**

* Including *Share of profit of associates.*

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First semester 2018

€ millions	1H2018* Pro *forma*[1] information**	Adjustments related to PPA impacts for the 6-month period	Other non-GAAP adjustments	1H2018* *Pro forma*[1] *Adjusted*[6]
Revenue	8,177			8,177
Cost of sales	(3,112)	119	10	(2,982)
Gross profit	**5,065**	**119**	**10**	**5,195**
% of revenue	*61.9%*			*63,5%*
Total operating expenses	**(4,260)**	**306**	**209**	**(3,744)**
Operating profit	**805**	**425**	**219**	**1,450**
% of revenue	*9.8%*			*17.7%*
Cost of net debt	*(70)*	*(3)*		*(73)*
Other financial income / (expenses)***	*(7)*			*(7)*
Profit before taxes	**728**	**422**	**219**	**1,370**
% of revenue	*8.9%*			*16.7%*
Income taxes	(239)	(93)	(9)	(341)
Net Profit	**490**	**329**	**211**	**1,029**
Net profit attributable to owners of the parent				**982**

* 2018 information has been restated following the application of IFRS 16 *Leases*.

** Reconciliation from Reported to Pro forma[1] 1H 2018 income statement is available on page 13 of the document.

*** Including *Share of profit of associates*.

Adjusted[6] 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 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 condensed consolidated interim 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 condensed consolidated interim financial statements. Such measures are not defined terms under IFRS and their definitions should be carefully reviewed and understood by investors.

The combination of Essilor and Luxottica (the "EL Combination"), as well as events that are unusual, infrequent or unrelated to normal operations, have a significant impact on the consolidated results. Accordingly, in order to provide additional comparative information on the results for the period under review compared to previous periods, to reflect the EssilorLuxottica actual economic performance and enable it to be monitored and benchmarked against competitors, some measures have been adjusted ("adjusted measures"). In particular, management adjusted the following measures: *Gross profit, Operating expenses, Operating profit, Profit before taxes* and *Net profit*. Such adjusted measures are reconciled to their most comparable *pro forma*[1] measures in the Unaudited *Pro Forma*[1] Condensed Consolidated Interim Financial Information for the first semester 2018, and to the most comparable reported measures in the consolidated interim statement of profit or loss for the first semester 2019.

In 1H 2018 and 1H 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.

First semester 2019

- Non-recurring *Cost of sales* for Euro 3 million associated mainly with restructuring and reorganization expenses.
- Non-recurring *General and administrative* expenses for Euro 83 million associated with the following impacts:
  - one-off costs incurred by the Group for Euro 21 million, including transaction costs and other one-off integration costs;
  - expenses related to share-based payments for about Euro 28 million linked to the removal of the performance conditions from the 2015 and 2016 Essilor's share-based plans and, starting from 2019, to Luxottica's restricted shares plan (LTI);
  - other restructuring and reorganization charges for Euro 24 million;
  - non-recurring expenses for Euro 10 million, which include transaction costs related to M&A activities.
- Non-recurring *Other income / (expenses)* are adjusted for Euro (5) million to eliminate a non-recurring net gain related to significant claims and litigations booked by the Group for Euro 8 million, and other non-recurring expenses for Euro 2 million.
- *Income taxes* are adjusted for an amount of Euro (20) million corresponding to the tax effects of the above-mentioned adjustments for Euro (17) million and to a non-recurring net tax gain for Euro (2) million.

First semester 2018

- Non-recurring *Cost of sales* for Euro 10 million mainly associated with restructuring and reorganization expenses incurred by Luxottica.
- Non-recurring *General and administrative* expenses for Euro 206 million associated with the following impacts:
  - one-off cumulated transaction costs incurred by the Group related to the EL Combination for Euro 157 million;
  - expenses related to share-based payments for about Euro 31 million related to the removal of the performance conditions from the 2015 and 2016 Essilor's share-based plans;
  - other restructuring and reorganization charges for Euro 18 million.
- Non-recurring *Other income / (expenses)* are adjusted for Euro 3 million linked to a non-recurring net expenses related to significant claims and litigations booked at Essilor level for Euro 1 million and other non-recurring expenses for Euro 2 million.
- Income taxes are adjusted for an amount of Euro (9) million corresponding to the tax effects of the above-mentioned adjustments.

Adjusted[6] consolidated interim statement of profit or loss

€ millions	1H 2019	1H 2018* Pro forma[1]	Change	Change at constant exchange rates[2]
Revenue	8,776	8,177	+7.3%	+3.9%
Cost of sales	(3,227)	(2,982)	+8.2%	+5.3%
Gross profit	**5,549**	**5,195**	**+6.8%**	**+3.1%**
% of revenue	*63.2%*	*63.5%*		
Research and development	(141)	(136)	+3.6%	+0.7%
Selling	(2,272)	(2,126)	+6.9%	+3.2%
Royalties	(88)	(86)	+2.0%	-0.3%
Advertising and marketing	(625)	(560)	+11.5%	+8.1%
General and administrative	(912)	(834)	+9.3%	+6.8%
Other income / (expenses)	(1)	(3)	-67.4%	-75.9%
Total operating expenses	**(4,037)**	**(3,744)**	**+7.8%**	**+4.5%**
Operating profit	**1,512**	**1,450**	**+4.3%**	**-0.4%**
% of revenue	*17.2%*	*17.7%*		
Cost of net debt	(62)	(73)	-15.7%	-16.4%
Other financial income / (expenses)	(7)	(7)	+3.1%	-35.7%
Share of profits of associates	(1)			
Profit before taxes	**1,442**	**1,370**	**+5.3%**	**+0.6%**
% of revenue	*16.4%*	*16.7%*		
Income taxes	(343)	(341)	+0.8%	-3.5%
Effective tax rate	*23.8%*	*24.9%*		
Net Profit	**1,099**	**1,029**	**+6.8%**	**+1.9%**
Net profit attributable to owners of the parent	**1,047**	**982**	**+6.6%**	**+1.7%**

* 2018 information has been restated following the application of IFRS 16 *Leases*.

Revenue for the first half of the year totaled Euro 8,776 million, an increase of 7.3% in current exchange rates and 3.9% in constant exchange rates[2] when compared to the first half of 2018.

Adjusted[6] *Gross profit*: +6.8% at current exchange rates and 3.1% at constant exchange rates[2]

Adjusted[6] *Gross profit* ended the first half of 2019 at Euro 5,549 million, representing 63.2% of revenue versus 63.5% in the first half of 2018. The evolution was driven by the increase in the gross margin of the frame business, more than offset by portfolio mix effects stemming from faster growth in online contact lens sales and Sunglasses & Readers as well as a decline in sales of Transitions® lenses to other lens casters ahead of the Transitions Generation 8 launch.

Adjusted[6] *Operating expenses*: +7.8% at current exchange rates and +4.5% at constant exchange rates[2]

Operating expenses amounted to Euro 4,037 million for the first half of 2019, translating to 46,0% of sales compared to 45.8% in the prior year period and reflecting:

- *Research and development* costs of Euro 141 million, as the Group continues to invest the same portion of its revenue behind innovation.
- *Selling* costs of Euro 2,272 million to support EssilorLuxottica's top line growth and at consistent levels relative to sales.
- *Royalties* of Euro 88 million, related to the Group's licensed frame brands.

- *Advertising and marketing* costs of Euro 625 million included the impact of bolt-on acquisitions along with investments to drive future growth. This included a renewed effort in marketing campaigns on brands, e-commerce, Sunglasses & Readers, the Transitions® Generation 8 launch and activities to develop the myopia segment. The Group also launched new campaigns for its top brands in frames and retail banners (Sunglass Hut returning to television after three years). The increased support for growth initiatives was partially offset by the winding down of legacy programs and investments.
- *General and administrative* costs totaled Euro 912 million reflecting EssilorLuxottica's expenses, bolt-on acquisitions and investments behind growth initiatives, primarily digital marketing and fast-growing markets[4]. The impact of these items was lessened by strong cost control in the Wholesale and Retail divisions.

Adjusted[6] *Operating profit*: + 4.3% at current exchange rates and -0.4% at constant exchange rates[2]
The Group posted an adjusted[6] *Operating profit* of Euro 1,512 million, representing 17.2% of sales compared to 17.7% for the first half of 2018.

Adjusted[6] *Cost of net debt*, *Other financial income / (expenses)* and *Share of profits of associates*
The adjusted[6] *Cost of net debt* declined to Euro 62 million in the first half of 2019 from Euro 73 million due to a decrease in the Company's financing cost and despite an exceptional cash disbursement related to complete EssilorLuxottica's Mandatory Tender Offer for Luxottica shares. *Other financial expenses* amounted to Euro 7 million and *Share of profits of associates* showed a loss of Euro 1 million.

Adjusted[6] *Income taxes*
EssilorLuxottica reported adjusted[6] tax expense of Euro 343 million, reflecting an adjusted tax rate of 23.8% for the first half of 2019 compared to an adjusted[6] tax rate of 24.9% in the prior year period resulting from a more favorable geographical mix of earnings, particularly on the Luxottica side of the business.

Adjusted[6] *Net profit*: +6.8% at current exchange rates and 1.9% at constant exchange rates[2].

Balance sheet and cash flow statement

Cash Flow
Operating cash-flow before changes in working capital amounted to Euro 1,925 in the first half of 2019. Changes in working capital requirement amounted to Euro 436 million, consistently with the business seasonality.
Capital expenditures amounted to Euro 438 million, representing 5% of Group's revenue.
The Free Cash Flow[7] normalized for IFRS 16 impacts amounted to Euro 748 million.

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€ millions

Net cash from operations (before change in WCR[a])	1,925	Change in WCR[a]	436
Proceeds from share capital increase	3	Capital expenditure	438
Change in net debt (excluding lease liabilities)	886	Cash payments for lease liabilities	303
Other	52	Dividends	924
		Acquisition and other investments, net of disposals[b]	122
		Cash portion of MTO	643

(a) *Working capital requirement.*
(b) *Financial investments net of cash acquired, plus debt of newly-consolidated companies.*

Net debt

Group Net debt amounted to Euro 4,728 million at the end of June 2019. Excluding the impact of IFRS 16, it stood at Euro 2,773 million, an increase of 886 million compared to the net debt position at the end of December 2018.

This includes the extraordinary cash out linked to the settlement of the second and third phase of the mandatory tender offer to Luxottica minority shareholders, as well as the payment of the annual dividend of EssilorLuxottica in the first half.

Acquisitions and partnerships

During the first half, EssilorLuxottica pursued its strategy of forging local partnerships by completing 4 transactions.

In Germany, Essilor acquired 100% of **Brille24 GmbH**, one of the leading German online optical platforms with annual revenue of close to Euro 25 million.

In Greece, Essilor strengthened its presence with its partner Shamir that acquired **Union Optic**, a prescription laboratory that also distributes optical instruments. Union Optic generates annual sales of about Euro 9 million and has four offices in Greece and Cyprus.

In addition, in Latin America, Essilor bought the assets of the lab of **Devlyn Holdings**, a leading integrated retail player in Mexico, and has contracted a supply agreement with Devlyn's retail banner with the view of further promoting quality vision care solutions in the fast expanding Mexican eyecare optical industry.

In China, Essilor acquired 100% of **Future Vision,** a lens manufacturing plant operating a prescription laboratory, with annual revenues of Euro 1.8 million

Subsequent events

EssilorLuxottica to acquire HAL's 76.72% interest in GrandVision

EssilorLuxottica announce today an agreement with HAL Optical Investments B.V. ("HAL"), the majority shareholder of GrandVision N.V. ("GrandVision"), a global leader in optical retailing, under which EssilorLuxottica will acquire HAL's entire 76.72% stake in GrandVision at a cash price per share of Euro 28 – to be increased by 1.5% to Euro 28.42 if closing of the acquisition does not occur within 12 months from the announcement date. Upon the closing of the transaction, EssilorLuxottica will launch a mandatory public offer for all the remaining GrandVision shares in accordance with the applicable public offer rules (please refer to the full press release published on July 31, 2019). The transaction is subject to customary closing conditions, including regulatory approvals

Acquisition of Barberini

Regarding the acquisition of Barberini by Luxottica, announced on June 22, 2018, the Group is now announcing that all the relevant antitrust approvals have been obtained and that all the conditions precedent to the transaction closing have been met. The closing is expected to take place in the near future.

Renewal of the exclusive licence agreement with Bulgari

Luxottica and Bulgari SpA today announced the early renewal of an exclusive license agreement for the development, production and worldwide distribution of sunglasses and prescription frames under the Bulgari brand. The three-year renewal will be effective starting January 1, 2021, immediately following the expiration of the existing agreement, and is scheduled to expire on December 31, 2023.

Notes

Notes

1 Pro forma: the unaudited pro forma condensed consolidated interim financial information has been produced for illustrative purposes only, with the aim of providing comparative information for the first six months ended June 30, 2018 as if the combination between Essilor and Luxottica had occurred on January 1, 2018. For further details, please refer to the table in the Appendix.

2 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.

3 Like-for-like: growth at constant scope and exchange rates.

4 Fast-growing countries or markets: include China, India, ASEAN, South Korea, Hong Kong, Taiwan, Africa, the Middle East, Russia, Eastern Europe and Latin America.

5 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.

6 Adjusted measures or figures: adjusted from the expenses 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.

7 Free Cash Flow: net cash flow provided by operating activities less the sum of purchase of property, plant and equipment and intangible assets and cash payments for the principal portion of lease liabilities according to the IFRS consolidated statement of cash flow.

APPENDICES

ESSILORLUXOTTICA PRO FORMA – FROM REPORTED TO ADJUSTED

€ millions	Luxottica 1H 2018	Essilor 1H 2018	PPA adjustments Jan. 1, 2018 Jun. 30, 2018	Other adjustments	EssilorLuxottica Pro forma	Elimination of 12 months PPA adjustments	Other non-GAAP adjustments	EssilorLuxottica Pro forma Adjusted
	1H 2018							
Revenue	4,569	3,726	-	(118)	8,177	-	-	8,177
Cost of sales	(1,587)	(1,523)	(119)	118	(3,112)	119	10	(2,982)
Gross profit	**2,982**	**2,202**	**(119)**	**-**	**5,065**	**119**	**10**	**5,195**
% of revenue	*65.3%*	*59.1%*			*61.9%*			*63.5%*
Research and development	(29)	(106)	(128)	-	(263)	128	-	(136)
Selling	(1,461)	(665)	(129)	-	(2,255)	129	0	(2,126)
Royalties	(81)	(5)	-	-	(86)	-	-	(86)
Advertising and marketing	(297)	(263)	(44)	-	(604)	44	-	(560)
General and administrative	(329)	(574)	(5)	(137)	(1,045)	5	206	(834)
Other income / (expenses)	(1)	(5)	-	-	(6)	-	3	(3)
Total operating expenses	**(2,199)**	**(1,618)**	**(306)**	**(137)**	**(4,260)**	**306**	**209**	**(3,744)**
Operating profit	**783**	**584**	**(425)**	**(137)**	**805**	**425**	**219**	**1 450**
% of revenue	*17.1%*	*15.7%*			*9.8%*			*17.7%*
Cost of net debt	(42)	(31)	3	-	(70)	(3)	-	(73)
Other financial income / (expenses)	(7)	(0)	-	-	(7)	-	-	(7)
Share of profits of associates	1	(0)	-	(1)	(0)	-	-	(0)
Profit before taxes	**735**	**552**	**(422)**	**(138)**	**728**	**422**	**219**	**1,370**
% of revenue	*16.1%*	*14.8%*			*8.9%*			*16.7%*
Income taxes	(204)	(155)	93	27	(239)	(93)	(9)	(341)
Effective tax rate	*27.7%*	*28.1%*			*32.8%*			*24.9%*
Net profit	**531**	**397**	**(329)**	**(110)**	**490**	**329**	**211**	**1,029**

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EXCERPTS FROM THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Consolidated statement of profit or loss

€ millions	Notes	First semester 2019	Restated First semester 2018 [a]
Revenue	4	8,776	4,569
Cost of sales		(3,290)	(1,587)
GROSS PROFIT		**5,486**	**2,982**
Research and development		(269)	(29)
Selling		(2,361)	(1,461)
Royalties		(88)	(81)
Advertising and marketing		(627)	(297)
General and administrative		(1,100)	(329)
Other income / (expenses)	5	4	(1)
Total operating expenses		**(4,440)**	**(2,199)**
OPERATING PROFIT		**1,046**	**783**
Cost of net debt	6	(59)	(42)
Other financial income / (expenses)	6	(7)	(7)
Share of profits of associates		(1)	1
PROFIT BEFORE TAXES		**978**	**735**
Income taxes		(253)	(204)
NET PROFIT		**725**	**531**
Of which attributable to:			
Owners of the parent		675	530
Non-controlling interests		50	1
Weighted average number of shares outstanding:	7		
Basic		432,960,135	220,891,000
Diluted		439,113,109	220,921,679
Earnings per share (EPS) for net profit attributable to owners of the parent:	7		
Basic		1.56	2.40
Diluted		1.54	2.40

(a) The comparative information presented is that of Luxottica Group S.p.A. restated as described in paragraph Basis of preparation of the financial statements and in Note 1 – New accounting standards of the condensed consolidated interim financial statements.

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Consolidated statement of financial position

Assets

€ millions	Notes	June 30, 2019	Restated December 31, 2018 [a]
Goodwill	8	23,342	23,241
Intangible assets	8	11,492	11,869
Property, plant and equipment	9	3,395	3,339
Right-of-use assets	9	1,831	1,828
Investments in associates		30	22
Other non-current assets		413	390
Deferred tax assets		426	341
TOTAL NON-CURRENT ASSETS		**40,930**	**41,032**
Inventories	10	2,125	2,045
Trade receivables	11	2,619	2,357
Tax receivables		94	128
Other current assets		720	660
Cash and cash equivalents		1,538	1,829
TOTAL CURRENT ASSETS		**7,096**	**7,018**
Assets held for sale		12	14
TOTAL ASSETS		**48,038**	**48,064**

(a) The consolidated statement of financial position as of December 31, 2018 has been restated in accordance with the transitional requirements of the initial application of IFRS 16 – *Leases*, as described in Note 1 – New accounting standards of the condensed consolidated interim financial statements.

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Consolidated statement of financial position

Equity and liabilities

€ millions	Notes	June 30, 2019	Restated December 31, 2018 [(a)]
Share capital		78	77
Share premium reserve		21,950	20,931
Treasury shares reserve		(92)	(92)
Other reserves		11,076	10,757
Net profit attributable to owners of the parent		675	1,086
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		**33,688**	**32,758**
Equity attributable to non-controlling interests		454	438
TOTAL EQUITY	12	**34,142**	**33,196**
Non-current borrowings	13	2,533	2,564
Non-current lease liabilities	13	1,470	1,481
Employee benefits	14	531	459
Non-current provisions	16	189	428
Other non-current liabilities	17	193	226
Deferred tax liabilities		2,203	2,235
TOTAL NON-CURRENT LIABILITIES		**7,121**	**7,394**
Current borrowings	13	1,808	1,176
Current lease liabilities	13	485	481
Trade payables		1,698	1,745
Tax payables		603	99
Current provisions	16	146	211
Other current liabilities	17	2,035	3,762
TOTAL CURRENT LIABILITIES		**6,775**	**7,474**
TOTAL EQUITY AND LIABILITIES		**48,038**	**48,064**

(a) The consolidated statement of financial position as of December 31, 2018 has been restated in accordance with the transitional requirements of the initial application of IFRS 16 – *Leases*, as described in Note 1 – New accounting standards of the condensed consolidated interim financial statements.

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Consolidated statement of cash flows

€ millions	Notes	First semester 2019	Restated First semester 2018 [(a)]
NET PROFIT		**725**	**531**
Depreciation and amortization		1,045	464
Expense arising from share-based payments	15	76	17
Income taxes		253	204
Finance result, net	6	67	49
Other non-cash items		5	13
Changes in provisions and other		2	(204)
Changes in working capital		(436)	(119)
Taxes paid, net		(156)	(48)
Interest paid, net		(93)	(62)
NET CASH FLOWS PROVIDED BY / (USED IN) OPERATING ACTIVITIES		**1,489**	**844**
Purchase of property, plant and equipment and intangible assets	8, 9	(438)	(300)
Disposal of property, plant and equipment and intangible assets	8, 9	8	-
Acquisitions of businesses, net of cash acquired		(113)	(5)
Changes in other non-financial assets		(17)	-
NET CASH FLOWS PROVIDED BY / (USED IN) INVESTING ACTIVITIES		**(560)**	**(305)**
Share capital increase	12	3	3
Dividends paid:			
- to the owners of the parent		(887)	(484)
- to non-controlling interests		(37)	(2)
Transactions with non-controlling interests		(643)	-
Cash payments for principal portion of lease liabilities	13	(303)	(197)
Issuance of bonds, private placement and other long-term debt	13	-	-
Repayment of bonds, private placement and other long-term debt	13	(699)	(20)
Changes in other current and non-current borrowings	13	1,330	(14)
NET CASH FLOWS PROVIDED BY / (USED IN) FINANCING ACTIVITIES		**(1,235)**	**(713)**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**(305)**	**(173)**
Cash and cash equivalents at the beginning of the financial year	13	1,829	1,159
Effects of exchange rate changes on cash and cash equivalents		14	-
CASH AND CASH EQUIVALENTS AT THE END OF THE INTERIM PERIOD		**1,538**	**986**

(a) The comparative information presented is that of Luxottica Group S.p.A. restated as described in paragraph Basis of preparation of the financial statements and in Note 1 – New accounting standards of the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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Condensed consolidated interim financial statements

Consolidated statement of profit or loss

€ millions	Notes	First semester 2019	Restated First semester 2018 (a)
Revenue	4	8,776	4,569
Cost of sales		(3,290)	(1,587)
GROSS PROFIT		**5,486**	**2,982**
Research and development		(269)	(29)
Selling		(2,361)	(1,461)
Royalties		(88)	(81)
Advertising and marketing		(627)	(297)
General and administrative		(1,100)	(329)
Other income / (expenses)	5	4	(1)
Total operating expenses		**(4,440)**	**(2,199)**
OPERATING PROFIT		**1,046**	**783**
Cost of net debt	6	(59)	(42)
Other financial income / (expenses)	6	(7)	(7)
Share of profits of associates		(1)	1
PROFIT BEFORE TAXES		**978**	**735**
Income taxes		(253)	(204)
NET PROFIT		**725**	**531**
Of which attributable to:			
Owners of the parent		675	530
Non-controlling interests		50	1
Weighted average number of shares outstanding:	7		
Basic		432,960,135	220,891,000
Diluted		439,113,109	220,921,679
Earnings per share (EPS) for net profit attributable to owners of the parent:	7		
Basic		1.56	2.40
Diluted		1.54	2.40

(a) The comparative information presented is that of Luxottica Group S.p.A. restated as described in paragraph *Basis of preparation of the financial statements* and in Note 1 – New accounting standards.

Consolidated statement of comprehensive income

€ millions	First semester 2019	Restated First semester 2018 [a]
NET PROFIT	**725**	**531**
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges	(5)	(2)
Net investment hedges	-	-
Foreign currency translation differences	90	51
Related tax effect	1	1
TOTAL ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	**86**	**50**
Items that will not be reclassified to profit or loss		
Actuarial gain/(loss) on employee benefits	(51)	34
Related tax effect	13	(7)
TOTAL ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS	**(38)**	**27**
TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAX	**48**	**76**
TOTAL COMPREHENSIVE INCOME	**773**	**608**
Total comprehensive income attributable to:		
Owners of the parent	717	607
Non-controlling interests	56	1

(a) The comparative information presented is that of Luxottica Group S.p.A. restated as described in paragraph *Basis of preparation of the financial statements* and in Note 1 – New accounting standards.

Consolidated statement of financial position

Assets

€ millions	Notes	**June 30, 2019**	**Restated December 31, 2018** [(a)]
Goodwill	8	23,342	23,241
Intangible assets	8	11,492	11,869
Property, plant and equipment	9	3,395	3,339
Right-of-use assets	9	1,831	1,828
Investments in associates		30	22
Other non-current assets		413	390
Deferred tax assets		426	341
TOTAL NON-CURRENT ASSETS		**40,930**	**41,032**
Inventories	10	2,125	2,045
Trade receivables	11	2,619	2,357
Tax receivables		94	128
Other current assets		720	660
Cash and cash equivalents		1,538	1,829
TOTAL CURRENT ASSETS		**7,096**	**7,018**
Assets held for sale		12	14
TOTAL ASSETS		**48,038**	**48,064**

(a) The consolidated statement of financial position as of December 31, 2018 has been restated in accordance with the transitional requirements of the initial application of IFRS 16 – *Leases*, as described in Note 1 – New accounting standards.

Equity and liabilities

€ millions	Notes	**June 30, 2019**	**Restated December 31, 2018** [(a)]
Share capital		78	77
Share premium reserve		21,950	20,931
Treasury shares reserve		(92)	(92)
Other reserves		11,076	10,757
Net profit attributable to owners of the parent		675	1,086
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		**33,688**	**32,758**
Equity attributable to non-controlling interests		454	438
TOTAL EQUITY	12	**34,142**	**33,196**
Non-current borrowings	13	2,533	2,564
Non-current lease liabilities	13	1,470	1,481
Employee benefits	14	531	459
Non-current provisions	16	189	428
Other non-current liabilities	17	193	226
Deferred tax liabilities		2,203	2,235
TOTAL NON-CURRENT LIABILITIES		**7,121**	**7,394**
Current borrowings	13	1,808	1,176
Current lease liabilities	13	485	481
Trade payables		1,698	1,745
Tax payables		603	99
Current provisions	16	146	211
Other current liabilities	17	2,035	3,762
TOTAL CURRENT LIABILITIES		**6,775**	**7,474**
TOTAL EQUITY AND LIABILITIES		**48,038**	**48,064**

(a) The consolidated statement of financial position as of December 31, 2018 has been restated in accordance with the transitional requirements of the initial application of IFRS 16 – *Leases*, as described in Note 1 – New accounting standards.

Consolidated statement of changes in equity

First semester 2018

€ millions	Share capital	Share premium reserve	Treasury shares reserve	Translation reserve	Retained earnings and other reserves	Net profit attributable to owners of the parent	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
EQUITY AT JANUARY 01, 2018 [(a)]	**29**	**570**	**(257)**	**(225)**	**4,650**	**1,040**	**5,808**	**5**	**5,814**
Impact from the initial application of IFRS 16 [(b)]	-	-	-	-	(63)	-	(63)	-	(63)
EQUITY AT JANUARY 01, 2018 RESTATED [(b)]	**29**	**570**	**(257)**	**(225)**	**4,587**	**1,040**	**5,745**	**5**	**5,750**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD RESTATED [(b)]	**-**	**-**	**-**	**51**	**25**	**531**	**607**	**1**	**608**
Issue of ordinary shares and changes in ownership interests									
Acquisition of subsidiary with NCI	-	-	-	-	-	-	-	-	-
Changes related to NCI without a change in control	-	-	-	-	-	-	-	-	-
Other changes related to NCI	-	-	-	-	-	-	-	-	-
Employee share issues and exercise of stock options	-	(4)	9	-	(9)	-	(4)	-	(4)
Share-based payments	-	-	-	-	2	-	2	-	2
Net sale / (net purchase) of treasury shares	-	-	-	-	-	-	-	-	-
Allocation of net profit	-	-	-	-	1,040	(1,040)	-	-	-
Dividends paid	-	-	-	-	(484)	-	(484)	(2)	(486)
EQUITY AT JUNE 30, 2018 RESTATED	**29**	**566**	**(248)**	**(174)**	**5,161**	**531**	**5,866**	**4**	**5,870**

(a) As disclosed in the line *Equity at January 1, 2018 Adjusted* of the consolidated statement of changes in equity in EssilorLuxottica's Consolidated Group Financial Statements as of and for the year ended December 31, 2018.
(b) The impact of the initial application of IFRS 16 – *Leases* is described in Note 1 – New accounting standards.

First semester 2019

€ millions	Share capital	Share premium reserve	Treasury shares reserve	Translation reserve	Retained earnings and other reserves	Net profit attributable to owners of the parent	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
EQUITY AT DECEMBER 31, 2018 as published	**77**	**20,931**	**(92)**	**(89)**	**10,910**	**1,087**	**32,823**	**438**	**33,262**
Impact from the application of IFRS 16 [(a)]	-	-	-	(1)	(62)	(1)	(65)	-	(65)
EQUITY AT DECEMBER 31, 2018 RESTATED	**77**	**20,931**	**(92)**	**(91)**	**10,848**	**1,086**	**32,758**	**438**	**33,196**
Impact from the application of IFRIC 23 [(b)]	**-**	**-**	**-**	**-**	(10)	**-**	(10)	**-**	(10)
EQUITY AT JANUARY 01, 2019 RESTATED	**77**	**20,931**	**(92)**	**(91)**	**10,838**	**1,086**	**32,748**	**438**	**33,186**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**-**	**-**	**-**	**84**	**(41)**	**675**	**717**	**56**	**773**
Issue of ordinary shares and changes in ownership interests									
Acquisition of subsidiary with NCI	-	-	-	-	-	-	-	-	-
Changes related to NCI without a change in control	2	1,017	-	-	16	-	1,035	-	1,035
Other changes related to NCI	-	-	-	-	(4)	-	(4)	(3)	(7)
Employee share issues and exercise of stock options	-	2	-	-	-	-	2	-	2
Share-based payments	-	-	-	-	76	-	76	-	76
Net sale / (net purchase) of treasury shares	-	-	-	-	-	-	-	-	-
Allocation of net profit	-	-	-	-	1,086	(1,086)	-	-	-
Dividends paid	-	-	-	-	(887)	-	(887)	(37)	(924)
EQUITY AT JUNE 30, 2019	**78**	**21,950**	**(92)**	**(7)**	**11,083**	**675**	**33,688**	**454**	**34,142**

(a) The impact of the application of IFRS 16 – *Leases* is described in Note 1 – New accounting standards.

(b) The impact of the application of IFRIC 23 – *Uncertainty over Income Tax Treatments* is described in Note 1 – New accounting standards.

Consolidated statement of cash flows

€ millions	Notes	First semester 2019	Restated First semester 2018 [a]
NET PROFIT		**725**	**531**
Depreciation and amortization		1,045	464
Expense arising from share-based payments	15	76	17
Income taxes		253	204
Finance result, net	6	67	49
Other non-cash items		5	13
Changes in provisions and other		2	(204)
Changes in working capital		(436)	(119)
Taxes paid, net		(156)	(48)
Interest paid, net		(93)	(62)
NET CASH FLOWS PROVIDED BY / (USED IN) OPERATING ACTIVITIES		**1,489**	**844**
Purchase of property, plant and equipment and intangible assets	8, 9	(438)	(300)
Disposal of property, plant and equipment and intangible assets	8, 9	8	-
Acquisitions of businesses, net of cash acquired		(113)	(5)
Changes in other non-financial assets		(17)	-
NET CASH FLOWS PROVIDED BY / (USED IN) INVESTING ACTIVITIES		**(560)**	**(305)**
Share capital increase	12	3	3
Dividends paid:			
- to the owners of the parent		(887)	(484)
- to non-controlling interests		(37)	(2)
Transactions with non-controlling interests		(643)	-
Cash payments for principal portion of lease liabilities	13	(303)	(197)
Issuance of bonds, private placement and other long-term debt	13	-	-
Repayment of bonds, private placement and other long-term debt	13	(699)	(20)
Changes in other current and non-current borrowings	13	1,330	(14)
NET CASH FLOWS PROVIDED BY / (USED IN) FINANCING ACTIVITIES		**(1,235)**	**(713)**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**(305)**	**(173)**
Cash and cash equivalents at the beginning of the financial year	13	1,829	1,159
Effects of exchange rate changes on cash and cash equivalents		14	-
CASH AND CASH EQUIVALENTS AT THE END OF THE INTERIM PERIOD		**1,538**	**986**

(a) The comparative information presented is that of Luxottica Group S.p.A. restated as described in paragraph *Basis of preparation of the financial statements* and Note 1 – New accounting standards.

Notes to the Condensed Consolidated Interim Financial Statements

General information

EssilorLuxottica SA (hereinafter the "Company", "EssilorLuxottica" or, together with its subsidiaries, the "Group") is a public limited company ("Société Anonyme") with a Board of Directors and is governed by the laws of France. The Company is headquartered in Paris, 1-6 rue Paul Cézanne, while its registered office is located in Charenton-le-Pont, 147 rue de Paris.

The Company originates from the combination that occurred between Essilor International (Compagnie Générale d'Optique) SA ("Essilor" or, together with its subsidiaries, "Essilor Group") and Luxottica Group S.p.A. ("Luxottica" or, together with its subsidiaries, "Luxottica Group") on October 1, 2018 (referred hereinafter as the "EL Combination").

The Group is a global leader in the design, manufacture and distribution of ophthalmic lenses, frames and sunglasses.

These condensed consolidated interim financial statements are prepared under the responsibility of the Board of Directors. These financial statements were approved by the Board of Directors on July 30, 2019.

Basis of preparation of the financial statements

Pursuant to the European Regulation No. 1606/2002 of July 19, 2002, the condensed consolidated interim financial statements have been prepared in accordance with the International Financial Reporting Standards (hereinafter also "IFRS") as issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union.

Specifically, the condensed consolidated interim financial statements for the six-month period ended June 30, 2019 have been prepared in accordance with IAS 34 – *Interim Financial Reporting*. They do not include all the information required in annual financial statements and should be read in conjunction with the Group's consolidated financial statements as at December 31, 2018.

The principles and standards applied in the preparation of these condensed consolidated interim financial statements are the same applied in the preparation of the consolidated financial statements for the fiscal year ended December 31, 2018, except for the determination of effective tax rate and the application of new standards and interpretations that are effective for reporting periods beginning on January 1, 2019 (see Note 1 – New accounting standards). Some reclassifications related to the presentation of comparative figures have also been realized in order to be compliant with the presentation of the current period (see below).

These condensed consolidated interim financial statements are composed of a consolidated statement of profit or loss, a consolidated statement of comprehensive income, a consolidated statement of financial position, a consolidated statement of changes in equity, a consolidated statement of cash flows and related notes to the condensed consolidated interim financial statements.

The preparation of financial statements requires Management's use of estimates and assumptions that may affect the reported amounts of assets, liabilities, income and expenses in the financial statements, as well as the disclosures in the notes concerning contingent assets and liabilities at the balance sheet date.

Estimates are based on historical experience and other factors. The resulting accounting estimates could differ from the related actual results. Estimates are periodically reviewed and the effects of each change are reflected in the consolidated statement of profit or loss or in the consolidated statement of comprehensive income in the period in which the change occurs.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, except for the new significant judgements related to lessee accounting under IFRS 16 – *Leases* (see Note 1 – New accounting standards).

The most significant estimates and assumptions concern, in particular:

- fair values of assets and liabilities acquired in business combinations;
- the recoverable amount of goodwill;
- depreciation period for intangible assets with a definite useful life;
- put options over non-controlling interests;
- provisions for risks;
- pension and other employee-benefit obligations;
- various assumptions related to lessee accounting under IFRS 16 such as assessment of the lease term of contracts with renewal options, or as the determination of discount rates;
- the recoverability of receivables and inventories.

First-half income tax expense recognized in the condensed consolidated statement of profit or loss is determined based on management estimate of the effective income tax rate expected for the full financial year, in accordance with IAS 34 – *Interim Financial Reporting*.

The Group's reporting currency is the euro. All amounts are expressed in millions of euros, unless otherwise specified. Certain numerical figures contained in this document, including financial information and certain operating data, have been subject to rounding adjustments.

The condensed consolidated interim financial statements are prepared on a going concern basis.

These condensed consolidated interim financial statements represent the first set of interim financial statements after the EL Combination which occurred on October 1, 2018. Since this transaction is considered a reverse acquisition according to the requirements of IFRS 3 – *Business Combinations*, the comparative information provided in respect of the six-month period ended June 30, 2018 is that of Luxottica only (i.e. the accounting acquirer).

As a result, the condensed consolidated interim financial statements reflect the following structure:

Statements	*First semester 2019 and as at June 30, 2019*	*First semester 2018*	*As at December 31, 2018*
Profit or loss Other comprehensive income Cash flows	EssilorLuxottica's 6 months (Jan-June)	Luxottica's 6 months (a) (Jan-June)	n.a.
Changes in equity	EssilorLuxottica's historical cost	Luxottica's historical cost (a)	n.a
Financial position	EssilorLuxottica's historical cost	n.a	EssilorLuxottica's historical cost (a)

(a) Restated to reflect the retrospective application of IFRS 16. Some reclassifications have also been realized in order to be compliant with the presentation of the current period.

Therefore, the information presented as comparative information is not fully comparable.

As stated above, some reclassifications related to the presentation of Luxottica's figures for the six-month period ended June 30, 2018 have been realized in order to be compliant with the presentation of the current period. The main reclassifications were performed in the statement of profit or loss and relate to:

- research and development costs classified within *Costs of sales* in Luxottica 2018 published condensed consolidated interim financial statements, reclassified in a dedicated line within operating expenses, *Research and development*, for an amount of €29 million;
- amortization of intangible assets recognized in business combinations classified within *General and administrative* expenses in Luxottica 2018 published condensed consolidated interim financial statements, reclassified in the lines *Selling* for an amount of €23 million and *Advertising and marketing* for an amount of €22 million;

- some personnel and personnel related costs classified within *General and administrative* expenses in Luxottica 2018 published condensed consolidated interim financial statements, reclassified in the line *Advertising and marketing* for an amount of €35 million;
- other income and expenses classified below the *Operating profit* in Luxottica 2018 published condensed consolidated interim financial statements, reclassified within the operating expenses; and
- the presentation of financial result: in Luxottica 2018 published condensed consolidated interim financial statements *Financial income* was presented separately from *Financial expenses*, whereas in EssilorLuxottica condensed consolidated interim financial statements the *Cost of net debt* is isolated from the *Other financial income / (expenses)*.

The table reported below shows the reclassifications performed on the Luxottica's 2018 published consolidated statement of profit or loss for the six-month period ended June 30, 2018.

€ millions	**First semester 2018 reported [(a)]**	**Reclassifications**	**First semester 2018 comparative [(b)]**
Revenue	4,553	-	4,553
Cost of sales	(1,618)	29	(1,588)
GROSS PROFIT	**2,935**	**29**	**2,964**
Research and development	-	(29)	(29)
Selling	(1,442)	(23)	(1,464)
Royalties	(81)	-	(81)
Advertising and marketing	(240)	(57)	(298)
General and administrative	(409)	79	(330)
Other income / (expenses)	-	(1)	(1)
Total operating expenses	**(2,172)**	**(30)**	**(2,203)**
OPERATING PROFIT	**763**	**(1)**	**762**
Cost of net debt	-	(21)	(21)
Other financial income / (expenses)	-	(7)	(7)
Share of profits of associates	-	1	1
Financial income / (expenses)	(25)	25	-
Other income / (expenses)	(3)	3	-
PROFIT BEFORE TAXES	**735**	**-**	**735**
Income taxes	(204)	**-**	(204)
NET PROFIT	**531**	**-**	**531**

(a) As reported in Luxottica's 2018 condensed consolidated interim financial statements.
(b) Before IFRS 16 restatement. The effects of the initial application of IFRS 16 – *Leases* are described in Note 1 – New accounting standards.

Note 1. New accounting standards

New endorsed standards, amendments and interpretations that are effective from January 1, 2019

IFRS 16 *Leases*

IFRS 16 was published in January 2016 and replaces IAS 17 – *Leases*, IFRIC 4 – *Determining Whether an Arrangement Contains a Lease*, SIC 15 – *Operating Leases—Incentives* and *SIC 27 Evaluating the Substance of Transactions in the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. It requires lessees to recognize all leases based on a single model similar to the one used for finance leases under IAS 17. The standard includes two exemptions to the application of the model: leases of "low value" assets and short-term leases. Except for the leases falling within the scope of the above exemptions, at the commencement date, the lessee shall recognize a liability for the future lease payments (so-called "lease liability") and an asset representing the right to use the underlying asset for the lease term (so-called "right-of-use asset"). Lessees shall separately recognize interest expense on the lease liability and depreciation on the right-of-use asset in their income statements.

IFRS 16 was endorsed by the European Union in October 2017 and is effective for periods beginning on January 1, 2019 (i.e. date of initial application). To ensure comparability between the information presented in the financial statements, the Group adopted IFRS 16 using the full retrospective approach (paragraph C5(a) of IFRS 16). Accordingly, 2018 information presented for comparative purposes has been restated and the cumulative impact of applying IFRS 16 has been accounted for as an adjustment to equity as at January 1, 2018 (i.e. the beginning of the earliest period presented in 2019 condensed consolidated interim financial statements). Moreover, the Group measured the lease liabilities and right-of-use assets for leases in which the Essilor Group was the lessee as if the acquired leases were new leases at the EL Combination date, i.e. October 1, 2018.

As a practical expedient, the Group decided not to reassess whether a contract is, or contain, a lease at the date of initial application and relied on the assessment performed applying IAS 17 and IFRIC 4 (paragraph C3 of IFRS 16). The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of twelve months or less and do not contain a purchase option ("short-term leases"), and lease contracts for which the underlying asset is of low value ("low-value assets").

IFRS 16 has a material impact on the Group's consolidated financial statements and mainly concern leased stores, plants, warehouses and offices.

Impacts on 2018 comparative information

The following tables summarize the impacts of adopting IFRS 16 on 2018 comparative information presented in these condensed consolidated interim financial statements. It has to be noted that, due to the accounting of the EL Combination, the IFRS 16 impacts on the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of cash flows, as well as the IFRS 16 impacts on opening equity as at January 1, 2018 are those of Luxottica Group only; whereas the IFRS 16 impacts on the statement of financial position as at December 31, 2018 and on opening equity as at January 1, 2019 are those of EssilorLuxottica.

The main impacts on the comparative figures as of December 31, 2018 are also described below:

- recognition of *Right-of-use assets* amounting to €1,828 million presented separately in the statement of financial position. Lease assets previously recognized under finance lease were reclassified from *Property, plant and equipment*;
- recognition of *Lease liabilities* amounting to €1,962 million presented separately in the statement of financial position (both in the current and non-current sections based on their maturity). Lease liabilities previously recognized under finance lease were reclassified from *Current* and *Non-current*

borrowings;

- increase in *Deferred tax assets* amounting to €5 million and decrease in *Deferred tax liabilities* amounting to €10 million;
- reversal, from the *Other non-current liabilities*, of the effect coming from the recognition of operating leases on a straight-line basis, as required by the previous standard IAS 17 – *Leases*, for €52 million.

The net effect of these adjustments has been recorded for €64 million into *Other reserves*.

For the six months ended June 30, 2018:

- sub-lease income of €16 million were reclassified in the *Revenue* line from *Selling* expenses;
- depreciation expenses increased by €212 million relating to the depreciation of additional assets recognized (i.e. increase in *Right-of-use assets*, net of decrease in *Property, plant and equipment*);
- rent expense relating to leases previously classified as operating leases and classified within the operating expenses decreased in total by €218 million;
- finance costs increased by €21 million relating to the interest expenses on additional lease liabilities recognized.

The cash outflows from operating activities decreased by €197 million while the cash outflows from financing activities increased by the same amount, representing the payments for the principal portion of recognized lease liabilities.

Impacts on consolidated statement of profit or loss for the six-month period ended June 30, 2018

€ millions	**First semester 2018 comparative [a]**	**IFRS 16 Adjustments**	**First semester 2018 restated**
Revenue	4,553	16	4,569
Cost of sales	(1,588)	1	(1,587)
GROSS PROFIT	**2,964**	**18**	**2,982**
Research and development	(29)	-	(29)
Selling	(1,464)	3	(1,461)
Royalties	(81)	-	(81)
Advertising and marketing	(298)	-	(297)
General and administrative	(330)	1	(329)
Other income / (expenses)	(1)	-	(1)
Total operating expenses	**(2,203)**	**4**	**(2,199)**
OPERATING PROFIT	**762**	**22**	**783**
Cost of net debt	(21)	(21)	(42)
Other financial income / (expenses)	(7)	-	(7)
Share of profits of associates	1	-	1
PROFIT BEFORE TAXES	**735**	**-**	**735**
Income taxes	(204)	-	(204)
NET PROFIT	**531**	**-**	**531**
Of which attributable to			
Owners of the parent	530	-	530
Non-controlling interests	1	**-**	1

(a) Information for the six-month period ended on June 30, 2018 is that of Luxottica. Some reclassifications have been realized in order to be compliant with the presentation of the current period, refer to the paragraph *Basis of preparation of the financial statements* for additional details.

Impact on the consolidated statement of financial position as of December 31, 2018

ASSETS *€ millions*	**Published [a]**	**IFRS 16 Adjustments**	**December 31, 2018 restated**
Goodwill	23,241	-	23,241
Intangible assets	11,873	(4)	11,869
Property, plant and equipment	3,368	(28)	3,339
Right-of-use assets	-	1,828	1,828
Investment in associates	22	-	22
Other non-current assets	390	-	390
Deferred tax assets	336	5	341
TOTAL NON-CURRENT ASSETS	**39,230**	**1,801**	**41,032**
Inventories	2,045	-	2,045
Trade receivables	2,357	-	2,357
Tax receivables	128	-	128
Other current assets	667	(7)	660
Cash and cash equivalents	1,829	-	1,829
TOTAL CURRENT ASSETS	**7,025**	**(7)**	**7,018**
Assets held for sale	14	-	14
TOTAL ASSETS	**46,269**	**1,794**	**48,064**

EQUITY AND LIABILITIES *€ millions*	**Published [a]**	**IFRS 16 Adjustments**	**December 31, 2018 Restated**
Share capital	77	-	77
Share premium reserve	20,931	-	20,931
Treasury shares reserve	(92)	-	(92)
Other reserves	10,821	(64)	10,757
Net profit attributable to owners of the parent	1,087	(1)	1,086
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	**32,823**	**(65)**	**32,758**
Equity attributable to non-controlling interests	438	-	438
TOTAL EQUITY	**33,262**	**(65)**	**33,196**
Non-current borrowings	2,582	(18)	2,564
Non-current lease liabilities	-	1,481	1,481
Employee benefits	459	-	459
Non-current provisions	428	-	428
Other non-current liabilities	278	(52)	226
Deferred tax liabilities	2,245	(10)	2,235
TOTAL NON-CURRENT LIABILITIES	**5,993**	**1,401**	**7,394**
Current borrowings	1,184	(8)	1,176
Current lease liabilities	-	481	481
Trade payables	1,746	(1)	1,745
Tax payables	99	-	99
Current provisions	211	-	211
Other current liabilities	3,775	(13)	3,762
TOTAL CURRENT LIABILITIES	**7,015**	**459**	**7,474**
TOTAL EQUITY AND LIABILITIES	**46,269**	**1,794**	**48,064**

(a) As published in EssilorLuxottica's annual consolidated financial statements for the year ended on December 31, 2018.

Impact on opening equity as of January 1, 2018 and 2019

€ millions	
IFRS 16 impact on the balance as of January 1, 2018	**(63)**
IFRS 16 impact on the balance as of January 1, 2019	**(65)**

The impact of IFRS 16 first-time application on the equity opening balances includes:

- as of January 1, 2018: the cumulative impact of the initial application of the standard for Luxottica Group;
- as of January 1, 2019: the impact for 2018 for both Luxottica Group (on a twelve-month basis) and Essilor Group (from the EL Combination date, i.e. October 1, 2018).

Impact on consolidated statement of cash flow for the six-month period ended June 30, 2018

€ millions	**First semester 2018 comparative** (a)	**IFRS 16 Adjustments**	**First semester 2018 restated**
NET PROFIT	**531**	**-**	**531**
Depreciation and amortization	251	212	464
Expense arising from share-based payments	17	-	17
Income taxes	204	-	204
Finance result, net	28	21	49
Other non-cash items	13	-	13
Changes in provisions and other	(188)	(16)	(204)
Changes in working capital	(119)	-	(119)
Taxes paid, net	(48)	-	(48)
Interest paid, net	(41)	(21)	(62)
NET CASH FLOWS PROVIDED BY / (USED IN) OPERATING ACTIVITIES	**648**	**197**	**844**
Purchase of property, plant and equipment and intangible assets	(300)	-	(300)
Disposal of property, plant and equipment and intangible assets	-	-	-
Acquisitions of businesses, net of cash acquired	(5)	-	(5)
Changes in other non-financial assets	-	-	-
NET CASH FLOWS PROVIDED BY / (USED IN) INVESTING ACTIVITIES	**(305)**	**-**	**(305)**
Share capital increase	3	-	3
Dividends paid:			
- to the owners of the parent	(484)	-	(484)
- to non-controlling interests	(2)	-	(2)
Transactions with non-controlling interests	-	-	-
Cash payments for principal portion of lease liabilities	-	(197)	(197)
Issuance of bonds, private placement and other long-term debt	-	-	-
Repayment of bonds, private placement and other long-term debt	(20)	-	(20)
Changes in other current and non-current borrowings	(14)	-	(14)
NET CASH FLOWS PROVIDED BY / (USED IN) FINANCING ACTIVITIES	**(517)**	**(197)**	**(713)**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	**(173)**	**-**	**(173)**
Cash and cash equivalents at the beginning of the financial year	1,159	-	1,159
Effects of exchange rate changes on cash and cash equivalents	-	-	-
CASH AND CASH EQUIVALENTS AT THE END OF THE INTERIM PERIOD	**986**	**-**	**986**

(a) Information for the six-month period ended on June 30, 2018 is that of Group Luxottica. Some reclassifications have been realized in order to be compliant with the presentation of the current period, refer to paragraph *Basis of preparation of the financial statements* for additional details.

Impact on other statements

There is no material impact on the consolidated statement of other comprehensive income nor on the basic and diluted earnings per share coming from the application of IFRS 16.

Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of IFRS 16. These accounting policies replace those reported in Note 1 – Significant accounting principles, paragraph 1.15 *Operating and finance leases*, of the 2018 consolidated financial statements.

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the *right to control the use* of an *identified asset* for a period of time in *exchange for consideration*. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the leased asset is explicitly or implicitly specified in the contract and is physically distinct or represent substantially all of the capacity of a physical distinct asset. If the supplier of the asset has a substantive substitution right (e.g. when suppliers rent selling spaces within department stores, so called *shop in shop* agreements, have substantive right to substitute the assigned selling space during the lease term) the asset is not identified and IFRS 16 accounting does not apply;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset.

The Group applies this approach to contracts entered into or changed on or after January 1, 2019 (the Group decided not to reassess whether a contract is, or contain, a lease at the date of initial application and relied on the assessment performed applying IAS 17 and IFRIC 4).

The Group recognizes a right-of-use asset and a lease liability at the commencement date of the lease (i.e., the date the underlying asset is available for use).

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment (IAS 36 – *Impairment of Assets* requirements do apply).

Lease liabilities are initially measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate (such as those depending on the performance of the leased store) are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable (generally, the Group uses its incremental borrowing rate as the discount rate). After the commencement date, the amount of lease

liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases (especially stores) to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Group applies the short-term lease recognition exemption to all of its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of assets that are considered of low value. Leases corresponding to short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

IFRIC 23 *Uncertainty over Income Tax Treatments*

The interpretation was endorsed by the European Union in October 2018 and is effective for annual periods beginning on January 1, 2019. The interpretation provides guidance on how to reflect uncertain tax treatments in accounting for income taxes. It also clarifies that uncertain tax liabilities shall be considered as current (or deferred) tax liabilities as per IAS 12 – *Income taxes*. Therefore, despite the fact that IFRIC 23 does not contain presentation requirements, an entity shall classify uncertain tax liabilities within the line *Tax payables* according to IAS 1 – *Presentation of Financial Statements*.

The Group decided to apply IFRIC 23 retrospectively in accordance with paragraph B2(b), i.e. recognizing the cumulative effect of initially applying the Interpretation as an adjustment to January 1, 2019 opening balances. No restatement of comparative information is required.

The Interpretation specifically addresses the following:

- whether an entity considers uncertain tax treatments separately;
- the assumptions an entity makes about the examination of tax treatments by taxation authorities;
- how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
- how an entity considers changes in facts and circumstances

The Group concluded that the Interpretation did not have a significant impact on its consolidated financial statements, except for the reclassification from *Provision* to *Tax payables* of the amounts already accounted for as of December 31, 2018 and the accrual of additional €10 million into *Tax payables*. The following table summarize the overall impacts.

LIABILITIES *€ millions*	**December 31, 2018**	**IFRIC 23 Adjustments**	**January 1, 2019**
Non-current provisions	428	(250)	178
Current provisions	211	(76)	135
Tax payables	99	336	435

Other standards and interpretations

The Group also adopted the following amendments and interpretations endorsed by the European Union and effective for periods beginning on January 1, 2019. The adoption of these amendments and interpretations by the Group did not require changes to accounting policies or retrospective adjustments.

- Amendments to IFRS 9: *Prepayment Features with Negative Compensation*
- Amendments to IAS 28: *Long term interests in Associates and Joint Ventures*
- Amendments to IAS 19: *Plan Amendment, Curtailment or Settlement*
- *Annual Improvements to IFRS Standards 2015-2017 Cycle*

New endorsed standards, amendments and interpretations effective for periods beginning after January 1, 2019 and not adopted by the Group

There are no other standards, amendments and interpretations already endorsed by the European Union that are effective for periods beginning after January 1, 2019.

Note 2. Business combinations

2.1 Combination between Essilor and Luxottica

Description of the transaction

On **October 1, 2018**, Delfin S.à.r.l ("Delfin"), the majority shareholder of Luxottica Group S.p.A. ("Luxottica"), and Essilor International (Compagnie Générale d'Optique) ("Essilor") announced the successful completion of the combination of Essilor and Luxottica.

Following the contribution by Delfin of its 62.42% stake in Luxottica to Essilor (the "**Contribution**"), Essilor became the parent company of Luxottica and was renamed EssilorLuxottica. As a consideration for the Contribution, Essilor issued 139,703,301 ordinary shares to Delfin who then owned 38.93% of EssilorLuxottica.

On **October 11, 2018** EssilorLuxottica launched a mandatory tender exchange offer (the "**Offer**" or "MTO") for all the remaining outstanding Luxottica shares (176,276,154 ordinary shares of Luxottica). The first phase of this agreed tender offer began on October 29, 2018 and ended on November 28, 2018 ("**First phase of the MTO**"). 143,788,312 ordinary shares of Luxottica (representing 29.64% of the Luxottica's share capital as updated at the end of the First phase of the MTO) were tendered in exchange for 66,329,548 newly-issued EssilorLuxottica's ordinary shares (on the basis of an Exchange Ratio of 0.4613 EssilorLuxottica shares for 1 Luxottica share).

Owning 93.30% of Luxottica's share capital (including treasury shares) and having reached the 90% threshold, EssilorLuxottica decided to further offer to purchase from any shareholder of Luxottica so requesting, the remaining outstanding ordinary shares of Luxottica not already held by EssilorLuxottica, which amounted in aggregate to 32,487,842 shares (representing 6.70% of Luxottica's share capital). The Group offered to the remaining non-controlling shareholders of Luxottica either: (i) a consideration equalling 0.4613 EssilorLuxottica shares for each Luxottica share (similar to the First phase of the MTO); or, alternatively (ii) only to those shareholders so requesting, a cash consideration equal to €51.64 per Luxottica share, which corresponds to the weighted average of the closing prices of EssilorLuxottica shares recorded on Euronext Paris during the five trading days prior to the payment date of the First phase of the MTO (i.e. on November 28, 29 and 30, and December 3 and 4, 2018) multiplied by the Exchange Ratio (i.e. 0.4613).

The period agreed for the submission of the request by the holders of the remaining shares started on December 12, 2018 and ended on January 18, 2019 ("**Second phase of the MTO**"). During the Second phase of the MTO, 20,561,815 ordinary shares of Luxottica were tendered. Such tendered shares represented 4.24% of the Luxottica's share capital. The consideration due to the holders of the ordinary shares of Luxottica tendered in the Second phase of the MTO consisted of:

- for 14,313,208 Luxottica shares, 0.4613 newly issued EssilorLuxottica shares per each Luxottica share (i.e. 6,602,682 EssilorLuxottica shares with a par value of €0.18 each);
- for 6,248,607 Luxottica shares, a cash consideration amounting to €51.64 per each Luxottica share (i.e. €322.7 million).

Following the completion of the Second phase of the MTO, EssilorLuxottica owned 97.542% of the share capital of Luxottica (including treasury shares). Having reached the 95% threshold, EssilorLuxottica exercised its right to purchase all of the 11,926,027 outstanding shares of Luxottica not already held (amounting to 2.458% of Luxottica's share capital) through a specific joint procedure agreed upon with CONSOB and Borsa Italiana S.p.A. (the "Joint Procedure" or "Squeeze-out"). The Squeeze-out results in the transfer to EssilorLuxottica of the ownership of all outstanding shares of Luxottica not already held for a consideration equal to that set for the Second phase of the MTO (i.e. (i) a consideration equalling 0.4613 EssilorLuxottica shares for each Luxottica share; or, alternatively (ii) only to those shareholders so requesting, a cash consideration equal to €51.64 per Luxottica share).

The period agreed for the submission of the request by the holders of the remaining shares started on January 28, 2019 and ended on February 26, 2019 ("**Third phase of the MTO**"). Any Luxottica's shareholder holding residual shares that did not submit any request received EssilorLuxottica shares.

During the Third phase of the MTO, 11,926,027 ordinary shares of Luxottica were tendered. The consideration due to the holders of the ordinary shares of Luxottica tendered in the Third phase of the MTO consisted of:

- for 5,758,817 Luxottica shares, 0.4613 newly issued EssilorLuxottica shares per each Luxottica share (i.e. 2,656,542 EssilorLuxottica shares with a par value of €0.18 each);
- for 6,167,210 Luxottica shares, a cash consideration amounting to €51.64 per each Luxottica share (i.e. €318.5 million).

Borsa Italiana S.p.A. suspended the trading of Luxottica shares on March 1 and 4, 2019 then ordered the delisting of the Luxottica shares from the MTA (Mercato Telematico Azionario managed by Borsa Italiana S.p.A.) as from March 5, 2019, corresponding to the settlement date of the Joint Procedure.

Following the completion of the Third phase of the MTO, EssilorLuxottica owns 100% of Luxottica's share capital whereas the interest held by Delfin decreased to 32.05% of the share capital of EssilorLuxottica.

Accounting of the transaction

The Contribution of Delfin's stake in Luxottica to Essilor has been accounted for as a *business combination* in EssilorLuxottica's consolidated financial statement as of and for the year ended December 31, 2018.

In particular, for accounting purposes, the Contribution has been treated as the acquisition of Essilor by Luxottica (so-called "reverse acquisition"), even though, legally, Essilor is the acquirer and is the entity that issued new shares to Luxottica shareholders. Accordingly, the 2018 consolidated financial statements reflected the acquisition of Essilor by applying IFRS 3 – *Business combination*, including the acquisition method of accounting on Essilor's identified assets acquired and liabilities assumed.

In accordance with IFRS 3, the Contribution has been accounted on a provisional basis. Any difference compared to the provisional amounts will be recognized as a retrospective adjustment against goodwill if recorded within twelve months from the acquisition date and related to facts and circumstances existing at the acquisition date. As at June 30, 2019 the Group has not obtained any new information about facts and circumstances that existed as of the acquisition date that, if known, would have significantly impacted the measurement of the amounts recognized as of that date or would have resulted in the recognition of significant new assets acquired and liabilities assumed.

The purchases of additional interests in Luxottica in the context of the Offer (i.e. First, Second and Third phase of the MTO) have been considered as separate equity transactions. In particular, the First phase of the MTO was accounted for as a change in ownership interests not resulting in a change of control in the 2018 consolidated financial statements. Whereas, for the Second and Third phases of the MTO, still on-going at December 31, 2018, the Group had to recognize in the 2018 consolidated financial statements its potential obligation to purchase against cash all the remaining Luxottica shares not already held by EssilorLuxottica. Therefore, as of December 31, 2018, the Group:

- accounted for a put liability over the remaining 32,487,842 Luxottica shares not already held amounting to €1,677 million (the maximum cash consideration to be recognized to Luxottica's shareholders) in *Other current liabilities*; and
- reclassified from *Equity attributable to non-controlling interests* to *Equity attributable to the parent* Luxottica's non-controlling interests outstanding as of that date (i.e. 6.7% of Luxottica's share capital) for an amount equal to €417 million.

During the first half of 2019, following the finalization of the Second and Third phases of the MTO, the Group accounted for:

- a capital increase resulting in the issuance of 9,259,224 EssilorLuxottica shares, with a par value of €0.18 each, as a consideration due to the holders of the ordinary shares of Luxottica exchanged against EssilorLuxottica's shares in the Second and Third phase of the MTO; EssilorLuxottica's share capital and share premium reserve were increased accordingly (€2 million and €1,017 million respectively); and
- a total cash-out amounting to €641 million as a consideration due to Luxottica shareholders that tendered their shares against a cash consideration in the Second and Third phases of the MTO (accounted for under *Transactions with non-controlling interests* in the consolidated statement of cash flows).

EssilorLuxottica consequently reversed the put liability accounted for as at December 31, 2018 (€1,677 million) against the total cash-out recognized to Luxottica's shareholders (€641 million) and the increase in share capital and share premium reserve (€2 million and €1,017 million respectively); the resulting difference has been recognized in *Retained earnings and other reserves*.

2.2 Other business combinations

The main business combinations that occurred during the period are listed in the table below (also referred as "Other business combinations").

Name	Country	Acquisition date	Consolidation method	% interest	% consolidated
Brille24	Germany	02/2019	Fully consolidated	100%	100%
Union Optic	Greece	01/2019	Fully consolidated	33%	100%
Future Vision	China	04/2019	Fully consolidated	51%	100%

The impacts on the 2019 condensed consolidated interim financial statements during the six-month period ended June 30, 2019 of the *Other business combinations* are presented in the table below.

€ millions	**TOTAL OTHER BUSINESS COMBINATIONS**
Consideration for the acquisitions (A)	49
Equity attributable to non-controlling interests (B)	2
Fair value of net assets acquired (C)	6
Goodwill recognized (D=A+B-C)	**45**
Consideration for the acquisitions (A)	(49)
Deferred payments (E)	5
Acquired cash (F)	3
Cash flow from the acquisitions, net of cash acquired (G=A+E+F)	**(41)**
Contribution to 2019 interim consolidated revenue	**14**
Contribution to 2019 interim consolidated net profit	**(2)**

The fair value of the acquired assets and assumed liabilities of the acquisitions of the period is measured on a provisional basis and may be reviewed at a later date. Any difference resulting from the final valuation will be recognized as a retrospective adjustment against goodwill if recorded within twelve months of the acquisition date.

On an unaudited pro forma basis, had those *Other business combinations* occurred at the beginning of the year, revenue and net profit contributed by the acquisitions to the condensed consolidated interim financial statements would have been, respectively, €14 and €(2) million.

Note 3. Segment information

Information by segment

In accordance with IFRS 8 – *Operating Segments*, the Group's segment information is presented in line with the information provided internally to the Executive Chairman Leonardo Del Vecchio, the Executive Vice Chairman Hubert Sagnières and the directors to whom the Executive Chairman and Vice Chairman delegated part of their powers (i.e. Francesco Milleri and Laurent Vacherot respectively), in their role of Chief Operating Decision Makers, for the purpose of managing operations, taking decisions and analyzing operational performance.

Since the finalization of the EL Combination, which occurred on October 1, 2018, the Group operates in five segments:

- Wholesale: manufacturing and wholesale distribution of high-end luxury and sports eyewear operated by Luxottica Group entities;
- Retail: retail distribution of high-end luxury and sports eyewear operated by Luxottica Group entities;
- Lenses and optical instruments: production, prescription, distribution and trading of lenses and small equipment used by opticians and relating to the sale of lenses, operated by Essilor Group entities;
- Equipment: production, distribution and sale of high capacity equipment, such as digital surfacing machines and lens coating machines, operated by Essilor Group entities; and
- Sunglasses and readers: production, distribution and sale of both non-prescription sunglasses and non-prescription reading glasses, operated by Essilor Group entities.

Information by operating segment is as follows for the six-month periods ended June 30, 2019 and June 30, 2018:

First semester 2019 *€ millions*	Wholesale	Retail	Lenses and Optical Instruments	Equipment	Sunglasses & Readers	Elimination and other adjustments	First semester 2019
Revenue	1,759	3,086	3,377	99	456	-	8,776
Operating profit before depreciation of intangible assets acquired in business combinations[(a)]	485	479	460	22	71	(70)	1,447
Depreciation of intangible assets acquired in business combinations							(401)
OPERATING PROFIT							**1,046**
Cost of net debt							(59)
Other financial income / (expenses)							(7)
Share of profits (loss) of associates							(1)
Income tax							(253)
NET PROFIT							**725**
Acquisitions of property, plant and equipment and intangible assets	99	125	115	3	33	-	375
Amortization and depreciation of property, plant and equipment, intangible assets and right-of-use assets	(103)	(351)	(493)	(3)	(48)	(47)	(1,045)

(a) Operating profit from the *Wholesale* segment is related to the revenue generated with third-party customers only, excluding the 'manufacturing profit' generated on the intercompany revenue with the *Retail* segment. Operating profit from operations of the *Retail* segment is related to retail revenue, considering the cost of goods acquired from the *Wholesale* segment at manufacturing cost, thus including the relevant 'manufacturing profit' attributable to this revenue.

First semester 2018 *€ millions*	Wholesale	Retail	Lenses and Optical Instruments	Equipment	Sunglasses & Readers	Elimination and other adjustments	First semester 2018 Restated (a)
Revenue	1,731	2,838	-	-	-	-	4,569
Operating profit before depreciation of intangible assets acquired in business combinations(b)	464	430	-	-	-	(66)	828
Depreciation of intangible assets acquired in business combinations							(44)
OPERATING PROFIT							**783**
Cost of net debt							(42)
Other financial income / (expenses)							(7)
Share of profits (loss) of associates							1
Income tax							(204)
NET PROFIT							**531**
Acquisitions of property, plant and equipment and intangible assets	156	86	-	-	-	-	242
Amortization and depreciation of property, plant and equipment, intangible assets and right-of-use assets	(91)	(329)	-	-	-	(44)	(464)

(a) The comparative information presented is that of Luxottica Group restated as described in paragraph *Basis of preparation of the financial statements* and Note 1 – New accounting standards.

(b) Operating profit from the *Wholesale* segment is related to the revenue generated with third-party customers only, excluding the 'manufacturing profit' generated on the intercompany revenue with the *Retail* segment. Operating profit from operations of the *Retail* segment is related to retail revenue, considering the cost of goods acquired from the *Wholesale* segment at manufacturing cost, thus including the relevant 'manufacturing profit' attributable to this revenue.

Information by geographical area

The geographic segments include North America, Europe (including Turkey and Russia), Asia, Oceania, Africa (including Middle East) and Latin America.

Revenue is attributed to geographical area based on customers' location.

Information by geographical area is as follows:

	REVENUE	
€ millions	**First semester 2019**	**First semester 2018** (a)
North America	4,583	2,582
Europe	2,231	1,079
Asia, Oceania, Africa	1,436	649
Latin America	526	259
TOTAL	**8,776**	**4,569**

(a) The comparative information presented is that of Luxottica Group restated as described in paragraph *Basis of preparation of the financial statements* and Note 1 – New accounting standards.

The main countries in which the Group operates are the United States for North America (revenue amounting to €4,369 million for the six-month period ended June 30, 2019) and France, United Kingdom and Italy for Europe (revenue amounting to €1,177 million for the six-month period ended June 30, 2019).

Note 4. Revenue

The breakdown of revenue by category is as follows:

€ millions	**First semester 2019**	**First semester 2018** [(a)]
Sales of products	8,201	4,098
Vision care business	457	361
Eye-exam and related professional fees	60	56
Income from franchisee royalties	40	38
Sub-lease income	18	16
TOTAL REVENUE	**8,776**	**4,569**

(a) The comparative information presented is that of Luxottica Group restated as described in paragraph *Basis of preparation of the financial statements* and Note 1 – New accounting standards.

The reconciliation between the breakdown by category of the Group's revenue and its five operating segments for the six-month period ended June 30, 2019 is as follows:

€ millions	**Wholesale**	**Retail**	**Lenses and Optical Instruments**	**Equipment**	**Sunglasses & Readers**	**First semester 2019**
Sales of products	1,752	2,517	3,377	99	456	8,201
Vision care business	-	457	-	-	-	457
Eye-exam and related professional fees	-	60	-	-	-	60
Income from franchisee royalties	6	34	-	-	-	40
Sub-lease income	-	18	-	-	-	18
TOTAL REVENUE	**1,759**	**3,086**	**3,377**	**99**	**456**	**8,776**

Note 5. Operating income and expenses

For the six-month period ended June 30, 2019, the depreciation, amortization and impairment loss of property, plant and equipment, intangible assets and right-of-use assets amount to €1,045 million (€464 million for the first semester of 2018).

Rent expenses related to leases recognized within the *Operating profit* are as follows:

€ millions	**First semester 2019**	**First semester 2018** [(a)]
Depreciation expenses on right-of-use assets	(280)	(212)
Rent expenses – short term leases	(3)	-
Rent expenses – low value leases	(18)	(3)
Rent expenses – variable leases payments	(178)	(176)
Total amounts recognized in operating profit	**(479)**	**(391)**

(a) The comparative information presented is that of Luxottica Group restated as described in paragraph *Basis of preparation of the financial statements* and Note 1 – New accounting standards.

The portfolio of leases to which the rent expenses reported above refer varies significantly over the two periods presented because the 2018 comparative information only refers to Luxottica Group.

Personnel costs amount to €2,645 million (€1,315 million for the first semester of 2018) including €76 million related to share-based payment expenses (€17 million for the first semester of 2018).

Note 6. Financial income and expenses

Financial income and expenses are as follows:

€ millions	First semester 2019	First semester 2018 [a]
Interest on debt and borrowings and related derivatives	(56)	(26)
Interest on leases liabilities	(28)	(22)
Interest income	25	6
COST OF NET DEBT	**(59)**	**(42)**
Dividend income	-	-
Foreign exchange gains or losses	(7)	(7)
Other	-	-
OTHER FINANCIAL INCOME / (EXPENSES)	**(7)**	**(7)**
TOTAL FINANCIAL RESULT	**(67)**	**(49)**

(a) The comparative information presented is that of Luxottica Group restated as described in paragraph *Basis of preparation of the financial statements* and Note 1 – New accounting standards.

Note 7. Earnings per share

€ millions	First semester 2019	First semester 2018 Restated [a]	First semester 2018 [b]
Net profit used for the calculation	675	530	530
Weighted average number of ordinary shares	432,960,135	220,891,000	478,844,569
BASIC EARNINGS PER SHARE	**1.56**	**2.40**	**1.11**

(a) The comparative information presented is that of Luxottica Group restated to reflect the adoption of IFRS 16 and the share capital structure of EssilorLuxottica (as required by the reverse acquisition accounting).
(b) Information as published in Luxottica's 2018 condensed consolidated interim financial statements.

For the six-month period ended June 30, 2018 the calculation of earnings per share was based on the average number of 478,844,569 Luxottica ordinary shares multiplied by the Exchange ratio of 0.4613 EssilorLuxottica shares for 1 Luxottica share as established in the Combination Agreement.

The increase in the weighted average number of ordinary shares between June 2018 and June 2019 is mainly due to the Contribution by Delfin (October 1, 2018) and to the subsequent phases of the Offer during which approximately 215 million of EssilorLuxottica shares were issued.

The average number of ordinary shares outstanding used to calculate diluted earnings per share is as follows:

€ millions	First semester 2019	First semester 2018 Restated [a]	First semester 2018 [b]
Weighted average number of ordinary shares	432,960,135	220,891,000	478,844,569
Dilutive effect of stock subscription options	16,644	30,680	66,507
Dilutive effect of performance share grants	6,136,330	-	-
DILUTED WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES	**439,113,109**	**220,921,679**	**478,911,076**
DILUTED EARNINGS PER SHARE	**1.54**	**2.40**	**1.11**

(a) The comparative information presented is that of Luxottica Group restated to reflect the adoption of IFRS 16 and the share capital structure of EssilorLuxottica (as required by the reverse acquisition accounting).
(b) Information as published in Luxottica's 2018 condensed consolidated interim financial statements.

Note 8. Goodwill and other intangible assets

Changes in goodwill and intangible assets for the period ended June 30, 2019 is as follows:

€ millions	Goodwill	Trade names, trademarks and brands	Technologies	Customer relationships	Other	Total
Balance as of January 1, 2019						
Historical cost	23,241	4,723	2,834	5,162	1,488	**37,448**
Accumulated amortization and impairment	-	(1,192)	(67)	(255)	(824)	**(2,338)**
NET BOOK VALUE AS OF JANUARY 1, 2019 (a)	**23,241**	**3,531**	**2,767**	**4,907**	**664**	**35,110**
Additions	-	-	-	-	73	73
Business combinations of the period	82	-	-	11	2	95
Amortization	-	(101)	(133)	(166)	(103)	(503)
Impairment losses	-	-	-	-	-	-
Divestments and assets classified as held for sale	-	-	-	-	(1)	(1)
Translation differences and other	19	18	1	17	5	60
Total changes	**101**	**(83)**	**(132)**	**(138)**	**(24)**	**(276)**
Balance as of June 30, 2019						
Historical Cost	23,342	4,743	2,836	5,190	1,554	37,665
Accumulated amortization and impairment	-	(1,295)	(201)	(421)	(914)	(2,831)
NET BOOK VALUE AS OF JUNE 30, 2019	**23,342**	**3,448**	**2,635**	**4,769**	**640**	**34,834**

(a) The net book value as of January 1, 2019 has been restated to reflect the application of IFRS 16 as described in Note 1 – New accounting standards.

Goodwill for companies acquired during the period is based on the provisional accounting and may be adjusted during the 12-month period from the acquisition date.

The acquisition accounting resulting from the EL Combination, which include the determination of goodwill, is regarded provisional and may be adjusted during the 12-month period following the acquisition date, i.e. until October 1, 2019.

According to IAS 36 – *Impairment of assets*, the Group shall perform an impairment test at least annually, irrespective of whether there is an indication of impairment.

The impairment test performed as of December 31, 2018 supported the Group's opinion that goodwill was not impaired. As of June 30, 2019, the Group considers that the assumptions used to assess the recoverable value of the groups of cash generating units (CGUs), including the goodwill, as of December 31, 2018 are not modified in a way that would require to perform an impairment test as of June 30, 2019, except for the group of CGUs "Retail Oakley" (allocated goodwill amounting to €175 million) for which an impairment test was conducted confirming the absence of impairment.

The annual required impairment test will be performed by the Group for the preparation of the 2019 annual financial statements.

Note 9. Property, plant and equipment and right-of-use assets

Property, plant and equipment

Changes in items of property, plant and equipment during the six-month period are as follows:

€ millions	**Land, Buildings and related leasehold improvements**	**Plant, equipment, machinery**	**Other**	**Total**
Balance as of January 1, 2019				
Historical cost	2,128	2,335	1,375	5,838
Accumulated depreciation and impairment	(727)	(1,196)	(575)	(2,498)
NET BOOK VALUE AS OF JANUARY 1, 2019 [(a)]	**1,401**	**1,139**	**800**	**3,339**
Additions	51	75	176	302
Business combinations	1	-	1	2
Depreciation	(60)	(126)	(75)	(261)
Impairment losses	-	-	(2)	(2)
Disposals and assets classified as held for sale	(2)	(5)	(4)	(11)
Translation differences and other	8	75	(58)	26
Total changes	**(1)**	**19**	**38**	**56**
Balance as of June 30, 2019				
Historical cost	2,180	2,469	1,462	6,111
Accumulated depreciation and impairment	(780)	(1,311)	(625)	(2,716)
NET BOOK VALUE AS OF JUNE 30, 2019	**1,400**	**1,158**	**838**	**3,395**

(a) The net book value as of January 1, 2019 has been restated to reflect the application of IFRS 16 as described in Note 1 – New accounting standards.

Right-of-use assets (following the adoption of IFRS 16)

The following table summarizes the amounts recognized in the Group's consolidated statement of financial position as a result of the application of IFRS 16. In particular, the table shows the carrying amounts of the Group's right-of-use assets as well as their movements during the six-month period ended June 30, 2019.

€ millions	**Store and other buildings**	**Equipment and machinery**	**Other**	**Total**
NET BOOK VALUE JANUARY 1, 2019	**1,759**	**35**	**34**	**1,828**
Additions	269	7	4	280
Depreciation	(266)	(7)	(7)	(280)
Translation differences and other	13	(9)	(1)	3
NET BOOK VALUE JUNE 30, 2019	**1,775**	**26**	**30**	**1,831**

Note 10. Inventories

The composition of inventories is as follows:

€ millions	June 30, 2019	December 31, 2018
Raw material, supplies and packaging	478	451
Work in progress	75	65
Finished goods	1,776	1,705
INVENTORIES - GROSS	**2,329**	**2,221**
Inventory obsolescence reserve	(204)	(176)
INVENTORIES – NET	**2,125**	**2,045**

Note 11. Trade receivables

Trade receivables are as follows:

€ millions	June 30, 2019	December 31, 2018
Trade receivables – gross	2,707	2,436
Bad debt provision	(88)	(78)
TRADE RECEIVABLES – NET	**2,619**	**2,357**

Trade receivables balance as of the end of the first semester of each year is affected by the seasonal nature of the sale of sunglasses, which represent approximately 30% of the Group's business in term of revenue.

Note 12. Equity

Number of shares

The changes in number of shares, including treasury shares, between January 1 and June 30 for the years 2019 and 2018 are as follows:

In number of shares	First semester 2019	First semester 2018
NUMBER OF SHARES AS OF JANUARY 1	**426,777,218**	**219,125,439**
Changes related to NCI without a change in control	9,259,224	-
Delivery of performance shares	14,018	7,597
Exercise of stock options	25,755	15,200
Net sales (purchases) of treasury shares	-	(7,597)
NUMBER OF SHARES AS OF PERIOD END	**436,076,215**	**219,140,639**

Due to the reverse acquisition accounting, the amount of share capital as at January 1, 2018 is that of Essilor (accounting acquiree but legal acquirer) while the total amount of net equity at the same date being the amount of Luxottica (accounting acquirer), with any relevant difference with Luxottica published financial statements accounted in retained earnings. Therefore, the number of shares indicated at January 1, 2018 and June 30, 2018 is the number of shares of Essilor.

Share capital

The share capital of the Company amounted to €78 million as of June 30, 2019 and was comprised of 436,076,215 ordinary shares with a par value of €0.18 each.

The share capital presented as of December 31, 2018 amounted to €77 million and was comprised of 426,777,218 ordinary shares with a par value of €0.18 each.

The changes in share capital and share premium (issue of ordinary shares) are described below:

- *Changes related to NCI without a change in control*: the consideration due to the holders of the ordinary shares of Luxottica tendered in the Second and the Third phases of the MTO consisted of 0.4613 newly-issued ordinary share of EssilorLuxottica per each Luxottica share (i.e. a total of 9,259,224 EssilorLuxottica shares with a par value of €0.18 each, for an increase in share capital of €2 million and in share premium of €1,017 million).
- *Delivery of performance shares*: refers to the delivery of 14,018 shares in the context of performance share plan.
- *Exercise of stock options*: refers to the delivery of 25,755 shares.

Treasury shares reserves

At June 30, 2019 the Group held 1,099,757 of the Company's shares valued at €92 million.

During the six-month period, the number of treasury shares has not changed.

Retained earnings and other reserves

Retained earnings and other reserves amount to €11,083 million as of June 30, 2019 (€10,848 million as of December 31, 2018).

The main changes accounted in the period are:

- *Changes related to NCI without a change in control*: the accounting of the Second and Third phase of the MTO determined an increase in *Retained earnings and other reserves* of €16 million which is the net impact resulting from:
  - the reverse of the put liability for an amount of €1,677 million (See Note 2 – Business combinations) from *Other current liabilities*;
  - the capital increases for an amount of €1,020 million (of which, €2 million from the increase in share capital, €1,017 million from the increase in share premium and €1 from related costs) resulting from the issuance of 9,259,224 EssilorLuxottica shares, as a consideration due to the holders of the ordinary shares of Luxottica exchanged against EssilorLuxottica's shares;
  - the cash out amounting to €641 million as a consideration due to Luxottica shareholders that tendered their shares against a cash consideration (accounted for under *Transactions with non-controlling interests* in the consolidated statement of cash flows);
- *Allocation of net profit*: net profit attributable to owners of the parent of EssilorLuxottica accounted as of December 31, 2018 increased the amount of *Retained earnings and other reserves* for an amount of €1,086 million;
- *Dividends paid*: the dividend distribution described below decreased *Retained earnings and other reserves* for €887 million.

Dividends

Dividends presented in the 2019 half-year consolidated statement of changes in equity represent dividends paid during the first six months of 2019 by EssilorLuxottica whereas, due to the reverse acquisition accounting, dividends presented in the 2018 half-year consolidated statement of changes in equity correspond to the dividends paid during the first six months of 2018 by Luxottica. Dividends distributed to EssilorLuxottica shareholders during the six-month period ended June 30, 2019 amounted to €887 million (€2.04 per share), and the amount distributed to non-controlling interests totaled €37 million during the same period.

Non-controlling interests

Equity attributable to non-controlling interests amounted to €454 million as at June 30, 2019 and €438 million as at December 31, 2018.

The following table provides a reconciliation of the changes in non-controlling interests:

€ millions	**First semester 2019**
BALANCE AS OF JANUARY 1, 2019	**438**
Total comprehensive income of the period	56
Other changes related to NCI	(3)
Dividends paid	(37)
BALANCE AS AT JUNE 30, 2019	**454**

Note 13. Financial debt, including lease liabilities

Total financial debt is €6,296 million as of June 30, 2019.

The changes in financial debt during the six-month period ended June 30, 2019 are as follows:

€ millions	**Balance as of January 1, 2019** [(a)]	**Change in financing flows** [(b)]	**Other scope effect**	**Translation differences**	**Other**	**Balance as of June 30, 2019**
Non-current borrowings	2,564	(45)	1	4	9	2,533
Non-current lease liabilities	1,481	(8)	-	12	(15)	1,470
TOTAL NON-CURRENT FINANCIAL DEBT	**4,045**	**(53)**	**1**	**16**	**(6)**	**4,003**
Current borrowings	1,176	675	1	(7)	(37)	1,808
Current lease liabilities	481	(295)	-	3	296	485
TOTAL CURRENT FINANCIAL DEBT	**1,657**	**380**	**1**	**(4)**	**259**	**2,293**
TOTAL FINANCIAL DEBT	**5,702**	**327**	**2**	**12**	**253**	**6,296**

(a) The balance as of January 1, 2019 has been restated to reflect the application of IFRS 16 as described in Note 1 – New accounting standards.

(b) The total change in financing flows corresponds to the *Repayment of bonds, private placement and other long-term debt*, the *Changes in other current and non-current borrowings* and the *Cash payments for principal portion of lease liabilities* lines as reported in the consolidated statement of cash flows.

Non-current borrowings

The table below summarizes the Group's long-term borrowings as of June 30, 2019.

€ millions

	June 30, 2019	December 31, 2018	Face value	Currency	Nominal interest rate	Issue date	Maturity
US private placement[1]	-	44	50	USD	5.75%	01/29/2010	01/29/2020
US private placement	62	61	70	USD	2.79%	11/05/2013	11/04/2020
US private placement	57	57	65	USD	3.07%	11/05/2013	11/04/2020
Eurobond	514	520	500	EUR	1.75%	04/09/2014	04/09/2021
US private placement	170	167	200	USD	2.05%	01/05/2017	01/05/2022
Bank Loan	250	250	250	EUR	Euribor 3m + 0.7%	03/10/2017	03/10/2022
Bank Loan	250	250	250	EUR	Euribor 3m + 0.62%	03/10/2017	03/10/2022
Eurobond	257	257	300	USD	2.50%	06/30/2017	06/30/2022
US private placement	26	26	30	USD	3.40%	11/05/2013	11/04/2023
Eurobond	500	500	500	EUR	2.625%	02/10/2014	02/10/2024
Eurodollar	348	335	300	EUR	2.375%	04/09/2014	04/09/2024
US private placement	81	79	100	USD	2.65%	01/05/2017	01/05/2027
Other	18	18					
TOTAL NON- CURRENT BORROWINGS	**2,533**	**2,564**					

[1] Changes compared to December 31, 2018 balances are reported within the line *Repayment of bonds, private placement and other long-term debt* in the consolidated statement of cash flows.

As at June 30, 2019 non-current borrowings decreased by €31 million compared to December 31, 2018, mainly due to the reimbursement of an US private placement amounting to $50 million. The Group's debt agreements contain certain financial covenants. As of June 30, 2019, the Group was in compliance with these financial covenants.

Current borrowings

At June 30, 2019 the Group's short-term funding structure was as follows:

€ millions

	June 30, 2019	December 31, 2018	Face value	Currency	Nominal interest rate	Issue date	Maturity
US private placement[1]	-	66	75	USD	5.39%	01/29/2010	01/29/2019
US Commercial Paper[2]	-	223	250	USD	2.549%	Q4-2018	Q1-2019
US private placement[1]	-	87	100	USD	3.1%	11/05/2013	03/15/2019
Eurobond[1]	-	500	500	EUR	3.625%	03/19/2012	03/19/2019
US private placement[1]	119	118	135	USD	2.79%	11/05/2013	11/04/2019
US Commercial Paper[2]	1,458	-	1,660	USD	2.6%	H1-2019	H2-2019
NEU Commercial Paper[2]	80	-	80	EUR	(0.39%)	06/21/2019	07/22/2019
Other	151	182					
TOTAL CURRENT BORROWINGS	**1,808**	**1,176**					

[1] Changes compared to December 31, 2018 balances are reported within the line *Repayment of bonds, private placement and other long-term debt* in the consolidated statement of cash flows.

[2] Changes compared to December 31, 2018 balances are reported within the line *Changes in other current and non-current borrowings* in the consolidated statement of cash flows.

Current borrowings increased due to the issuance of commercial papers mainly linked to the financing of the Second and Third phase of the MTO. The commercial paper programs (US Commercial Paper) are backed by long-term committed credit facilities, totaling €2,293 million at June 30, 2019.

Net debt

The Group's net debt can be analyzed as follows:

€ millions	June 30, 2019	December 31, 2018 [a]
Non-current borrowings	2,533	2,564
Current borrowings	1,808	1,176
TOTAL Liabilities	**4,341**	**3,740**
Cash and cash equivalents	(1,538)	(1,829)
TOTAL Asset	**(1,538)**	**(1,829)**
Interest Rate Swap measured at fair value	(31)	(25)
NET DEBT excluding Lease liabilities	**2,772**	**1,886**
Lease liabilities (current and non-current)	1,956	1,962
NET DEBT	**4,728**	**3,848**

(a) The balance as of December 31, 2018 has been restated to reflect the application of IFRS 16 as described in Note 1 – New accounting standards.

Note 14. Employee benefits

In accordance with laws and regulations in each country in which it operates, the Group has legal obligation with regard to employees' post-employment benefits. The Group's pension and other post-retirement and employment benefit obligations mainly concern:

For Essilor

- Supplementary pension plans in France, Germany, the United Kingdom and the United States;
- Retirement benefits granted to employees in France and other European countries;
- Other long-term benefits (length-of-service awards in France and their equivalent in other countries).

For Luxottica

- Termination indemnities (*Trattamento di Fine Rapporto* or TFR) granted to Italian employees at the time their employment is terminated. For Italian companies with at least 50 employees, TFR is considered a defined-benefit plan only for the portions accrued prior to January 1, 2007 (and not yet paid at the reporting date), whereas the portions accrued subsequent to that date are considered a defined-contribution plan;
- Retirement benefits granted to employees of US Holdings upon retirement;
- Mandatory contributions to retirement funds in Australia and Hong Kong.

As at June 30, 2019 net recognized employee benefit obligations amount to €531 million (€459 million as at December 31, 2018). This change mainly reflects the update of the actuarial assumptions used to perform the valuation compared to those used as of December 31, 2018.

A major assumption taken into account in the valuation of pension and other post-employment benefit obligations is the discount rate, determined by currency areas and by reference to the return on high-quality private bonds with a maturity equal to the term of the plans or the return on government bonds when the private market has insufficient liquidity.

Actuarial gains and losses generated for the 6-month period ended June 30, 2019 are recognized in other comprehensive income for an amount of €(51) million.

Note 15. Share-based payment

Compensation costs on share-based payments are measured as described in the 2018 consolidated financial statements. The breakdown of the expenses recorded into the consolidated statement of profit and loss is as follows:

€ millions	First semester 2019	First semester 2018
Performance shares	(63)	-
Restricted shares	(12)	(15)
Stock options subscriptions	(1)	(2)
Employee share issues	-	-
COMPENSATION COSTS ON SHARE-BASED PAYMENTS	**(76)**	**(17)**

Performance shares

Since 2006, Essilor Group has launched performance-based bonus share allotment plans (performance shares). In particular, these plans allow the beneficiaries to be awarded a certain amount of performance shares based on the annualized growth of the average share price of the Company compared to the reference price on the grant date (corresponding to the average of the prices quoted over the 20 trading days preceding the Board Meeting at which the grant is decided).

Restricted shares

At the end of December 2017, Luxottica Board of Directors approved a long-term cash retention plan (Long-Term Incentive plan or "LTI") vesting on March 30, 2021. The term of the arrangement provided Luxottica with the choice of whether to settle in cash or by issuing Luxottica or EssilorLuxottica shares, subject to the approval of the relevant governance bodies.

EssilorLuxottica shareholders' meeting held on November 29, 2018, authorized Luxottica's corporate bodies to proceed with the award of free existing shares (without any performance condition) to Luxottica Group's employees, replacing cash retention bonuses.

On March 6, 2019, Luxottica Board of Directors proceeded with the awards of such shares to Luxottica Group's employees. The LTI was already accounted for as an equity-settled share-based payment as of December 31, 2018.

Note 16. Provisions (current and non-current)

The balance as of June 30, 2019 is detailed below:

€ millions	June 30, 2019 [(a)]	December 31, 2018
Warranty and returns	110	108
Litigations	106	86
Self-insurance	32	32
Tax	-	326
Restructuring and other	87	87
TOTAL PROVISIONS	**335**	**639**
Of which current provisions	*146*	*211*
Of which non-current provisions	*189*	*428*

(a) The Group applied IFRIC 23 from the date of its initial application (i.e. January 1, 2019), as described in Note 1 – New accounting standards.

The changes in provision during the 6-month period ended June 30, 2019 are as follows:

€ millions	Warranty and returns	Litigations	Self-insurance	Restructuring and other	Total
Balance as of January 1, 2019 [(a)]	**108**	**86**	**32**	**87**	**313**
Provisions for the period	18	11	7	18	54
Utilization	(18)	(6)	(8)	(23)	(55)
Releases	-	(13)	-	-	(13)
Translation differences and other changes	2	2	1	4	9
Business combinations	-	26	-	1	27
Total changes	**2**	**20**	**-**	**-**	**22**
Balance as of June 30, 2019	**110**	**106**	**32**	**87**	**335**
Of which current provisions	*102*	*6*	*6*	*32*	*146*
Of which non-current provisions	*8*	*100*	*26*	*55*	*189*

(a) The balance as of January 1, 2019 has been affected by the application of IFRIC 23 as described in Note 1 – New accounting standards.

Note 17. Other current and non-current liabilities

Other current and non-current liabilities are as follow:

€ millions	June 30, 2019	Restated December 31, 2018[(a)]
Liabilities related to long-term put options over non-controlling interests	151	152
Trade payables and liabilities related to long-term financial investments	15	50
Other	27	24
TOTAL OTHER NON-CURRENT LIABILITIES	**193**	**226**
Liabilities related to short-term put options over non-controlling interests	232	1,898
Liabilities related to short-term financial investments	39	25
Personnel expenses, social contribution, VAT and other indirect tax payables	904	895
Premium and discount	239	290
Derivative financial instruments	21	10
Other current liabilities	600	644
TOTAL OTHER CURRENT LIABILITIES	**2,035**	**3,762**

(a) The consolidated statement of financial position as of December 31, 2018 has been restated in accordance with the transitional requirements of the initial application of IFRS 16 – *Leases*, as described in Note 1 – New accounting standards.

As at December 31, 2018, the Group recorded in *Other current liabilities* an amount of €1,677 million related to the short-term put options over non-controlling interests, representing EssilorLuxottica's obligation or potential obligation to purchase against cash all remaining Luxottica shares not already held by the Group at December 31, 2018 and liabilities related to short-term financial investments (see Note 2-Business combinations).

During the first half of 2019, as a result of the finalization of the Second and Third phases of the MTO, the Group incurred a total cash-out of €641 million due to Luxottica shareholders that tendered their shares against cash in the Second and Third phases of the MTO and has consequently reversed the put liability accounted for as at December 31, 2018 for €1,677 million.

Note 18. Financial instruments

Financial instruments recognized in the consolidated statement of financial position as at June 30, 2019

€ millions	Notes	Total	Financial assets / (liabilities) at fair value through profit or loss	Equity investments at fair value through other comprehensive income	Financial assets / (liabilities) at amortized cost	Other financial liabilities	Derivatives documented in hedging relationships
Other non-current financial assets		162	12	37	113	-	-
Trade receivables	11	2,619	-	-	2,619	-	-
Other current financial assets (excluding derivatives)		11	-	-	11	-	-
Derivative financial instruments		42	10	-	-	-	32
Cash and cash equivalents		1,538	-	-	1,538	-	-
FINANCIAL INSTRUMENTS RECOGNIZED IN ASSETS		**4,372**	**22**	**37**	**4,281**	**-**	**32**
Non-current borrowings	13	2,533	-	-	2,533	-	-
Other non-current financial liabilities[(a)]		185	-	-	24	161	-
Non-current and current lease liabilities	13	1,956	-	-	1,956	-	-
Current borrowings	13	1,808	-	-	1,808	-	-
Trade and other payables		1,698	-	-	1,698	-	-
Other current financial liabilities (excluding derivatives)[(b)]		270	-	-	270	-	-
Derivative financial instruments (liabilities)		29	22	-	-	-	7
FINANCIAL INSTRUMENTS RECOGNIZED IN LIABILITIES		**8,479**	**22**	**-**	**8,289**	**161**	**7**

(a) Excluding IFRS 15 contract liabilities.

(b) Excluding personnel expenses, social contribution, VAT and other indirect tax payables, premium and discount, other current liabilities and IFRS 15 contract liabilities.

The fair value hierarchy of the relevant financial assets and liabilities is as follows:

- Borrowings: the fair value of listed debt is equal to their market price. The level of the hierarchy used for determining this fair value is Level 1. The fair value of the non-listed debt equals the present value of future cash flows, calculated by utilizing the market rate currently available for similar debt and adjusted in order to take into account the Company's current credit rating. The level of the hierarchy used for determining this fair value is Level 2.
- Cash and cash equivalent: the level of the hierarchy used for determining the fair value of money market mutual funds is Level 1.
- Derivatives financial instruments: the fair value of the derivatives financial instruments equals the present value of future cash flows, calculated by utilizing the market inputs currently available. The level of the hierarchy used for determining this fair value is Level 2.
- Equity investments at fair value through other comprehensive income: the level of the hierarchy used for determining this fair value is Level 3.

Other financial liabilities include put liabilities and liabilities related to earn-out clauses. Changes in put liability's fair value are recognized through Group equity.

Note 19. Contingencies and commitments

Commitments

Commitments are disclosed in Note 30 to the annual 2018 consolidated financial statements.

There were no material changes in the amount or nature of these commitments between December 31, 2018 and June 30, 2019, except for commitments related to lease agreements.

As a result of IFRS 16 first time application, operating lease commitments are now accounted for in the statement of financial position, as described in Note 1 – New accounting standards, and no longer as off-balance-sheet commitments.

Litigation and contingent liabilities

Alleged anti-competitive practices

French Competition Authority Investigation

In July 2014, the French competition authority's investigation department made unannounced visits to selected Essilor entities in France and other actors in the ophthalmic lens industry involved in the online sale of ophthalmic lenses. The enquiry is ongoing.
In 2015, the French Competition Authority's investigation department issued a statement of objections ("First SoO") against Luxottica, its subsidiary Alain Mikli and other competitors alleging certain anti-competitive practices. In 2017 the French competition authority determined that the preliminary investigation was insufficient and sent the case back to the investigative department. On April 19, 2019, Luxottica and certain subsidiaries received a new statement of objection ("Second SoO") as a supplement to the First SoO. Luxottica challenges the conclusions of the First and Second SoO and, as of today, its management determined the risk of a negative outcome as not probable, with no basis to develop an estimate of the potential exposure.

Investigations

In 2016, the US Department of Justice and the Insurance Commission of the State of California questioned Essilor of America with regard to certain promotional activities. Essilor of America continues working with the authorities in connection with this ongoing investigation.

Class actions

Certain US subsidiaries of Essilor are defendant in class actions and putative class actions brought before US Federal and State courts alleging suppression of competition, false and misleading advertising, misleading representations, warranty claims and unlawful control of optometrists. The relevant Essilor subsidiaries dispute the merits of all of these actions.

E-commerce

The College of Optometrists of Ontario, together with the College of Opticians, have obtained on January 11, 2018 an injunction declaring illegal all home deliveries of ophthalmic products. Essilor has filed an appeal and obtained a stay of the injunction while the appeal is pending.
On April 4, 2019, the Court of Appeals ruled in favor of Coastal, holding that online sales directly to consumers are legal. The Colleges have appealed to the Supreme Court in Canada.

Tax disputes

EssilorLuxottica is part of various tax litigations, for which provisions have already been made.

Other existing proceedings

EssilorLuxottica and its subsidiaries are defendants in other legal proceedings arising in the ordinary course of business. EssilorLuxottica disputes the merits of all such outstanding claims, which it will vigorously pursue.

As of July 30, 2018, date at which the condensed consolidated interim financial statements are approved and

authorized for issue by the Board of Directors, such other ongoing legal proceedings known to the Group are not at present likely to have significant impacts on the Group's financial position or profitability.

Other event of the period

On March 27, 2019 the shareholder Delfin S.à r.l. filed a request for arbitration with the International Chamber of Commerce ("ICC") against the Executive Vice-Chairman, Hubert Sagnières, and EssilorLuxottica for alleged breach of the Combination Agreement entered into by Essilor and Delfin S.à r.l. on 15 January 2017.

On April 18, 2019, the Executive Vice-Chairman, Hubert Sagnières, EssilorLuxottica and some directors of the latter filed a *référé* before the Paris Commercial Court against the four independent Board members of EssilorLuxottica designated - pursuant to the Combination Agreement - by Delfin S.à r.l.. On April 26, 2019, the Court appointed a *mandataire*.

On May 13, 2019, EssilorLuxottica and Delfin S.à r.l. reached an agreement to overcome the governance issues and settle the disputes.

Note 20. Related party transactions

Main related parties are:

- members of EssilorLuxottica's Board of Directors, key management personnel and their close family members;
- companies over which members of the Board of Directors, key management personnel or their close family members have control or significant influence;
- companies over which the Group exercises joint control or significant influence; and
- people and companies which exercise significant influence over the Group.

No transactions outside the normal course of business were concluded during the period with the Board of Directors members or key executives.

Related parties' transactions

A summary of related party transactions carried out during the six-month periods ended June 30, 2019 and June 30, 2018 is provided below.

As a result of the reverse acquisition accounting, June 30, 2018 information corresponds to the information reported by Luxottica in its 2018 condensed consolidated interim financial statements.

	Consolidated statement of profit or loss		**Balance outstanding as at June 30**	
€ millions	**Revenue**	**Costs**	**Assets**	**Liabilities**
June 30, 2019				
Brooks Brothers Group Inc	-	-	-	-
Milleri's Group	-	2	11	13
Euclid[(a)]	-	-	3	-
Visionweb[(a)]	1	-	21	-
Lenstech[(a)]	4	-	-	-
Others	-	1	-	-
TOTAL	**5**	**3**	**35**	**13**

(a) Group's associates

€ millions	Consolidated statement of profit or loss		Balance outstanding as at June 30	
	Revenue	Costs	Assets	Liabilities
June 30, 2018				
Brooks Brothers Group, Inc.	-	-	-	-
Eyebiz Laboratories Pty Limited[(a)]	1	16	10	5
Milleri's Group	-	2	12	12
Others	-	3	-	-
TOTAL	**1**	**21**	**22**	**17**

(a) Eyebiz Laboratories Pty Limited has been fully consolidated in the financial statements as at December 31, 2018 following the EL Combination.

Note 21. Subsequent events

EssilorLuxottica to acquire HAL's 76.72% interest in GrandVision

EssilorLuxottica announce today an agreement with HAL Optical Investments B.V. ("HAL"), the majority shareholder of GrandVision N.V. ("GrandVision"), a global leader in optical retailing, under which EssilorLuxottica will acquire HAL's entire 76.72% stake in GrandVision at a cash price per share of Euro 28 – to be increased by 1.5% to Euro 28.42 if closing of the acquisition does not occur within 12 months from the announcement date. Upon the closing of the transaction, EssilorLuxottica will launch a mandatory public offer for all the remaining GrandVision shares in accordance with the Dutch applicable public offer rules. The transaction is subject to customary closing conditions, including regulatory approvals.

Acquisition of Barberini

Regarding the acquisition of Barberini by Luxottica, announced on June 22nd, 2018, the Group is now announcing that all the relevant antitrust approvals have been obtained and that all the conditions precedent to the transaction closing have been met. The closing is expected to take place in the near future.

Appendix 1

Exchange Rates

Per EUR 1		**Closing rate**		**Average rates**	
		June 30, 2019	**December 31, 2018**	**First semester 2019**	**First semester 2018**
AUD	Australian Dollar	1.6244	1.6220	1.6003	1.5688
CAD	Canadian Dollar	1.4893	1.5605	1.5069	1.5457
BRL	Brazilian Real	4.3511	4.4440	4.3417	4.1415
CNY	Chinese Yuan	7.8185	7.8751	7.6678	7.7086
GBP	British Pound	0.8966	0.8945	0.8736	0.8798
HKD	Hong Kong Dollar	8.8866	8.9675	8.8611	9.4863
JPY	Japanese Yen	122.6000	125.8500	124.2836	131.6057
INR	Indian Rupee	78.5240	79.7298	79.1240	79.4903
MXN	Mexican Peso	21.8201	22.4921	21.6543	23.0850
TRY	Turkish Lira	6.5655	6.0588	6.3562	4.9566
USD	US Dollar	1.1380	1.1450	1.1298	1.2104

UNAUDITED *PRO FORMA* CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

Introduction

The Unaudited *Pro Forma* Condensed Consolidated Interim Financial Information of EssilorLuxottica (also referred as the "**Group**") includes the unaudited *pro forma* consolidated interim statement of profit or loss for the six-month period ended June 30, 2018 with the related explanatory notes (together the "**Unaudited *Pro Forma* Condensed Consolidated Interim Financial Information**"). It has been prepared to represent the *pro forma* effects of the combination between Essilor and Luxottica (the **"EL Combination"**), which occurred as at October 1, 2018, as a result of the contribution by Delfin of its entire stake in Luxottica to Essilor (the **"Contribution"**). The Contribution was followed by a mandatory exchange offer on all the remaining issued and outstanding Luxottica shares aimed to acquire 100 % of Luxottica's share capital (the **"Offer"**).

The Unaudited *Pro Forma* Condensed Consolidated Interim Financial Information has been produced for illustrative purposes only and with the aim to provide comparative information.

The *pro forma* adjustments related to the Unaudited *Pro Forma* Condensed Consolidated Interim Financial Information are limited to those that are (i) directly attributable to the EL Combination, and (ii) factually supportable.

The unaudited consolidated condensed *pro forma* interim statement of profit or loss does not include the following items:

- any restructuring and integration costs that may be additionally incurred as a result of the EL Combination,

- any synergies, operating efficiencies and cost savings that may result from the EL Combination.

In addition,

- unaudited adjusted *pro forma* consolidated interim statement of profit or loss for the six-month period ended June 30, 2018 is disclosed in Note 4 to the Unaudited *Pro Forma* Condensed Consolidated Interim Financial Information. It is intended to (i) reverse the impact of the EL Combination and other 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 and (ii) present, on a *pro forma* basis, the adjusted indicators regularly produced by EssilorLuxottica for the purpose of its financial communication. These adjustments are described in Note 4 to the Unaudited *Pro Forma* Condensed Consolidated Interim Financial Information,

- unaudited *pro forma* consolidated revenue by operating segment for the six-month period ended June 30, 2018 are disclosed in Note 5 to the Unaudited *Pro Forma* Condensed Consolidated Interim Financial Information.

The consolidated financial information of the Group reflects the continuation of Luxottica and the reverse acquisition of Essilor by Luxottica as at October 1, 2018, as a result of the Contribution. Accordingly, Essilor identifiable assets acquired and liabilities assumed have been measured at fair value in accordance with IFRS 3 – *Business Combinations* as at October 1, 2018.

The unaudited *pro forma* consolidated interim statement of profit or loss for the six-month period ended June 30, 2018 has been prepared assuming that the EL Combination had occurred on January 1, 2018. Because of its nature, the Unaudited *Pro Forma* Condensed Consolidated Interim Financial Information addresses a hypothetical situation and is neither intended to represent or to be indicative of the result of operations that EssilorLuxottica would have achieved had the EL Combination occurred as of January 1, 2018, nor is the Unaudited *Pro Forma* Condensed Consolidated Interim Financial Information indicative of the future operating results of the Group. The Unaudited *Pro Forma* Condensed Consolidated Interim Financial

Information is based upon certain assumptions that EssilorLuxottica believes reasonable at the date of this Document.

The Unaudited *Pro Forma* Condensed Consolidated Interim Financial Information is derived from:

- the comparative consolidated interim statement of profit or loss for the six-month period ended June 30, 2018 (the "**EssilorLuxottica H1 2018 P&L**"), as disclosed in the EssilorLuxottica's condensed consolidated interim financial statements as of and for the six-month period ended June 30, 2019 prepared in accordance with IFRS as endorsed by the European Union and more specifically in accordance with IAS 34 *Interim Financial Reporting* (the "**EssilorLuxottica H1 2019 FS**"). In the context of the reverse acquisition of Essilor (the legal acquirer) by Luxottica (the accounting acquirer), the comparative consolidated interim statement of profit or loss of EssilorLuxottica for the six-month period ended June 30, 2018 is derived from the historical interim consolidated financial information of Luxottica for the six-month period ended June 30, 2018. The EssilorLuxottica H1 2019 FS have been subject to a review report issued by PricewaterhouseCoopers Audit and Mazars dated July 31, 2019, which does not include any qualification;

- Essilor historical consolidated interim statement of profit or loss for the six-month period ended June 30, 2018 restated to reflect the application of IFRS 16 – *Leases* (the "**Essilor H1 2018 P&L**"). This statement of profit or loss was prepared in accordance with IFRS as endorsed by the European Union and more specifically in accordance with IAS 34. On July 26, 2018, PricewaterhouseCoopers Audit and Mazars issued a review report on Essilor's historical condensed consolidated interim financial statements as of and for the six-month period ended June 30, 2018, which does not include any qualification.

The Unaudited *Pro Forma* Condensed Consolidated Interim Financial Information is prepared on a basis that is consistent with the accounting policies used in the preparation of EssilorLuxottica H1 2019 FS, including the application of new accounting standards.

Furthermore, the Unaudited *Pro Forma* Condensed Consolidated Interim Financial Information for the six-month period ended June 30, 2018 has not been restated to reflect the half year effect of business combinations, other than the EL Combination, finalized by Luxottica or Essilor during the first six months of 2018, as they are not significant.

The Unaudited *Pro Forma* Condensed Consolidated Interim Financial Information is presented in millions of Euro.

Regulatory framework

The Unaudited *Pro Forma* Condensed Consolidated Interim Financial Information for the period ended June 30, 2018 has been prepared on a voluntary basis, applying a similar basis of preparation as for the Unaudited *Pro Forma* Consolidated Financial Information published in EssilorLuxottica's 2018 Registration Document.

Since the half-yearly financial report is not governed by the Prospectus Regulation, the auditors do not issue a report on the Unaudited *Pro Forma* Condensed Consolidated Interim Financial Information.

EssilorLuxottica

UNAUDITED *PRO FORMA* CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

For the six-month period ended June 30, 2018

€ millions	First Semester 2018						
	EssilorLuxottica H1 2018 P&L	*Essilor H1 2018 P&L*	*PPA adjustments for the period from January 1, 2018 to June 30, 2018*		*Other adjustments*		*EssilorLuxottica pro forma information*
	Note 1	Note 1	Note 2		Note 3		
Revenue	4,569	3,726			(118)	(a)	8,177
Cost of sales	(1,587)	(1,523)	(119)	(a)	118	(a)	(3,112)
Gross profit	**2,982**	**2,202**	**(119)**		**-**		**5,065**
% of revenue	*65.3%*	*59.1%*					*61.9%*
Research and development	(29)	(106)	(128)	(a)			(263)
Selling	(1,461)	(665)	(129)	(a)			(2,255)
Royalties	(81)	(5)					(86)
Advertising and marketing	(297)	(263)	(44)	(a)			(604)
General and administrative	(329)	(574)	(5)	(a)	(137)	(b)	(1,045)
Other income / (expenses)	(1)	(5)					(6)
Total operating expenses	**(2,199)**	**(1,618)**	**(306)**		**(137)**		**(4,260)**
Operating profit	**783**	**584**	**(425)**		**(137)**		**805**
% of revenue	*17.1%*	*15.7%*					*9.8%*
Cost of net debt	(42)	(31)	3	(b)			(70)
Other financial income / (expenses)	(7)	(0)					(7)
Share of profits of associates	1	(0)			(1)	(c)	(0)
Profit before taxes	**735**	**552**	**(422)**		**(138)**		**728**
% of revenue	*16.1%*	*14.8%*					*8.9%*
Income taxes	(204)	(155)	93	(c)	27	(d)	(239)
Effective tax rate	*27.7%*	*28.1%*					*32.8%*
Net profit	**531**	**397**	**(329)**		**(110)**		**490**

See accompanying notes to the Unaudited *Pro Forma* Condensed Consolidated Interim Financial Information.

Notes to the Unaudited *Pro Forma* Condensed Consolidated Interim Financial Information

Note 1 – Essilor and Luxottica historical consolidated interim statement of profit or loss for the six-month period ended June 30, 2018

These columns include (i) the EssilorLuxottica H1 2018 P&L, derived from the EssilorLuxottica H1 2019 FS and (ii) the Essilor H1 2018 P&L, derived from the Essilor's historical condensed consolidated interim financial statements as of and for the six-month period ended June 30, 2018. Both statements of profit or loss are consistent with the presentation applied in EssilorLuxottica H1 2019 FS.

Note 2 – Purchase price allocation adjustments

The EL Combination is accounted for using the acquisition method of accounting in accordance with IFRS 3.

The consideration transferred has been allocated to Essilor assets acquired and liabilities assumed as of October 1, 2018 based upon provisional estimates of their fair values at that date ("purchase price allocation"). These amounts have been measured on a provisional basis. If new information obtained within one year of the date of the acquisition about facts and circumstances that existed at the date of the acquisition identifies adjustments to these fair values, then the accounting for the acquisition may be revised.

The adjustments related to the purchase price allocation ("PPA adjustments") correspond to the incremental profit or loss impacts (for the period from January 1, 2018 to June 30, 2018) resulting from the measurement of Essilor's assets acquired and liabilities assumed at their fair value at the date of the Contribution (October 1, 2018).

(a) Provisional fair value step-up on assets acquired

For the purpose of the unaudited *pro forma* consolidated interim statement of profit or loss for the six-month period ended June 30, 2018, the PPA adjustments related to the provisional fair value step-up on assets acquired consisted in:

- adding the six-month period (from January 1, 2018 to June 30, 2018) amortization related to the fair value of intangible assets (technologies, brands, trade names, customer relationships, others) – including new intangibles recognised as a result of EL Combination after eliminating the six-month period amortization impacts relating to historical intangible assets recognised in the Essilor H1 2018 P&L,

- adding the six-month period (from January 1, 2018 to June 30, 2018) depreciation of the fair value step-up of properties, plant and equipment,

- adding the six-month period (from January 1, 2018 to June 30, 2018) impact related to the use of the inventories subject to a fair-value step-up.

The provisional purchase price allocation reflects the provisional outputs from the valuation work performed by EssilorLuxottica with the support of an independent valuation expert. Fair values have been determined as of October 1, 2018 and have been used, as they stand, for the purpose of the Unaudited *Pro Forma* Condensed Consolidated Interim Financial Information. The amortization impacts related to the six-month period ended June 30, 2018 have been estimated based on the foreign exchange rates applicable at that date.

The following is a description of each significant provisional fair value step-up on assets acquired.

€ millions		Fair value step-up	Estimated weighted avg. remaining useful life (years)	12 month P&L impact	Of which 6 month P&L impact reflected in the pro forma
Customer relationships		4,830	15.6	(310)	(150)
Technologies		2,833	10.6	(266)	(133)
Premium optical brands		2,425	25.0	(97)	(48)
Trade names		489	19.0	(26)	(12)
Other intangibles		265	3.7	(81)	(40)
+ Estimated preliminary fair value of intangible assets		10,842	14.1	(780)	(383)
- Less the net historical carrying value of intangible assets		(1,682)		166	82
Estimated preliminary fair value step-up on intangible assets		**9,160**		**(613)**	**(301)**
Estimated preliminary fair value step-up on PP&E		**191**		**(11)**	**(5)**
Estimated preliminary fair value step-up on inventories		**119**		**(119)**	**(119)**
of which accounted for in Cost of sales	*1*	***n.a.***			**(119)**
of which accounted for in Research and development	*2*	***n.a.***			**(128)**
of which accounted for in Selling	*3*	***n.a.***			**(129)**
of which accounted for in Advertising and marketing	*4*	***n.a.***			**(44)**
of which accounted for in General and administrative	*5*	***n.a.***			**(5)**

1. Represents the impact related to the use of the inventories subject to a fair-value step-up. For the purpose of the unaudited *pro forma* consolidated interim statement of profit or loss, it is assumed that all inventories owned by Essilor as of January 1, 2018 are sold during the first semester of 2018 and thus the remeasurement fully impacts the 2018 unaudited *pro forma* consolidated interim statement of profit or loss. These costs will not have a recurring impact on the results of the Group.
2. Represents the six-month amortization related to the fair value of technologies taking into account their estimated weighted average useful life, after the cancellation of the historical amortization of technologies recognised in the Essilor H1 2018 P&L.
3. Represents the six-month amortization related to the fair value of customer relationships taking into account their estimated weighted average useful life, after the cancellation of the historical amortization of customer relationships recognised in the Essilor H1 2018 P&L.
4. Represents the six-month amortization related to the fair value of brands and trade names taking into account their estimated weighted average useful life, after the cancellation of the historical amortization of these intangible assets recognised in the Essilor H1 2018 P&L.
5. Represents the six-month depreciation related to the fair value step-up of property, plant and equipment taking into account their estimated weighted average useful life.

(b) Fair value step-up on financial debt

The PPA adjustment related to the fair value step-up on financial debt consisted in a decrease in the *Cost of net debt* for € 3 million.

As for the PPA on assets acquired, the fair value of financial debt has been determined as of October 1, 2018 and has been used, as it stands, for the purpose of the Unaudited *Pro Forma* Condensed Consolidated Interim Financial Information.

(c) Tax effect on PPA adjustments

Based on the prevailing tax rate of each entity/area where the PPA adjustments have been recognised, the tax effect on fair value step-up corresponds to the tax effects of the fair value step-up on intangible, PP&E and inventories for € 94 million and of the fair value step-up on financial debt for € (1) million.

Note 3 – Other adjustments

(a) Reflects the elimination of the intercompany transactions between Essilor and Luxottica for the six-month period ended June 30, 2018.

(b) Represents the following:

- Additional transaction costs, compared to the amount recorded in Luxottica H1 2018 P&L and in Essilor H1 2018 P&L, recognized in *General and administrative* expenses for € (139) million. The transaction costs are composed of non-recurring legal, advisory, accounting, valuation, banking and other professional or consulting fees attributable to the EL Combination. Total transaction costs incurred by the Combined Group until June 30, 2019 amount to € (157) million before tax.

€ millions

+ Total costs in *General and administrative* expenses	(157)
- Total costs accounted for in H1 2018 statements of profit or loss *	(18)
Additional transaction costs adjusted in *General and administrative*	**(139)**

** both in Luxottica H1 2018 P&L and in Essilor H1 2018 P&L*

These costs are not expected to have a recurring impact on the results of the Group.

- P*ro forma* adjustments relating to Essilor's share based payments for € 2 million.

  - The terms of the share-based payments granted by Essilor to its employees (also referred as "awards") remained unchanged as a result of the EL Combination. However, those share-based payments have been measured at their market-based value at the acquisition date. The acquisition-date market-based value of the original awards has been allocated to equity for the vested portion of the awards and to post-combination expense for the unvested portion of the awards over the remaining vesting period.

  - For purposes of the unaudited *pro forma* consolidated interim statement of profit or loss, the remeasurement of share-based payments at January 1, 2018, results in a reduction of € 2 million of the *General and administrative* expenses.

(c) Reflects the elimination of € (1) million of income recognised by Luxottica for the *Share of profits of associates* in Essilor subsidiaries (Eyebiz Laboratories Pty Ltd and Eyebiz Laboratory Co Ltd) for the six-month period ended June 30, 2018. As a result of the EL Combination, the Group gained 100% control over these subsidiaries.

(d) Based on prevailing tax rates, represents the € 27 million for the tax effect on the additional transaction costs recognized in *General and administrative expenses*, as explained in Note 3(b).

Note 4 – Unaudited adjusted *pro forma* consolidated interim statements of profit or loss for the six-month period ended June 30, 2018

The unaudited adjusted *pro forma* consolidated interim statement of profit or loss for the six-month period ended June 30, 2018 is intended to (i) offset the impact of the EL Combination and other 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 and (ii) present, on a *pro forma* basis, the adjusted indicators expected to be regularly produced by EssilorLuxottica for the purpose of its financial communication. These adjustments are limited in numbers, well-identified and significant at the level of the EssilorLuxottica's consolidated performance.

	First Semester 2018			
€ millions	*EssilorLuxottica pro forma information*	*Elimination of 6 months PPA adjustments (inventory step-up, PP&E step-up, intangible assets amortization expenses…)*	*Other non-GAAP adjustments (i.e. restructuring charges, etc.)*	*EssilorLuxottica pro forma adjusted information*
Revenue	8,177			8,177
Cost of sales	(3,112)	119	10	(2,982)
Gross profit	**5,065**	**119**	**10**	**5,195**
% of revenue	*61.9%*			*63.5%*
Research and development	(263)	128		(136)
Selling	(2,255)	129		(2,126)
Royalties	(86)			(86)
Advertising and marketing	(604)	44		(560)
General and administrative	(1,045)	5	206	(834)
Other income / (expenses)	(6)		3	(3)
Total operating expenses	**(4,260)**	**306**	**209**	**(3,744)**
Operating profit	**805**	**425**	**219**	**1,450**
% of revenue	*9.8%*			*17.7%*
Cost of net debt	(70)	(3)		(73)
Other financial income / (expenses)	(7)			(7)
Share of profits of associates	(0)			(0)
Profit before taxes	**728**	**422**	**219**	**1,370**
% of revenue	*8.9%*			*16.7%*
Income taxes	(239)	(93)	(9)	(341)
Effective tax rate	*32.8%*			*24.9%*
Net Profit	**490**	**329**	**211**	**1,029**

The adjustments include:

- The impact of the purchase price allocation related to the EL Combination for the six-month period ended June 30, 2018 as disclosed in Notes 2. For the purpose of the 2018 unaudited *pro forma* condensed consolidated statement of profit or loss, the six-month impacts of (i) the use of the inventories owned by Essilor subject to a fair-value step-up, (ii) the incremental amortizations of intangible assets recognised as a result of the EL Combination compared to existing intangible assets, (iii) the depreciation of PP&E fair value step-up, and (iv) the cost of net debt impact related to the fair value step-up of the financial liabilities were eliminated, including the associated tax effect. Those effects will be eliminated through the adjusted indicators that will be regularly produced by EssilorLuxottica.

- Other non-GAAP adjustments, as described below.

The other non-GAAP adjustments reflected into the unaudited adjusted *pro forma* consolidated interim statement of profit or loss for the six-month period ended June 30, 2018 are related to the following transactions:

(i) Non-recurring *Cost of sales* for € 10 million associated with restructuring and reorganization expenses.

(ii) Non-recurring *General and administrative* expenses for € 206 million associated with the following impacts:
   a. total transaction costs related to the EL Combination for € 157 million (see Note 3 (b) of the Unaudited Pro Forma Consolidated Interim Financial Information),
   b. non-recurring costs of € 33 million linked to the removal of the performance conditions from the 2015 and 2016 share-based plans authorized by the Essilor Annual General Meeting of May 2017, less the € 2 million adjustment described in Note 3 (b),
   c. restructuring and reorganization expenses for € 18 million.

(iii) Non-recurring expenses for € 3 million accounted for in *Other income / (expenses)* related to non-recurring litigations and non-recurring impact related to business combination transaction.

(iv) *Income taxes* are adjusted for an amount of € (9) million corresponding to the tax effect of the above mentioned adjustments listed from Notes (i) to (iii).

Note 5 – Unaudited *pro forma* consolidated revenue by operating segment for the six-month period ended June 30, 2018

The *pro forma* consolidated interim revenue by operating segment is prepared on the basis of the segment structure presented in the EssilorLuxottica HY 2019 FS.

€ millions	*H1 2018 EssilorLuxottica pro forma information*
Lenses and optical instruments	3,136
Equipment	93
Sunglasses & Readers	407
Wholesale	1,703
Retail	2,838
Revenue	**8,177**

ESSILORLUXOTTICA

Statement by the Persons Responsible for the 2019 Interim Financial Report

We declare that, to the best of our knowledge, (i) the financial statements for the first six months of 2019 have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and results of EssilorLuxottica and the consolidated companies, and (ii) the accompanying interim management report includes a fair review of significant events of the past six months, their impact on the interim financial statements and the main related party transactions for the period, as well as a description of the main risks and uncertainties in the second half of the year.

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Charenton-le-Pont, France, July 30, 2019

Leonardo Del Vecchio,
Executive Chairman

Hubert Sagnières,
Executive Vice Chairman

EssilorLuxottica

Rapport des Commissaires aux comptes sur l'information financière semestrielle

Période du 1er janvier 2019 au 30 juin 2019

PricewaterhouseCoopers Audit
63 rue de Villiers
92208 Neuilly-sur-Seine Cedex

Mazars
61, rue Henri Regnault
92075 Paris-La Défense Cedex

Rapport des commissaires aux comptes sur l'information financière semestrielle

Période du 1er janvier 2019 au 30 juin 2019

Aux Actionnaires
EssilorLuxottica
147, rue de Paris
94220 Charenton-le-Pont

En exécution de la mission qui nous a été confiée par votre Assemblée générale et en application de l'article L. 451-1-2 III du Code monétaire et financier, nous avons procédé à :

- l'examen limité des comptes semestriels consolidés résumés de la société EssilorLuxottica, relatifs à la période du 1er janvier 2019 au 30 juin 2019, tels qu'ils sont joints au présent rapport ;
- la vérification des informations données dans le rapport semestriel d'activité.

Ces comptes semestriels consolidés résumés ont été établis sous la responsabilité du Conseil d'administration. Il nous appartient, sur la base de notre examen limité, d'exprimer notre conclusion sur ces comptes.

I - Conclusion sur les comptes

Nous avons effectué notre examen limité selon les normes d'exercice professionnel applicables en France. Un examen limité consiste essentiellement à s'entretenir avec les membres de la direction en charge des aspects comptables et financiers et à mettre en œuvre des procédures analytiques. Ces travaux sont moins étendus que ceux requis pour un audit effectué selon les normes d'exercice professionnel applicables en France. En conséquence, l'assurance que les comptes, pris dans leur ensemble, ne comportent pas d'anomalies significatives, obtenue dans le cadre d'un examen limité est une assurance modérée, moins élevée que celle obtenue dans le cadre d'un audit.

Sur la base de notre examen limité, nous n'avons pas relevé d'anomalies significatives de nature à remettre en cause la conformité des comptes semestriels consolidés résumés avec la norme IAS 34 - norme du référentiel IFRS tel qu'adopté dans l'Union européenne relative à l'information financière intermédiaire.

Sans remettre en cause la conclusion exprimée ci-dessus, nous attirons votre attention sur la note 1 « Nouvelles normes comptables » de l'annexe aux comptes semestriels consolidés résumés relative aux impacts liés à la première application de la norme IFRS 16 « Contrats de location » et de l'interprétation IFRIC 23 « Incertitude relative aux traitements fiscaux ».

II - Vérification spécifique

Nous avons également procédé à la vérification des informations données dans le rapport semestriel d'activité commentant les comptes semestriels consolidés résumés sur lesquels a porté notre examen limité. Nous n'avons pas d'observation à formuler sur leur sincérité et leur concordance avec les comptes semestriels consolidés résumés.

Fait à Neuilly-sur-Seine et Paris-La Défense, le 31 juillet 2019

Les Commissaires aux comptes

PricewaterhouseCoopers Audit		Mazars
Olivier Lotz	Cédric Le Gal	Jean-Luc Barlet