English translation for information purposes only

ESSILOR

SEEING THE WORLD BETTER

Essilor International
(Compagnie Générale d'Optique)
A French *société anonyme* (joint stock company) with a registered share capital of €39,444,759.36
147, rue de Paris – 94220 Charenton-le-Pont, France
Registered with the Trade and Companies Registry of Créteil under no. 712 049 618
("**Essilor**" or the "**Company**")

UPDATE TO THE 2017 REGISTRATION DOCUMENT

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

This update to the 2017 registration document was filed with the *Autorité des marchés financiers* (the "**AMF**") on September 28, 2018 (the "**Update to the 2017 Registration Document**"). It updates the 2017 registration document of Essilor filed with the AMF on March 27, 2018 under number D.18-0193-A01 (the "**2017 Registration Document**").

The 2017 Registration Document and the Update to the 2017 Registration Document may be used in support of a financial transaction only if supplemented by a securities note (*note d'opération*) approved by the AMF. These documents have been prepared by the issuer, and its signatories therefore assume responsibility for their contents.

Copies of this Update to the 2017 Registration Document and of the 2017 Registration Document may be obtained free of charge at Essilor's registered office at 147, rue de Paris – 94220 Charenton-le-Pont, France, as well as on the website of Essilor (www.essilor.com) and on the AMF's website (www.amf-france.org).

On the Closing Date of the Contribution (as defined below), it is contemplated that the legal name of Essilor will be changed to EssilorLuxottica and that its website address will become www.essilor-luxottica.com.

This is a free translation into English of the French document filed with the AMF under number D.18-0193-A01 on September 28, 2018 and is provided solely for the convenience of English speaking readers.

PRELIMINARY NOTE

In this Update to the 2017 Registration Document:

- "**Borsa Italiana**" means Borsa Italiana S.p.A., the company managing the Italian stock market;
- "**Code of Conduct for Listed Companies**" means the code prepared by the Committee for Corporate Governance of listed companies promoted by Borsa Italiana, which includes recommendations relating to a "best practice" model for the organization and operation of Italian listed companies (these recommendations are not binding, but listed companies must keep informed both the market and their shareholders regarding their governance structure and the degree of compliance with the code by publishing a special report);
- "**Combination**" or "**Transaction**" means the combination between Essilor Group and Luxottica Group resulting from the completion of the Contribution, the Hive Down and the Exchange Offer (as such terms are defined below);
- "**CONSOB**" means the Italian authority on capital markets and listed companies;
- "**Contribution**" means the contribution by Delfin of its entire stake in Luxottica (302,846,957 ordinary shares of Luxottica with a par value of €0.06 each) to Essilor in consideration for 139,703,301 newly issued Essilor shares. It is specified that the exchange ratio, initially set at 0.4610, will be adjusted from 0.4610 to 0.4613 (the "**Exchange Ratio**") based on Essilor dividend pay-out ratio of 42% and Luxottica pay-out of 50% for financial year 2017, in accordance with the Exchange Ratio adjustment formula described in Section 2.1.1.2 "Key provisions of the Combination Agreement" of this Update to the 2017 Registration Document. The Contribution is expected to close on October 1, 2018 (the "**Closing Date of the Contribution**");
- "**Delfin**" means Delfin S.à r.l., a Luxembourg *société à responsabilité limitée* with a share capital of €682,960,000, having its registered office at 7, rue de la Chapelle, 1325 Luxembourg registered with the Trade and Companies Registry (*Registre de Commerce et des Sociétés*) of Luxembourg under number B117420;
- "**Essilor**" or the "**Company**" means Essilor International (Compagnie Générale d'Optique), which legal name will be changed to EssilorLuxottica as from the Closing Date of the Contribution;
- "**Essilor Group**" means (i) prior to the Closing Date of the Hive-Down, Essilor and its consolidated subsidiaries and (ii) as from the Closing Date of the Hive-Down, Essilor International, its consolidated subsidiaries and the entities that were not part of the Hive-Down (i.e., Essilor India Private Ltd, Essilor Manufacturing India Private Ltd, Essilor Korea Co. Ltd, Onbitt Co. Ltd);
- "**Essilor International**" means Essilor International, formerly named Delamare Sovra prior to the Closing Date of the Hive-Down (as such term is defined below), a French simplified joint-stock company (*société par actions simplifiée*), having its registered office located at 147, rue de Paris, 94220 Charenton-le-Pont, France, registered with the Trade and Companies Registry (*Registre du Commerce et des Sociétés*) of Créteil under number 439 769 654;
- "**EssilorLuxottica**" means the Company following the Closing Date of the Contribution;
- "**EssilorLuxottica Group**" means, as from the Closing Date of the Contribution, EssilorLuxottica and its consolidated subsidiaries;
- "**Exchange Offer**" means the Italian mandatory exchange offer for all of the outstanding shares of Luxottica to be initiated by EssilorLuxottica (previously named Essilor until the Closing Date of the Contribution) in accordance with Italian law following the completion of the Contribution (the "**Italian Exchange Offer**") together with a concurrent private placement that EssilorLuxottica intends to carry out in the United States addressed to "qualified institutional buyers", as defined in Rule 144A under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), in transactions exempt from the registration requirements of the Securities Act;

- "**Hive-Down**" means the contribution by Essilor of substantially all of its activities (subject to the *apport-scission* regime) into one of its wholly-owned subsidiary named Delamare Sovra and renamed "Essilor International" as from the Closing Date of the Hive-Down. The Hive-Down closed on November 1, 2017 (the "**Closing Date of the Hive-Down**");

- "**Luxottica**" means Luxottica Group S.p.A., an Italian *società per azioni* (joint stock company) with a registered share capital of €29,109,181.98 (as of the date of this Update to the 2017 Registration Document), having its registered office at Piazzale Cadorna 3, 20123, Milan, Italy, registered with the Companies Registry of Milan under no. 00891030272;

- "**Luxottica Group**" means Luxottica and its consolidated subsidiaries; and

- "**Update to the 2017 Registration Document**" means this update to the 2017 registration document filed with the AMF on September 28, 2018.

Forward-looking statements

This Update to the 2017 Registration Document contains statements regarding the prospects and growth strategies of EssilorLuxottica Group, Essilor Group and/or Luxottica Group. These statements are sometimes identified by the use of the future or conditional tense, or by the use of forward looking terms such as "considers", "envisages", "believes", "aims", "expects", "intends", "should", "anticipates", "estimates", "thinks", "wishes" and "might", or, if applicable, the negative form of such terms and similar expressions or similar terminology. Such information is not historical in nature and should not be interpreted as a guarantee of future performance. Such information is based on data, assumptions, and estimates that EssilorLuxottica Group, Essilor Group and/or Luxottica Group consider(s) reasonable as of the date of the Update to the 2017 Registration Document. Such information is subject to change or modification based on uncertainties in the economic, financial, competitive or regulatory environments. This information is contained in several chapters of this Update to the 2017 Registration Document and includes statements relating to EssilorLuxottica Group, Essilor Group and/or Luxottica Group's intentions, estimates and targets with respect to its (their) markets, strategies, growth, results of operations, financial situation and liquidity. EssilorLuxottica Group, Essilor Group and/or Luxottica Group's forward looking statements speak only as of the date of this Update to the 2017 Registration Document. Absent any applicable legal or regulatory requirements, EssilorLuxottica Group, Essilor Group and/or Luxottica Group expressly disclaim(s) any obligation to release any updates to any forward looking statements contained in this Update to the 2017 Registration Document to reflect any change in its expectations or any change in events, conditions or circumstances, on which any forward looking statement contained in this Update to the 2017 Registration Document is based. EssilorLuxottica Group, Essilor Group and/or Luxottica Group operate(s) in a competitive and rapidly evolving environment; it is therefore unable to anticipate all risks, uncertainties or other factors that may affect its (their) business, their potential impact on its (their) business or the extent to which the occurrence of a risk or combination of risks could have significantly different results from those set out in any forward looking statements, it being noted that such forward looking statements do not constitute a guarantee of actual results.

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1. PERSON RESPONSIBLE FOR THE UPDATE TO THE 2017 REGISTRATION DOCUMENT

1.1 On behalf of Essilor

1.1.1 Name and position of the person responsible for the Update to the 2017 Registration Document

Mr. Hubert Sagnières

Chairman and Chief Executive Officer

1.1.2 Certification of the person responsible for the Update to the 2017 Registration Document

"*I hereby declare that, having taken all reasonable care to ensure that such is the case, the information contained in this Update to the 2017 Registration Document, save for the one that relates to Luxottica and Luxottica Group, is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its meaning.*

I obtained a completion letter (lettre de fin de travaux) *from Essilor's statutory auditors affirming that they have verified the information about Essilor and Essilor Group's financial position and financial statements provided in this Update to the 2017 Registration Document, and have read all of the information relating to Essilor and Essilor Group contained in this Update to the 2017 Registration Document. This letter does not include any observations.*

Essilor's statutory auditors have issued a report on the unaudited pro forma condensed consolidated financial information at December 31, 2017 relating to Essilor included in this Update to the 2017 Registration Document. The report, which contains no observation, is presented in Section 2.5.2 of this Update to the 2017 Registration Document."

September 28, 2018,

Mr. Hubert Sagnières, Chairman and Chief Executive Officer of Essilor

1.1.3 Person responsible for the financial information

Mrs. Hilary Halper, Chief Financial Officer

1.2 On behalf of Luxottica

1.2.1 Name and position of the person responsible for the Update to the 2017 Registration Document

Mr. Leonardo Del Vecchio

Executive Chairman

1.2.2 Certification of the person responsible for the Update to the 2017 Registration Document

"*I hereby declare that, having taken all reasonable care to ensure that such is the case, the information contained in this Update to the 2017 Registration Document, save for the one that relates to Essilor and Essilor Group, is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its meaning.*

I obtained a completion letter from Luxottica's independent auditors affirming that they have verified the information about Luxottica and Luxottica Group's financial position and financial statements provided in this Update to the 2017 Registration Document, and have read all of the information relating to Luxottica and Luxottica Group contained in this Update to the 2017 Registration Document. This letter does not include any observations."

September 28, 2018,

Mr. Leonardo Del Vecchio, Executive Chairman of Luxottica

1.2.3 Person responsible for the financial information

Mr. Stefano Grassi, Chief Financial Officer

1.3 Persons responsible for the audit of the financial statements

1.3.1 On behalf of Essilor

1.3.1.1 Principal statutory auditors

PRICEWATERHOUSECOOPERS AUDIT
63, rue de Villiers, 92208 Neuilly-sur-Seine Cedex, France
Represented by Mr. Olivier Lotz and Mr. Cédric le Gal

MAZARS
Exaltis, 61, rue Henri Regnault, 92075 Paris La Défense Cedex, France
Represented by Mr. Daniel Escudeiro and Mr. Jean-Luc Barlet

1.3.1.2 Substitute statutory auditors

Mr. Etienne BORIS
63, rue de Villiers, 92208 Neuilly-sur-Seine Cedex, France

Mr. Jean-Louis SIMON
Exaltis, 61, rue Henri Regnault, 92075 Paris La Défense Cedex, France

1.3.2 On behalf of Luxottica

PRICEWATERHOUSECOOPERS S.P.A.
via Monte Rosa 91,
Milan 20149, Italy

2. UPDATE RELATING TO ESSILORLUXOTTICA

2.1 Reasons for and purposes of the Transaction

2.1.1 Context of the Transaction

2.1.1.1 Signing of the Combination Agreement

On January 15, 2017, Essilor and Delfin entered into a combination agreement (as subsequently amended, supplemented, clarified and/or implemented, including through (i) an implementation letter dated May 25, 2018, effective as from the Closing Date of the Contribution, detailing certain aspects of the implementation of such agreement and (ii) a clarification letter dated September 27, 2018, effective as from the Closing Date of the Contribution, clarifying certain aspects in the context of the implementation of the Combination Agreement and the closing of the Contribution, together, the "**Combination Agreement**"), setting forth the terms of the proposed Transaction. Delfin is the Luxembourg based holding company of the Del Vecchio family. Delfin was incorporated in Luxembourg in 2006, as a result of the transfer of the corporate seat of the previous Italy based holding Delfin S.r.l. Delfin main investments are in Luxottica, Foncière des Régions S.A., Assicurazioni Generali S.p.A. and Unicredit S.p.A..

On March 22, 2017, following completion of the information-consultation process of (i) Essilor's Works Council (*comité central d'entreprise*) and European Works Council (*comité d'entreprise européen*) and (ii) BB GR's Works Council[1], Essilor sent an acceptance notice to Delfin stating its consent to pursue the Transaction contemplated by the Combination Agreement.

On June 29, 2018, Essilor and Delfin entered into an amendment to the Combination Agreement in order to extend to July 31, 2018 (instead of June 30, 2018) the deadline (for the conditions precedent to be satisfied or waived) of both the Combination Agreement and the Contribution Agreement (as defined below).

2.1.1.2 Key provisions of the Combination Agreement

Pursuant to the Combination Agreement:

- Delfin shall contribute to Essilor 302,846,957 ordinary shares of Luxottica with a par value of €0.06 each, representing 62.55 percent (62.55%) of Luxottica's share capital as of December 31, 2016[2], in exchange for 139,703,301 new ordinary shares of Essilor with a par value of €0.18 each (the "**Contribution**"), corresponding to an exchange ratio of 0.4613 Essilor share for 1 Luxottica share. It is specified that the exchange ratio, initially set at 0.4610, will be adjusted from 0.4610 to 0.4613 (the "**Exchange Ratio**") based on Essilor dividend pay-out ratio of 42% and Luxottica pay-out of 50% for financial year 2017, in accordance with the Exchange Ratio adjustment formula described in the below paragraph "Exchange Ratio". The terms and conditions of the Contribution are set forth in a contribution agreement entered between Delfin and Essilor on March 22, 2017 (the "**Contribution Agreement**");

- Essilor undertook to implement the Hive-Down in order for Essilor (to be renamed EssilorLuxottica as from the Closing Date of the Contribution) to become the parent company of Essilor International, on the one hand, and, following the completion of the Contribution, of Luxottica, on the other hand; and

[1] BB GR is a wholly-owned French subsidiary of Essilor specialised in the manufacturing and distribution of ophthalmic lenses.
[2] The shareholding as of the date of this Update to the 2017 Registration Document is equal to 62.42% due to the issuance of new shares of Luxottica in accordance with remuneration plans.

- after the completion of the Contribution, EssilorLuxottica (new legal name of Essilor as from Closing Date of the Contribution) will initiate an Italian mandatory exchange offer for all of the outstanding shares of Luxottica in accordance with Italian law (the "**Italian Exchange Offer**") together with a concurrent private placement that EssilorLuxottica intends to carry out in the United States addressed to "qualified institutional buyers", as defined in Rule 144A under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), exempted from the registration requirements of the Securities Act (together with the Italian Exchange Offer, the "**Exchange Offer**").

The Combination Agreement provides for customary representations, warranties and covenants, including with respect to operating the parties' respective businesses in the ordinary and usual course of business (together with a provision for the adjustment of the Exchange Ratio as described in the following paragraph) and with respect to regular dividends.

(a) Exchange Ratio

If the shareholders or the Board of Directors of either Luxottica or Essilor decide to pay any dividend, interim dividend or other kind of distribution to Luxottica or Essilor shareholders, as applicable, before the completion of the Contribution or before the settlement of the Exchange Offer, in any form, except for annual dividends paid in cash (i) for Essilor, in an amount up to 40% of Essilor's reported net income for the relevant fiscal year (to which the applicable French distribution tax shall be added) and (ii) for Luxottica, in an amount up to 50% of Luxottica's adjusted net income as per its annual report for the relevant fiscal year, the Exchange Ratio shall be adjusted to provide the holders of Luxottica or Essilor shares, as applicable, with the same economic effect as contemplated by the Combination Agreement prior to such event, by amending the Exchange Ratio as follows:

ERn = [(ERn-1 x SPEssilor) – (DivLuxottica+TaxDivLuxottica)] / (SPEssilor – (DivEssilor+TaxDivEssilor))

Where:

i. "ERn-1" shall be (a) the Exchange Ratio, when applying the formula to the first dividend payment, and (b) the ERn resulting from the application of the formula to the previous dividend payment, when applying the formula to further dividend payments;

ii. "SPEssilor" shall be the market price of an Essilor share (in €), which is equal to the volume weighted average share price over a three-trading-day period before the day immediately preceding the day on which the first Luxottica or Essilor dividend is announced;

iii. "DivLuxottica" shall mean the actual per share amount (in €) of the distribution announced by Luxottica (exceeding, solely in the case of the annual dividend, 50% pay-out calculated on the adjusted net income as per Luxottica's annual report for the relevant financial year);

iv. "TaxDivLuxottica" shall mean the amount of taxes to be incurred by Luxottica in connection with the distribution divided by the total number of Luxottica shares outstanding as at the date of such distribution;

v. "DivEssilor" shall mean the actual per share amount (in €) of the distribution announced by Essilor (exceeding, solely in the case of the annual dividend, 40% pay-out calculated on the reported net income as per Essilor's annual report for the relevant financial year); and

vi. “TaxDivEssilor” shall mean the amount of taxes to be incurred by Essilor in connection with the distribution divided by the total number of Essilor shares outstanding as at the date of such distribution.

Notwithstanding the foregoing, if, between the date of the Combination Agreement and the date on which any Luxottica share is exchanged for Essilor shares pursuant to the Contribution or the Exchange Offer, the number or class of outstanding Luxottica or Essilor shares have been changed into a different number of shares or a different class by reason of any stock dividend, subdivision, reclassification, split, reverse split, combination or exchange of shares, then the consideration for the Contribution and/or the Exchange Offer and/or the Exchange Ratio shall be appropriately adjusted to provide the holder of such Luxottica share with the same economic effect as contemplated by the Combination Agreement prior to such event.

It is specified that the Exchange Ratio, initially set at 0.4610, will be adjusted from 0.4610 to 0.4613 based on Essilor dividend pay-out ratio of 42% and Luxottica pay-out of 50% for financial year 2017, in accordance with the Exchange Ratio adjustment formula above described.

(b) Standstill Undertaking

Furthermore, pursuant to the terms of the Combination Agreement, Delfin has agreed not to file a tender offer for shares of EssilorLuxottica for a period of ten (10) years as from the signature date of the Combination Agreement, provided that no third party (acting alone or in concert) comes to hold, directly or indirectly, more than twenty percent (20%) of the share capital or voting rights of EssilorLuxottica or announces its intention to file a tender offer for all of the shares of EssilorLuxottica (the “**Standstill Undertaking**”).

(c) Termination Fee

The Combination Agreement provided for a termination fee of €200,000,000 payable by either Essilor or Delfin under certain circumstances in which the agreement would be terminated.

2.1.1.3 Contribution premium adjustment

For the purpose of registering the Luxottica shares in the statutory accounts of Essilor, in line with a conservative approach and taking into account the fact that the Contribution will be effective only upon the Closing Date of the Contribution, it is reminded that the Contribution Agreement provides that the Luxottica share value will be equal to the lower of (i) the value contractually agreed between the parties, equal to €43.5, and (ii) the volume-weighted average closing prices of Luxottica shares over the 3-month period prior to the Closing Date of the Contribution. The contribution premium of the share capital increase of Essilor will be adjusted accordingly.

2.1.1.4 Key steps achieved as of the date of this Update to the 2017 Registration Document

(a) Approval of the Transaction by holders of double voting rights and by the shareholders

On May 11, 2017, the Essilor’s special meeting of shareholders holding double voting rights and the combined general shareholders’ meeting approved all the resolutions proposed to each of the two meetings, including those concerning the Combination between Essilor and Luxottica.

The shareholders therefore approved:

- the appointment of members of EssilorLuxottica Board of Directors that will take office starting from the Closing Date (it is specified that the Essilor’s general shareholders’ meeting of April 24, 2018 appointed Ms. Jeanette Wong as Director of EssilorLuxottica in replacement of Ms. Henrietta Fore);

- the Contribution;

- the Hive-Down to a wholly-owned subsidiary of Essilor which, as of the Closing Date of the Hive-Down, will be renamed “Essilor International”;

- the issuance of new shares in connection with the Exchange Offer;

- the cancellation of double voting rights; and

- the modified by-laws of Essilor and the future by-laws of EssilorLuxottica, including, in particular, the new corporate name “EssilorLuxottica”, the update of the corporate purpose, the cancellation of double voting rights and a new voting cap provision at 31%.

(b) Hive-Down of Essilor’s operating activities in view of the completion of the Transaction

Essilor completed the Hive-Down on November 1, 2017. As from such date, Essilor International carries on the operational activities formerly performed by Essilor. The completion of the Hive-Down was a condition precedent to the completion of the Contribution.

(c) Approvals by competition authorities

Pursuant to the Combination Agreement, the completion of the Contribution was subject, in particular, to the approvals by competition authorities in Canada, the European Union, the United States, China and Brazil.

On November 28, 2017, the Canadian Competition Bureau cleared the Combination.

On March 1, 2018, the European Commission and the US Federal Trade Commission cleared the Combination.

On March 27, 2018, the competition authority in Brazil cleared the Combination.

On July 26, 2018, the competition authority in China (SAMR) cleared the Combination after Essilor and Luxottica made certain commitments with regard to the conduct of their business in China. Essilor and Luxottica committed to inform SAMR about their future acquisitions and also to ensure availability of their products and services to all customers in China on a fair basis. These commitments are fully aligned with the future EssilorLuxottica’s mission to “*help people see more, be more and live life to its fullest*” and the open business model both companies promote across the globe.

As of the date of this Update to the 2017 Registration Document, the completion of the Contribution remains subject to two remaining conditions precedent:

1. the approval for listing on Euronext Paris of the new shares of Essilor to be issued as consideration for the Contribution; and

2. the approval of the Contribution by Delfin’s general shareholders’ meeting.

It is specified that Mr. Del Vecchio, as ultimate controlling shareholder of Delfin, entered into a voting commitment agreement to remain the holder of full ownership and usufruct rights over the entire share capital of Delfin until the shareholders’ meeting of Delfin called to approve the Contribution and to vote such shares in favor of the Contribution at such shareholders’ meeting.

The Contribution is expected to close on October 1, 2018 (the "**Closing Date of the Contribution**"), at the date on which Delfin's general shareholders' meeting is expected to approve the Contribution.

2.1.2 EssilorLuxottica mission statement

EssilorLuxottica's mission will be to help people see more, be more and live life to its fullest.

The Company's ground-breaking products correct, protect and frame the beauty of the most precious sensory organ – the eyes. By combining proven expertise in lens technology and eyewear manufacturing, a portfolio of brands that consumers love and global distribution capabilities, EssilorLuxottica will enable people everywhere to learn, to work, to express themselves and to fulfill their potential.

Lack of awareness and access have led to a global vision crisis with severe social and economic consequences for billions of people. EssilorLuxottica will exist to give vision a voice and to respond to the world's growing vision needs by meeting the changing lifestyles of existing consumers and inventing new ways to reach the 2.5 billion people who suffer from uncorrected poor vision and the 6 billion people who do not protect their eyes from harmful rays.

EssilorLuxottica will be a powerful advocate for the vision cause, a passionate campaigner for greater awareness, and a pioneering eyewear innovator with solutions and styles that bring ever greater improvements so that everybody, everywhere can enjoy the life-changing benefits of good vision.

Powering sight

80% of what people learn is processed through the eyes. But one out of three people around the world still do not have the vision care they need, and billions more are at risk of deteriorating vision. Beyond essential vision correction, EssilorLuxottica will seek to respond to the vast need for vision protection from sunlight and harmful blue light.

Thanks to its portfolio of lens technologies combined with some of the world's most loved eyewear brands, EssilorLuxottica will be uniquely positioned to make wearing eyeglasses and sunglasses both a desirable and life-improving experience.

The Company will act on many levels to elevate awareness on the importance of vision correction and vision protection, educating policy makers and consumers with dedicated campaigns but also supporting expert-to-expert knowledge sharing on vision science and patient needs. EssilorLuxottica already supports the Vision Impact Institute, whose mission is to make good vision a global priority, and several other non-profit organisations such as OneSight and Essilor Vision Foundation whose focus is on providing free eye exams and eyeglasses to the people most in need.

Powering style

Combining the best in advanced lens technology with beautifully crafted and branded frames turns a necessary device that improves vision into an accessory that not only fits comfortably in form and function, but also serves as a true expression of personal style. Eyewear is one of the most visible of all fashion accessories and has become part of our cultural fabric. From the moment frame meets face, there is a sense of authenticity, creativity and confidence that consumers have come to love. Because of the power they wield, each pair of frames will be considered as a little work of art, from its first sketches to the final handcrafted details. Every frame will illustrate the passion, skill and commitment of EssilorLuxottica's people who will be committed to making the best eyewear possible.

2.1.3 Benefits of the Transaction for Essilor, Luxottica and their respective shareholders

Two highly complementary businesses

The contemplated Combination would benefit Essilor, Luxottica and their respective shareholders by pooling together two highly complementary businesses. The combined Company would be present in every segment of the eyecare and eyewear industry from vision to fashion to retail. This would allow it to provide an unprecedented set of comprehensive solutions to consumers, eyecare professionals and retail chains, and ultimately to grow in revenues faster than its reference market on a global scale.

EssilorLuxottica would have had pro forma consolidated revenues of approximately €16 billion in 2017, which compares to a global industry value estimated at around €100 billion. Such a critical mass would be used to fulfill EssilorLuxottica’s mission to eradicate poor vision by improving awareness, access and consumer experience across all its product lines. This would create the traction necessary to unlock the underlying growth potential of the business, particularly in underserved markets where 2.5 billion people are in need of vision solutions. The long-term result would be an additional increase in the number of eyecare and eyewear consumers globally and in the percentage of their disposable income spent in that industry. With its larger scale, EssilorLuxottica would also be ideally positioned to seize organic growth as well as acquisition opportunities. Selective M&A will continue to be an integral part of the combined Company’s growth strategy.

EssilorLuxottica would be able to rely on the strong business model of each company to significantly increase its geographic and commercial reach and gain access to additional customers. Essilor would benefit from the expertise that Luxottica has built in the design, manufacture and distribution of premium eyewear, brand management and retail market, while Luxottica would benefit from Essilor’s worldwide innovation and expertise in developing, manufacturing, customizing and distributing corrective lenses. Both would also benefit from respective long history of partnering with most of the optical industry players around the world, allowing for cross-pollination of products and activities.

The contemplated Combination would also bring together significantly complementary strengths. These include innovation capabilities, a high quality brand portfolio, best-in-class manufacturing and supply chain, omnichannel distribution, know-how about local partnerships and form the foundation for long-term, sustainable performance of EssilorLuxottica.

Essilor would provide the combined Company with its widely recognized research and development expertise in ophthalmic lenses, its unparalleled portfolio of proprietary brands (including Varilux, Crizal, Transitions, Eyezen, Xperio and Nikon Lens in lenses and Foster Grant, Costa and Bolon in frames), its cutting edge global supply chain, its wide online retail network, its innovative expertise in inclusive business models and its unique know-how in local partnership structures to better serve consumers and professional customers everywhere in the world.

Luxottica would bring to the proposed Combination a long history of excellence of innovation and manufacturing in frames and sunglasses, having built an outstanding portfolio of proprietary eyewear brands, including Ray-Ban, Oakley, Vogue Eyewear, Persol, Oliver Peoples and Alain Mikli and prestigious licensed brands including Giorgio Armani, Burberry, Bulgari, Chanel, Coach, Dolce & Gabbana, Michael Kors, Prada, Ralph Lauren, Tiffany & Co., Valentino and Versace. It also has developed a widespread brick-and-mortar retail network, under banners like LensCrafters, Pearle Vision, OPSM, Sunglass Hut, Ray-Ban and Oakley, complemented by best-in-class e-commerce platforms like Ray-Ban.com, Oakley.com and SunglassHut.com, giving it direct and omnichannel access to end consumers.

Superior innovation capabilities

The companies share a dedication to cutting edge research and development and an obsession with developing new and better products. Both companies have been at the forefront of the development of their segments of the global eyecare and eyewear market for decades. Essilor has introduced many major breakthrough innovations in the market, such as the organic lens in 1953, which has almost completely replaced the glass lenses today in developed markets, and the progressive lens in 1959. It now operates a global research network of 450 researchers across four research and development ("**R&D**") centers, which work alongside many universities, public and private research centers and R&D teams in other industrial sectors. As a result of its intense R&D efforts, it holds nearly 1,780 patent families covering a total of 8,780 individual patents.

Starting its journey in 1961, Luxottica has been able to revolutionize the frame business, transforming frames from utilitarian equipment into desirable fashion accessory and vehicle for self-expression by building a unique vertically integrated business model which covers the entire value chain from design to final consumers. This shift has created a growing appetite and demand for premium branded frames around the world.

By investing heavily in R&D for cutting-edge lens and frame technology, enhancing visual acuity, comfort, transparency and lightness of lenses as well as reimagining the design, form and function of eyewear, EssilorLuxottica would constantly set new industry standards for eyecare and eyewear and the consumer experience surrounding it. The expertise of Essilor's employees in the research and development of new vision solutions and its cutting edge supply chain would help to position EssilorLuxottica as a leader in ophthalmic optics innovation and in the optical industry at large. At the same time, the expertise of Luxottica's people and founder, Mr. Del Vecchio, would bring invaluable vision and experience in empowering global brands to EssilorLuxottica and open new possibilities to enhance the consumer experience. Together, the valuable complementary expertise of the companies would help EssilorLuxottica to offer a comprehensive range of quality products across the vision care and protection spectrum and address vision needs and brand appetite around the world.

Manufacturing excellence

EssilorLuxottica would benefit from the full vertical integration of its business model, which would allow it to directly manage its product journey at every stage from product development and manufacturing to the sale to the end consumer. This brings strategic consistency, operational efficiency and flexibility, time to market and uncompromising product quality. For millions of different "stock keeping units", on a global scale, via omnichannel distribution and with an increasing degree of personalization, EssilorLuxottica's supply chain would be able to satisfy the demand of millions of consumers around the world every day.

Both companies bring strong expertise in manufacturing in their respective sectors. Essilor's global manufacturing network turned over 570 million lenses in 2017 from 34 manufacturing facilities and 481 prescription laboratories and edging facilities as well as 14 local distribution centers, harnessing its cutting edge technology and know-how. Luxottica's 13 state-of-the-art manufacturing facilities, which produced 89 million prescription frames and sunglasses in 2017, are located in Italy, China, India, Japan, the United States and Brazil, complemented by four primary service centers for frame warehousing and ophthalmic lens manufacturing. This makes up the backbone of Luxottica and represents one of the main sources of strength. Luxottica has continued to develop and upgrade its manufacturing processes, combining the tradition of Italian craftsmanship with the efficiency of modern automation.

Each would benefit from the interchange of distinctive production know-how and skills that the two companies have accumulated in their respective segments, as well as from the increasing integration of manufacturing of the two complementary products of frames and lenses.

Global supply chain and distribution

Essilor and Luxottica both have an open business model wherein their respective products and services are made available in a growing number of geographies and locations, fostering the promotion of innovation in eyewear brands and optical categories. EssilorLuxottica would rely on its leading global supply chain and distribution network, including retail chains, online platforms and unparalleled network of wholesale partners and retail stores, as one of the combined Company's core strengths. This would bring the business closer to its customers, facilitating direct access to quality products and maximizing the visibility of the combined brand portfolio. In addition, the expertise in the retail business, both brick-and-mortar and online, would give the combined Company a unique understanding of consumer needs and preferences in key countries.

EssilorLuxottica's combined wholesale distribution would cover more than 150 countries and first and foremost comprised of eyecare professionals (optometrists, eye doctors, opticians and ophthalmologists) who are either independent or belong to retail chains or buying groups. The two companies typically also channel their product portfolio through different categories of retailers, such as specialty sun retailers, department stores, mass retailers, pharmacies, travel retail and online players. Certain brands, including Oakley and Costa, are also distributed to sporting goods stores and specialty sports locations.

In addition to giving its trade partners access to the most advanced lens technologies and the world's most popular eyewear brands, EssilorLuxottica would provide the highest level of customer service in the industry. This includes pre- and post-sale services, such as training, marketing and merchandizing, to enhance their customer's business and maintaining close contact with distributors in order to monitor sales and the quality of the points of sale.

Moreover, EssilorLuxottica would be a key player in the United States in the managed vision care business, with its EyeMed Vision Care entity. EyeMed members are enrolled through employer-sponsored benefits sold directly by EyeMed or bundled with benefits offered by insurance companies. EyeMed offers the largest network of eyecare providers in the United States, including a diverse range of independent practitioners and retail locations, including Luxottica optical retail locations.

With a strong portfolio of retail brands, EssilorLuxottica would also be well positioned to serve every segment of the market with a variety of differentiation points, including the most sophisticated lens options, the latest premium branded and high-performance frames, advanced eyecare, everyday value and high-quality vision care health benefits. EssilorLuxottica's combined retail network would consist of over 8,500 owned stores and 1,800 franchised locations, with LensCrafters, Target Optical, Sears Optical and Pearle Vision in North America, OPSM, LensCrafters and MJS in Asia-Pacific, GMO, OPV, Grupo Vision and Óticas Carol in Latin America, Salmoiraghi & Viganò in Italy and Sunglass Hut, Ray-Ban and Oakley worldwide.

In addition, EssilorLuxottica would be in a leading position to further develop its existing inclusive business models, which offer access to vision care to consumers at the "Base of Pyramid" (BoP). Those models includes the "EyeMitra" network in India or the "Vision ambassadors" networks in many other countries, including China.

All in all, the Company will be in a unique position to deliver eyeglasses at all price points, across many different channels everywhere in the world, relying on all its capabilities and brands to trade consumers up, depending on their needs and means.

Enhanced credit profile

The contemplated Combination would give EssilorLuxottica a very strong financial profile to pursue growth and investments in innovation, vision care and eyewear. The relatively limited indebtedness of EssilorLuxottica relative to its earnings and strong free cash flow generation would allow it to take advantage of future investment opportunities. Together, these factors would also contribute to a strong and potentially improved credit profile for EssilorLuxottica. Currently, Essilor has "A2" positive outlook long term rating attributed by Moody's and Luxottica "A-" positive outlook by Standard &

Poor's. Both agencies updated their respective reports following the Transaction announcement (Luxottica placed on CreditWatch positive and Essilor outlook changed to positive).

Regarding the financing policy of the EssilorLuxottica Group, Essilor and Delfin agreed that:

- Essilor will keep its long term debt at the level of EssilorLuxottica; and

- The financial policy of the EssilorLuxottica Group will aim at concentrating treasury management at the level of EssilorLuxottica, in accordance with the interests of the EssilorLuxottica Group and of the operating companies, as well as any applicable corporate governance requirements, and subject to any local financing requirements. Such policy will aim in particular at ensuring a *pari passu* treatment of all creditors, so that EssilorLuxottica becomes the main financing vehicle of the EssilorLuxottica Group after the closing of the Contribution, both for future bank debt and capital market issuances. To the extent that flexibility will exist to raise new debt at the level of subsidiaries of EssilorLuxottica, such new debt will be raised subject to the governance rules that will be put in place at the level of EssilorLuxottica and be available equally to Luxottica and Essilor International.

Furthermore, EssilorLuxottica would be in a position to envision liability management exercises in due course in order to streamline its funding structure. Essilor and Delfin also acknowledged the need for a strong credit rating for the EssilorLuxottica Group to ensure that EssilorLuxottica, in its capacity as parent company, will be able to efficiently raise financings on the markets in the future.

Strong value creation

The contemplated Combination offers Essilor and Luxottica the opportunity for significant mid-term value creation through revenue and cost synergies related to the Transaction, which are currently anticipated to range from €420 to €600 million as a net impact on EBIT per annum in the medium term, then to accelerate in the longer run.

<u>Potential top-line growth synergies</u>

EssilorLuxottica believes that half of these synergies, in the range of approximately €200 to €300 million net impact on EBIT per annum, would be driven by acceleration of revenue growth. This would result from the capability of EssilorLuxottica to drive favorable market development and leverage improved business capabilities in a structurally growing industry.

Improve product development

EssilorLuxottica would be well positioned to create new and improved assortment, benefiting from its combined expertise in lenses and frames. Innovation has the potential to expand the global eyecare and eyewear industry by providing new and better solutions to vision needs, optimizing the interaction between lenses and frames, reducing costs of care, increasing access around the world, as well as introducing new styles and design of frames, addressing or inspiring consumers' new preferences. The development of new products would also be streamlined by the increased cooperation in the development process. Additionally, combined efforts would position EssilorLuxottica for success in the nascent arena of high-tech eyeglasses – also referred to as wearables, smartglasses and connected eyewear, among others – where the two companies have already acted as early entrants in partnership with tech leaders.

Drive category development

EssilorLuxottica should also benefit from an improved product mix and an increasing demand for all its product categories. By bringing lenses and frames together under one roof, EssilorLuxottica would be able to offer consumers a comprehensive product offering. Combined research and development efforts as well as manufacturing and logistics capabilities would favour the integration of frames and lenses, provide better products to wholesale customers and end-consumers and potentially facilitate the development of the new “complete pair” category.

Serving the industry better

The integration of the companies’ respective global supply chains and distribution capabilities should drive revenue growth by providing broader distribution reach for EssilorLuxottica. Developing lenses and frames together and coordinating their manufacture, supply and delivery would allow EssilorLuxottica to reach eyecare professionals and end consumers more efficiently with better overall quality, performance and aesthetics. The powerful global supply chain and distribution capabilities of EssilorLuxottica should also make delivery economically feasible, on the one hand, in emerging markets that are currently underserved and, on the other hand, directly to the consumers’ home.

Accelerate emerging markets development

EssilorLuxottica’s enhanced supply chain and broader geographic footprint are expected to help it further develop its business in the emerging markets, many of which are underserved with respect to vision care and vision protection. These developing markets are primed to be a key growth driver in the coming years. Both Essilor and Luxottica have developed extensive knowledge of the “low and mid-tier market segments” and estimate that there are nearly 3 billion people in the middle class across Asia, Africa and Latin America that will need entry level or mid-tier vision solutions to improve their lives in the coming years. In addition, demand for quality premium products among affluent consumers in these markets is expected to develop rapidly.

Accelerate online growth

The Combination should also allow continued growth for EssilorLuxottica’s digital platforms, which currently represent approximately 5% of the combined companies’ sales. The integration of industry leading digital platforms and a sharpened consumer focus are expected to drive substantial future revenue growth. As consumers increasingly turn online to improve awareness and access products, brand building and distribution are set to shift increasingly toward e-commerce. The expansion of proprietary and third-party digital platforms provide EssilorLuxottica with more direct consumer access and engagement, while proprietary ones give the opportunity to develop product customization services, which are increasingly appreciated by consumers. The online sales channel also provides important contact with end-consumers that would allow EssilorLuxottica to more effectively discern consumer needs and trends and enable it to provide tailored solutions to the market. The combination of the companies’ online platforms with their physical retail capabilities would also create powerful omnichannel models allowing for online to offline and offline to online consumer fluidity.

Increase sunglasses penetration

EssilorLuxottica would also be well positioned to benefit from growth opportunities in the sunglasses sector, leveraging among others on its worldwide best-selling brands, like Ray-Ban and Oakley. Awareness of the need for vision protection is growing around the world and in many geographic markets the sunglasses market is underpenetrated, while the appetite for brands consolidates further across all age segments, and geographical areas. This presents a strong organic growth opportunity for EssilorLuxottica from increasing demand. In addition, the combination of Luxottica’s strong portfolio of premium frames and Essilor’s expertise in corrective lenses, as well as both companies’ know-how in plano sun lenses, from custom made to mid-tier products, creates an opportunity for growth in the prescription sun market. Many wearers do not have sunglasses, whether plano or corrective, and as vision protection comes to be perceived as a necessity rather than a luxury, this would present EssilorLuxottica with a strong potential customer base and market opportunities.

Foster consumer engagement

EssilorLuxottica would have the scope and powerful voice to raise awareness and reach patients and consumers across the globe, with regard to their vision correction and protection needs as well as their aspiration for a full brand experience. This is expected to drive growth through more effective customer engagement efforts, regular eye exams, up-to-date prescriptions, quality branded pairs and enabling current users to purchase multiple tailored optical and eyewear products to meet all of their eyesight and style needs.

Potential cost synergies

The contemplated Combination is expected to generate cost synergies in two areas. First, the combination of the two supply chains would be expected to yield medium-term synergies in the range of approximately €150 million to €200 million net benefit on EBIT per annum. EssilorLuxottica anticipates that this would result from supply chain optimization through logistics and distribution center rationalization, laboratory network integration and streamlining, as well as through sourcing optimization and improved terms and conditions.

Second, general and administrative as well as procurement cost reductions in the range of approximately €70 million to €100 million net benefit on EBIT per annum are anticipated to be generated in the medium term through process and organizational simplification and rationalization.

Strong governance and stable shareholder structure

The contemplated Transaction would create a beneficial and stable long-term shareholding structure for EssilorLuxottica. Following the Contribution and the Exchange Offer, Delfin, the holding company of the Del Vecchio family, would own between 31% and 38%[3] of the share capital of EssilorLuxottica. The contemplated Transaction would also provide an opportunity for the employees of EssilorLuxottica to participate in the anticipated value creation and success through their significant share ownership in EssilorLuxottica which would represent around 4% at the beginning.

2.1.4 Consequences of the Contribution for Delfin and its shareholders

Immediately upon the completion of the Contribution, Delfin will own between approximately 31% and 38%[4] of the share capital of Essilor (renamed EssilorLuxottica as from such completion) and will become its largest shareholder.

Following the Exchange Offer that will be launched by EssilorLuxottica to acquire all of the remaining outstanding shares of Luxottica, the interest held by Delfin would decrease to a minimum of 31% of the share capital of EssilorLuxottica depending on the acceptance rate of the Exchange Offer[5].

On May 11, 2017, Essilor's shareholders' meeting approved, in particular, amendments to Essilor's by-laws introducing a limitation of voting rights at 31% for any shareholder, subject to a formula contained in such by-laws (see Section 2.4.1.3 "Summary of the key provisions of EssilorLuxottica's by-laws" of this Update to the 2017 Registration Document). Such by-laws will be effective as from the Closing Date of the Contribution, date at which the legal name of Essilor will be changed to EssilorLuxottica. In addition, on May 11, 2017, the special meeting of the shareholders holding double voting rights approved, in particular, the cancellation of double voting rights to be also effective as from the Closing Date of the Contribution.

Pursuant to the terms of the Combination Agreement, Delfin agreed to the Standstill Undertaking.

It is also specified that Delfin agreed that Mr. Leonardo Del Vecchio will hold any direct or indirect participating interest in EssilorLuxottica that would not be held through Delfin in registered form. In

[3] On a fully diluted basis and based on the number of Essilor shares that Delfin will receive immediately upon the completion of the Contribution.

[4] On a fully diluted basis and based on the number of Essilor shares that Delfin will receive immediately upon the completion of the Contribution.

[5] 31% is calculated on a fully diluted basis, based on the number of Essilor shares that Delfin will receive immediately upon the completion of the Contribution and assuming 100% acceptance rate of the Exchange Offer.

addition, Delfin undertook to communicate to EssilorLuxottica, (x) within five (5) trading days before any shareholders' meeting of EssilorLuxottica, the identity and holdings in Delfin of all of the Delfin shareholders known to it, and (y) any change it becomes aware of in the holdings of its shares, within five (5) trading days as from its awareness of such change.

2.2 Risk factors relating to the Transaction

The risk factors described in Chapter 1.7 "Risk Factors" of the 2017 Registration Document are updated as follows.

Risks related to the Combination

(a) The value of Luxottica's and Essilor's shares to be exchanged in the Contribution and the Exchange Offer may fluctuate, so the market value of the consideration to be exchanged may vary.

As of the date of the Contribution Agreement, the Exchange Ratio was set at 0.4610 new ordinary share of Essilor for each ordinary share of Luxottica contributed. It is specified that the Exchange Ratio, initially set at 0.4610, will be adjusted from 0.4610 to 0.4613 based on Essilor dividend pay-out ratio of 42% and Luxottica pay-out of 50% for financial year 2017, in accordance with the Exchange Ratio adjustment formula described in Section 2.1.1.2 "Key provisions of the Combination Agreement" of this Update to the 2017 Registration Document. Except for specific adjustments described in such Section 2.1.1.2 "Key provisions of the Combination Agreement", the Exchange Ratio will remain unchanged and the Contribution will be completed even if the market value of the shares of Essilor and/or Luxottica changes after the date of signature of the Contribution Agreement. The market value of Essilor's or Luxottica's shares at the date of approval of the Contribution by the respective shareholders' meetings of Essilor and Delfin or once the Combination becomes effective may be lower than the market value of Essilor's or Luxottica's shares on the signature date of the Contribution Agreement or at the date of this Update to the 2017 Registration Document. The actual value received by Essilor (and as from the Closing Date of the Contribution, EssilorLuxottica) in the Contribution and the Exchange Offer may therefore depend on market value of the Luxottica shares at the time such contribution or exchange settles, and may not be equivalent to the market value of the Essilor (and as from the Closing Date of the Contribution, EssilorLuxottica) shares issued in exchange for such Luxottica shares.

(b) The credit rating of Essilor, which will be renamed EssilorLuxottica as from the Closing Date of the Contribution, may be revised in the future. Currently, Essilor has "A2" positive outlook long term rating attributed by Moody's and Luxottica "A-" positive outlook by Standard & Poor's.

Even though the Combination is expected to lead to an improved financial profile, the maintenance of Essilor's and/or Luxottica's current credit rating cannot be guaranteed as it depends on the assessment of third-parties. In the future, the rating agencies could assign to EssilorLuxottica or to debt instruments issued by EssilorLuxottica a lower rating than the current ratings of Essilor and/or Luxottica. Such a downgrade could increase EssilorLuxottica's financing costs. In such a case, EssilorLuxottica may be limited in undertaking certain acquisitions or capital expenditures because the increased cost of financing causes the projects not to meet its investment criteria. This could have an adverse impact on EssilorLuxottica's potential for growth and its results of operations and financial condition.

(c) Luxembourg laws relating to creditors' rights may delay the completion of the Contribution and the Combination.

Essilor is a French *société anonyme*, and Delfin is a Luxembourg *société à responsabilité limitée*. As a result, the Contribution is governed by and is structured to comply with French and Luxembourg laws and regulations. The cumulative or distributive application, as the case may be, of French and Luxembourg laws and regulations may involve an implementation of the Contribution over a longer period of time than a contribution between two entities of the same jurisdiction.

Under Luxembourg law, creditors of Delfin that hold receivables that predate the publication of the minutes of the shareholders' meeting of Delfin called to approve the Contribution may request some guarantees within a two-month period as from the date of such publication. Such request for early repayment of debts or guarantees may not prevent the Contribution but may create additional constraints in the overall process of the Contribution and adversely impact the business, results of operations, financial position, and prospects of Essilor. Due to the fact that Essilor and Delfin need to comply with the anticipated timelines in Luxembourg, the implementation of the Contribution may take more time than envisaged by the parties and may reduce the synergies and benefits that Essilor and Luxottica expect to obtain from a Contribution carried out in accordance with the proposed timetable and from a successful integration of their respective businesses.

(d) In connection with the Transaction, a number of changes to the voting rights of Essilor's shares were adopted: in particular, as from the Closing Date of the Contribution, the existing double voting rights will be canceled and voting rights will be capped at 31% (subject to a formula provided in EssilorLuxottica's by-laws).

In connection with the contemplated Combination, changes to the by-laws of Essilor were adopted on May 11, 2017 by (i) Essilor's special meeting of holders of shares with double voting rights attached; and (ii) Essilor's general shareholders' meeting. Those changes are affecting the voting rights attached to EssilorLuxottica shares. Under Essilor's current by-laws, double voting rights are attached to fully paid-up shares held in registered form for at least two years. By-laws of EssilorLuxottica, effective as from the Closing Date of the Contribution, do not provide shareholders with similar benefit, even if they hold registered shares for at least two years or another period of time. In addition, by-laws of EssilorLuxottica, effective as from the Closing Date of the Contribution, contain a voting rights cap at 31% for any shareholder, subject to a formula contained in such by-laws (see Section 2.4.1.3 "Summary of the key provisions of EssilorLuxottica's by-laws" of this Update to the 2017 Registration Document). As a result, any shareholder that holds more than 31% of the share capital of Essilor (and as from the Closing Date of the Contribution, EssilorLuxottica) would not be entitled to the same voting power in EssilorLuxottica's shareholders' meetings as it would have had absent such a provision.

(e) The results of operations and financial position of EssilorLuxottica may be materially different than those presented or implied by the unaudited pro forma condensed consolidated financial information contained herein.

The unaudited pro forma condensed consolidated financial information as of and for the year ended December 31, 2017 included in this Update to the 2017 Registration Document was prepared to illustrate the impact of the Contribution as if it had occurred on January 1, 2017 for the purpose of the pro forma condensed consolidated income statement and on December 31, 2017 for the purpose of the pro forma condensed consolidated statement of financial position. This unaudited pro forma condensed consolidated financial information is based on a variety of assumptions detailed in Section 2.5.1 "Unaudited pro forma condensed consolidated financial information at December 31, 2017" of this Update to the 2017 Registration Document. The unaudited pro forma condensed consolidated financial information is presented for illustrative purposes only and does not reflect the operating results or financial position that EssilorLuxottica would have obtained had the Contribution actually taken place on January 1, 2017 or on December 31, 2017. There can be no assurance that the assumptions made in the preparation of this unaudited pro forma condensed consolidated financial information are accurate, or that the trends indicated by this unaudited pro forma condensed consolidated financial information are representative of the future results or performance of EssilorLuxottica. Accordingly, EssilorLuxottica's results and financial condition in the future may differ significantly from those portrayed or implied by the results set forth in such unaudited pro forma condensed consolidated financial information. It should be noted in this respect that the unaudited pro forma condensed consolidated financial information was prepared on the basis of the assumption that Luxottica is the accounting acquirer, a determination requiring the application of significant judgment under IFRS 3 *Business Combinations* (as described in Section 2.5.1 of this Update to the 2017 Registration Document), and as such the unaudited pro forma condensed consolidated financial information has been prepared applying the accounting policies historically applied by Luxottica, except for the presentation of "Research and development costs" which has been aligned with the presentation the combined Company is expected to adopt in its future consolidated financial statements. The future consolidated financial statements, if prepared on the basis of the accounting policies applied in preparing the unaudited pro forma condensed consolidated financial information, may also differ significantly from the historical financial statements of Essilor and consequently may not be directly comparable.

(f) The accounting treatment of the Combination may adversely affect the future reported results of operations of EssilorLuxottica.

As discussed in more detail in Section 2.5.1 "Unaudited pro forma condensed consolidated financial information at December 31, 2017" of this Update to the 2017 Registration Document, for accounting purposes the parties determined that Luxottica will be deemed to acquire Essilor even though Essilor is the legal acquirer of Luxottica shares in the Contribution and the Exchange Offer and will be the entity which will issue new shares to the Luxottica's shareholders. As described in detail in such Section 2.5.1, this accounting treatment required the application of significant judgment and depended on a number of factors that were assessed by Essilor and Luxottica's management and Essilor's Board of Directors. Accordingly, the consolidated financial information of EssilorLuxottica will reflect the acquisition of Essilor by Luxottica in accordance with IFRS 3 "Business combinations" including the acquisition method of accounting to the Essilor identifiable assets acquired and liabilities assumed and on the basis of the accounting policies historically applied by Luxottica, except for the presentation of "Research and development costs" which has been aligned with the presentation the combined Company is expected to adopt in its future consolidated financial statements. This accounting treatment will result, among other things, in the recording of a substantially high amount of transaction-related goodwill (see below "The anticipated goodwill related to the Combination is subject to impairment"), a fair value adjustment of Essilor's intangible assets that is expected to generate a nearly €8 billion increase in the intangible assets of EssilorLuxottica and an associated increase in amortization charges of approximately €590 million per year. The amount of intangible assets and goodwill resulting from the Transaction as set out above and in Section 2.5.1 is based on preliminary estimates of fair values, which may be adjusted in the course of preparing the financial statements of EssilorLuxottica. In particular, such adjustments may increase the amount of the expected annual amortization charge noted above. The accounting treatment of the Transaction is therefore expected to have a material effect on the future results of operations of EssilorLuxottica.

(g) The anticipated goodwill related to the Combination is subject to impairment: estimated preliminary goodwill of €19 billion has been recognized in the preparation of the unaudited pro forma financial information as of and for the year ended December 31, 2017.

Essilor anticipates that it will recognize a significant amount of goodwill as a result of the accounting treatment of the Combination. Estimated preliminary goodwill of €19 billion has been recognized in the preparation of the unaudited pro forma condensed consolidated financial information as of and for the year ended December 31, 2017 (see Section 2.5.1 "Unaudited pro forma condensed consolidated financial information at December 31, 2017" of this Update to the 2017 Registration Document), bringing total pro forma goodwill of EssilorLuxottica to around €23 billion. Moreover, the purchase price allocation is preliminary and has been made solely for the purpose of preparing the unaudited pro forma condensed consolidated financial information, and as such is hypothetical and subject to revisions based on a final determination of fair values after the effective date of the acquisition, which revisions may be significant. The final amount of goodwill will be determined by the difference between the fair value of the acquisition price *i.e.* the "consideration transferred", which is subject to change (as described in Section 2.5.1 "Unaudited pro forma condensed consolidated financial information at December 31, 2017" of this Update to the 2017 Registration Document) and the fair value of the net assets at the acquisition date as determined by an independent external appraiser within a 12-month period following the Closing Date of the Contribution.

In accordance with IFRS 3 *Business Combinations* and IAS 36 *Impairment of Assets*, goodwill will be allocated to the various cash-generating units, which will be tested for impairment annually, and more frequently if indications of impairment exist. If significant asset quality issues arise or if the financial condition and prospects of EssilorLuxottica's cash generating units otherwise fail to meet the expectations used to determine their carrying values, EssilorLuxottica could incur impairment charges in the future, which in light of the substantial amount of goodwill generated by the Combination, could have a material adverse effect on its results of operations and financial position.

2.3 Short- and medium-term objectives for the business, restructuring operations, results and dividend policy

Essilor published its latest objectives in the context of its first-half 2018 results report on July 26, 2018 as follows:

"Encouraged by strong results for the first six months and the many sales initiatives planned for the second half, Essilor confirms its full-year 2018 targets, calling for like-for-like revenue growth of around 4% and a contribution from operations greater than or equal to 18.3% of revenue."

As of the date of this Update to the 2017 Registration Document, no restructuring plan has been decided upon.

No major change in the type of businesses conducted by Essilor and Luxottica is anticipated.

Prior to the completion of the Contribution, Essilor's shareholders' meeting, held on April 24, 2018, voted to set the dividend in respect of the 2017 financial year at €1.53 per share. Going forward and subject to the completion of the Contribution, the dividend policy will be decided by EssilorLuxottica's Board of Directors taking into account EssilorLuxottica's earnings, cash flow generation and financing needs.

It is expected that it will be for the Board of Directors of EssilorLuxottica to set out the dividend policy of the combined entity consistently with its financial prospects and business strategies, it being understood that the common view of the parties to the Combination Agreement is that, unless decided otherwise by the Board of Directors of EssilorLuxottica in accordance with the above, dividends shall not be in excess of 50% of the combined entity's consolidated net income adjusted by the relevant purchase price allocation (PPA) items and, if any, other items to be decided by the Board of Directors of EssilorLuxottica.

2.4 Information about EssilorLuxottica

2.4.1 Planned composition of corporate and management bodies of EssilorLuxottica

The below Sections of the Update to the 2017 Registration Document relating to the future contemplated corporate governance of EssilorLuxottica reflect the agreement between Essilor and Delfin but remain, as the case may be, subject to the approval of the relevant corporate bodies of EssilorLuxottica.

2.4.1.1 <u>Governance principles agreed between Essilor and Delfin</u>

Agreed governance principles

Pursuant to the Combination Agreement, as from the completion of the Contribution until the date of the annual general shareholders' meeting called to approve the 2020 annual accounts of EssilorLuxottica (the "**Initial Term**"), the contemplated Board of Directors of EssilorLuxottica will be organized as follows.

Principles relating to the composition of the Board of Directors of EssilorLuxottica

The Board of Directors of EssilorLuxottica will be composed as follows:

i. Luxottica's current Executive Chairman, Mr. Leonardo Del Vecchio, will be appointed as Executive Chairman of the Board of Directors of EssilorLuxottica (*Président-Directeur Général*) (the "**EssilorLuxottica Executive Chairman**");

ii. Essilor's current *Président-Directeur Général*, Mr. Hubert Sagnières, will be appointed as Executive Vice-Chairman of the Board of Directors of EssilorLuxottica (*Vice-Président-Directeur général délégué*) (the "**EssilorLuxottica Executive Vice-Chairman**");

iii. the Board of Directors of EssilorLuxottica will be composed of sixteen members;

iv. eight members proposed by Essilor comprising the EssilorLuxottica Executive Vice-Chairman, two employee representatives, one representative of Valoptec Association, four independent members from the current Board of Directors of Essilor (for more information on the independent qualification for the purpose of the Combination Agreement, please refer to the table included in the below paragraph entitled "Compliance with AFEP-MEDEF Code"); and

v. eight members proposed by Delfin comprising the EssilorLuxottica Executive Chairman, three representatives of Delfin and four independent members designated by Delfin after consultation with Essilor (unless these directors are chosen from among the current Luxottica board members, in which case no consultation is required).

The EssilorLuxottica Executive Chairman will have equal powers with the EssilorLuxottica Executive Vice-Chairman. As referred to in the by-laws approved by Essilor's general shareholders' meeting on May 11, 2017, effective as from the Closing Date of the Contribution, the rules of procedure of the Board of Directors of EssilorLuxottica will be adapted so as to reflect equal powers of the EssilorLuxottica Executive Chairman and the EssilorLuxottica Executive Vice-Chairman. For instance:

- the EssilorLuxottica Executive Chairman, together with the EssilorLuxottica Executive Vice-Chairman, will be able to convene a Board meeting, failing which, either the EssilorLuxottica Executive Chairman or the EssilorLuxottica Executive Vice-Chairman will be able to convene a Board meeting;

- the EssilorLuxottica Executive Chairman or the EssilorLuxottica Executive Vice-Chairman, as applicable, will also have the opportunity to review the convening notice and add new items on the agenda before the convening notice is sent to the Directors;

- the meetings of the Board of Directors will be chaired by the EssilorLuxottica Executive Chairman, together with the EssilorLuxottica Executive Vice-Chairman, or, in the absence of the EssilorLuxottica Executive Chairman, by the EssilorLuxottica Executive Vice-Chairman solely, or in the absence of the

EssilorLuxottica Executive Vice-Chairman, by the EssilorLuxottica Executive Chairman solely; and

- at any meeting of the Board of Directors, both the EssilorLuxottica Executive Chairman and the EssilorLuxottica Executive Vice-Chairman will be free to make any statements, raise questions or address matters to be discussed by the Board of Directors.

In addition, neither the EssilorLuxottica Executive Chairman nor the Chairman of any of the Committees referred to below will have a casting vote.

The EssilorLuxottica Executive Chairman of the Board, together with the EssilorLuxottica Executive Vice-Chairman of the Board, will organize and direct the work and meetings of the Board of Directors of EssilorLuxottica, on which they will report to the EssilorLuxottica shareholders' general meeting. They will ensure the smooth functioning of the Board of Directors and, in particular, that the Directors are able to fulfil their missions.

Except in the case where the EssilorLuxottica Executive Chairman and/or the EssilorLuxottica Executive Vice-Chairman would be absent of a meeting, the EssilorLuxottica Executive Chairman will associate the EssilorLuxottica Executive Vice-Chairman in each mission he is vested in pursuant to his function as Chairman of the Board pursuant to applicable laws, regulations and recommendations from the AFEP-MEDEF Code, including in the missions relating to the Company's shareholders' meetings (which he shall organize and direct together with the EssilorLuxottica Executive Vice-Chairman), and all corresponding decisions will be taken jointly with the EssilorLuxottica Executive Vice-Chairman. As regards the uses of blank proxies given to the EssilorLuxottica Executive Chairman (in its capacity as Chairman) for such shareholders' meetings, the EssilorLuxottica Executive Chairman will vote in favour of the resolutions recommended by the Board and will vote against all other resolutions.

Following the Initial Term, (i) the Board members of EssilorLuxottica will have a term of office of three years; and (ii) any new member of the Board of Directors of EssilorLuxottica will be proposed for election at the EssilorLuxottica's general shareholders' meeting by the Board of Directors of EssilorLuxottica upon recommendation by the nomination and compensation committee of EssilorLuxottica or by any EssilorLuxottica's shareholder in accordance with applicable law, without any regard to the provenance of the nominees from Luxottica or Essilor.

Please refer to Section 2.4.1.2 "Contemplated governance of EssilorLuxottica" of this Update to the 2017 Registration Document for a description of the expected composition of the EssilorLuxottica's Board of Directors as from the Closing Date of the Contribution.

Principles relating to the contemplated rules of procedure of the Board of Directors of EssilorLuxottica

It is contemplated that new rules of procedure of the Board of Directors will be adopted by the first Board of Directors of EssilorLuxottica taking place on or immediately after the closing of the Contribution. The core principles with regard to the decision-making process within EssilorLuxottica Group contemplated to be provided for in the rules of procedure of the Board of Directors of EssilorLuxottica are as follows:

- **Powers of the EssilorLuxottica Executive Chairman and the EssilorLuxottica Executive Vice-Chairman**

Both the EssilorLuxottica Executive Chairman and the EssilorLuxottica Executive Vice-Chairman will be vested with the most extensive and equal powers to act in all circumstances in the name of EssilorLuxottica. They will exercise those powers within the limits of the corporate purpose and subject to the powers expressly granted to the EssilorLuxottica shareholders' meetings and to the EssilorLuxottica Board of Directors by law as well as to the limitations set forth by the by-laws of EssilorLuxottica and by the contemplated rules of procedure of the EssilorLuxottica Board of Directors.

Decisions relating to the management of EssilorLuxottica will be made jointly by, or with the approval of both, the EssilorLuxottica Executive Chairman and the EssilorLuxottica Executive Vice-Chairman, failing which, by the EssilorLuxottica Board of Directors, except for certain specific decisions or matters: (a) which - except as otherwise jointly decided by the EssilorLuxottica Executive Chairman and the EssilorLuxottica Executive Vice-Chairman - could be made either by the EssilorLuxottica Executive Chairman or the EssilorLuxottica Executive Vice-Chairman, acting individually, or by the person to which such power or authority would have been delegated; (b) for which the EssilorLuxottica Executive Chairman and the EssilorLuxottica Executive Vice-Chairman will subsequently (i) agree in writing that they can act individually or (ii) jointly delegate powers or authority to a manager of EssilorLuxottica or to another person; or (c) which fall within the scope of the powers, or require the approval, of the EssilorLuxottica Board of Directors pursuant to the Board rules of procedure.

- **Powers of the Board of Directors of EssilorLuxottica**

It is expected that the Board of Directors of EssilorLuxottica directs EssilorLuxottica's business and oversees its implementation. Subject to the powers expressly granted to the shareholders' general meetings, the limitations set forth by the by-laws of EssilorLuxottica and within the limits of the corporate purpose, it deals with all matters concerning the proper running of EssilorLuxottica and EssilorLuxottica Group, in accordance with the contemplated rules of procedure of the Board of Directors.

A set of material decisions (listed below) relating to EssilorLuxottica and/ or the EssilorLuxottica Group are contemplated to be subject to the prior approval of the Board of Directors of EssilorLuxottica.

The Board of Directors of EssilorLuxottica is expected to grant its prior approval for any issue, event, act or decision concerning the Company and any entity of its Group and related to:

a. review and approval of the statutory financial statements and of the consolidated financial statements of the Company as well as of the statutory financial statements and of the consolidated financial statements of, as the case may be, Luxottica or Essilor International;

b. approval and modification of the Group's annual budget (including the annual investments budget) upon the presentation of the forecast of the financing needs of the Group for the year made by the CFOs;

c. approval and modification of the Group's three-year strategic plan;

d. any transaction outside the scope of the Group's stated strategy or above Euro 150 million individually, upon recommendation of the strategy committee;

e. distribution of dividends, interim dividends, premium, reserves and/ or any other distributions by the Company, Luxottica or Essilor International to be set consistently with the Company's financial prospects and business strategies, it being specified that, unless the Board of Directors decides otherwise, the pay-out ratio on consolidated net income adjusted by the relevant purchase price allocation (PPA) items and, if any, other items to be decided by the Board of Directors, shall not exceed 50%;

f. any amendment, or any decision that will entail such amendment, to the articles of association of the Company, Luxottica or Essilor International (including for the avoidance of doubt any increase in the share capital (except if it results from the exercise of securities or rights giving access to the share capital or issuance of other securities or rights giving immediate or future access to the share capital or voting rights));

g. decision relating to the admission to listing on any regulated stock exchange of securities in any Group's company;

h. any change in accounting methods or principles, or of the tax practices applied within the Group (save for mandatory changes resulting from regulatory changes);

i. appointment and renewal of the statutory auditors of any Group's company, based on the recommendation of the audit and risk committee;

j. upon recommendation of the strategy committee, decisions on material capital expenditures, acquisitions, purchases, leases or divestments with a value exceeding €150 million as set in the contemplated rules of procedure of the Board;

k. any transaction resulting in the expansion of the geographical footprint of the Group to a new country where the Group has no operations, including through any distribution network, whether wholesale or retail, directly or indirectly (through any acquisition, lease, commercial relationships or any agreement of any nature whatsoever) for which the value is above of €10 million or for which such expansion could raise a significant risk in terms of compliance with applicable regulations (e.g., sanctions, fraud, anti-corruption or money laundering regulations) or in terms of security, upon recommendation of the strategy committee;

l. without prejudice to the financing policy as set forth in the contemplated rules of procedure of the Board or unless decided otherwise by the Board, (x) any decision (and any delegations of powers or authority thereto) pertaining to the entering into of any bank loan or financing facility for a par value or a notional amount exceeding Euro 1 billion, (y) any other decision (and any delegations of powers or authority thereto) pertaining to the financing of the Company (including, for example, the issuance of bonds, notes, debt instruments and/ or hedging instruments) for a par value or a notional amount exceeding Euro 300 million individually and Euro 1 billion in the aggregate on a calendar year within the annual authorization for any banking financing and (z) any decision (and any delegations of powers or authority thereto) for any capital market transaction (either in equity or debt) whatever the amount of such transaction;

m. any liquidation, merger, spin-off (scission), contribution or other similar corporate restructuring (save for intra-Group transactions that trigger no change in the direct or indirect holding by the Company in the share capital of the concerned company or companies) involving any Group's company;

n. authorization, determination of the terms and conditions and modification of any mandatory or voluntary profit-sharing plan, stock option plan, free share plan (*plan d'attribution gratuite*) or other similar collective incentive schemes in favor of the management and/ or employees of the Group (upon proposal of the nomination and compensation committee when it concerns corporate officers);

o. except for intra-Group transactions, the purchase, transfer or disposal of trademarks or patents and/or the acquisition or the granting of any license with respect to the right to use a trademark or patent or any other transaction entailing, directly or indirectly or as an ancillary consequence thereof (including, for example, the acquisition of a business), the purchase, transfer, disposal or granting of any such trademarks, patents or licenses, in excess of a certain value specified in the rules of procedure of the Board of Directors of EssilorLuxottica.

Principles relating to the composition of the Committees of the Board of Directors of EssilorLuxottica

A (i) nomination and compensation committee, (ii) an audit and risk committee, (iii) a corporate social responsibility committee and (iv) a strategy committee will be established (the "**Committees**"). Each Committee will comprise four members (two from the current Board of Directors of Essilor and two designated by Delfin) and will respectively be chaired by (i) with respect to the nomination and compensation committee, a member of the current Board of Directors of Essilor designated by Essilor; (ii) with respect to the audit and risk committee, a member proposed by Delfin; (iii) with respect to the corporate social responsibility committee, a member of the current Board of Directors of Essilor designated by Essilor; and (iv) with respect to the strategy committee, a member designated by Delfin.

It is specified that, with respect to the strategy committee, unless otherwise determined by a joint decision of the EssilorLuxottica Executive Chairman and the EssilorLuxottica Executive Vice-Chairman, the Chairman of such committee shall invite all members of the EssilorLuxottica's Board of Directors to attend (but not to vote at) the meetings of such strategy committee, except for meetings convened to discuss sensitive and significant acquisition projects.

Executives or Directors' Impediments

It is contemplated that a succession plan for the EssilorLuxottica Executive Chairman and the EssilorLuxottica Executive Vice-Chairman will be adopted by the Board of Directors of EssilorLuxottica after the closing of the Contribution. Essilor and Delfin agreed that in case, during the Initial Term, the EssilorLuxottica Executive Chairman and/or the EssilorLuxottica Executive Vice-Chairman are prevented or incapacitated, the Vice-Chairman of Luxottica shall act in replacement as Executive Chairman and the Vice-Chairman (*Directeur Général Délégué*) of Essilor International SAS shall act in replacement as Executive Vice-Chairman, as the case may be.

In case, during the Initial Term, a Director of EssilorLuxottica is prevented or incapacitated, Essilor and Delfin agreed that the EssilorLuxottica Board of Directors will be held as promptly as possible in order to appoint a successor (upon majority of the Directors designated by Delfin or by Essilor, as the case may be, depending on which party to the Combination Agreement originally designated the incapacitated Director). If the replacement is not possible without an EssilorLuxottica shareholders' general meeting, the EssilorLuxottica Board so convened will decide on the rules to apply in order to ensure, as promptly as possible, an appointment of such replacement in accordance with the provisions set in the Combination Agreement with a view to ensure the balanced governance framework provided by the Combination Agreement.

Compliance with AFEP-MEDEF Code

It is expected that the composition of the Board of Directors and Committees of EssilorLuxottica will comply with applicable laws and regulations and the AFEP-MEDEF Code (subject to limited exceptions).

As of the date of this Update to the 2017 Registration Document, the following indicative deviations from the recommendations of the AFEP-MEDEF Code have been identified, it being specified that the below information may be updated based on the final governance of EssilorLuxottica (including with respect to the final composition of its Committees):

References	Recommendations	Indicative deviations within EssilorLuxottica's contemplated governance
AFEP-MEDEF Code		
13.2	**Duration of Directors' term of office** *"Terms should be staggered so as to avoid replacement of the entire body and to favor a smooth replacement of directors"*	• During the Initial Term, the terms of office of the Directors of EssilorLuxottica will not be staggered to ensure a smooth transition and integration of the two companies in connection with the contemplated Combination.
17.1	**Composition of the Nomination and Compensation Committee** *"It is recommended that the Chairman of the Nomination and Compensation Committee be independent and that one of its members be an employee director."*	• The Combination Agreement provides that Mr. Olivier Pécoux shall be appointed as a Board member of EssilorLuxottica designated by Essilor and that he shall be considered by the parties for the purpose of such agreement as independent. However, Mr. Olivier Pécoux is likely not to be qualified by the Board of Directors of EssilorLuxottica as independent within the meaning of the AFEP-MEDEF criteria. Should Mr. Olivier Pécoux be considered as a non-independent Director within the meaning of the AFEP-MEDEF criteria and be appointed as Chairman of the nomination and compensation committee, this would deviate from this recommendation of the AFEP-MEDEF Code. • The Combination Agreement provides for an equal number of members from Delfin and Essilor in each Committee. AFEP-MEDEF recommends to have at least one member to be an employee director in the compensation committee. Since the nomination committee and the compensation committee have been combined into the same committee and both of the two employee directors are comprised in the scope of the directors appointed by Essilor, EssilorLuxottica is likely to deviate from this recommendation in order to respect the intention underlying the equal number of Committees' members which is that of the freedom of choice by Delfin and Essilor of their respective Committees' members.
15.1	**Composition of Audit and Risk Committee** "*The proportion of independent directors on the audit committee should be at least equal to two-thirds, and the committee should not include any executive officer*"	• The combination between Luxottica and Essilor, two major international groups, constitutes a transaction of exceptional scale and entails the implementation of a particular governance structure requiring certain committees to be composed of a majority of non-independent members with an extensive, precise and in-depth knowledge of the Combination, the new governance of the Company, Luxottica, Essilor International and their respective groups. For these reasons, it is expected that (i) the Audit and Risk Committee would not be composed of at least two-thirds of independent Directors; and (ii) the chairmanship of the Nomination and Compensation Committee would not be conferred to a non-independent member and such committee would not mainly be composed of independent Directors

Additional deviations from the recommendations of the AFEP-MEDEF Code may be identified based on the final governance of EssilorLuxottica (including depending on the final composition of its Committees) and the other offices held by the members of the Board of Director of EssilorLuxottica at the time they will take office.

Please refer to Chapter 2.4 “Summary table of recommendations of the AFEP-MEDEF Code that have not been applied” of the 2017 Registration Document for a list of the recommendations of the AFEP-MEDEF Code that have not been applied by Essilor for the fiscal year 2017.

Principles relating to the management of EssilorLuxottica and the integration committee

The management of EssilorLuxottica (and its staff members) will be located in Paris. EssilorLuxottica will be adequately staffed in order to be operational as from the Closing Date of the Contribution.

At the request of the EssilorLuxottica Executive Chairman and the EssilorLuxottica Executive Vice-Chairman, the Board of Directors of EssilorLuxottica may appoint a *Directeur Général Délégué* (the “**EssilorLuxottica DGD**”) for a three-year term. The EssilorLuxottica DGD will be in charge of coordinating the activities of EssilorLuxottica, as holding company of Luxottica and Essilor International, and assisting the EssilorLuxottica Executive Chairman and the EssilorLuxottica Executive Vice-Chairman in their efforts to facilitate the integration of Luxottica and Essilor International.

It is expected that the Nomination and Compensation Committee will be mandated by the Board of Directors of EssilorLuxottica, on or prior to the end of January 2019, to retain, after consultation with the EssilorLuxottica Executive Chairman and the EssilorLuxottica Executive Vice-Chairman, one or several recruitment agency(ies) to assist it in the process for identifying, according to the “best fit for the job” principle, a chief executive officer of the combined group (the “**Chief Executive Officer**”) (which will initially be the EssilorLuxottica DGD). The Chief Executive Officer will be appointed by the Board of Directors of EssilorLuxottica based on the recommendation of the Nomination and Compensation Committee and the joint recommendation of the EssilorLuxottica Executive Chairman and the EssilorLuxottica Executive Vice-Chairman, by the end of 2020. The powers of the Chief Executive Officer will be defined by the Board based on the joint recommendation of the EssilorLuxottica Executive Chairman and the EssilorLuxottica Executive Vice-Chairman.

Regarding the Chief Financial Officer function at EssilorLuxottica, it is expected that Ms. Hilary Halper and Mr. Stefano Grassi will be appointed as co-Chief Financial Officers of EssilorLuxottica with joint power to sign the statutory and consolidated accounts of EssilorLuxottica.

An integration committee will be put in place, co-chaired by EssilorLuxottica Executive Chairman and EssilorLuxottica Executive Vice-Chairman, to provide a forum for them to review integration issues and define measures required to implement synergies, foster the development of a cohesive management spirit, share information and views as to the developments within Essilor International and Luxottica, identify strategic initiatives that could be led by the combined group, and resolve points of divergence, if any.

Management of Luxottica and Essilor International

The EssilorLuxottica Executive Chairman will act as executive chairman of Luxottica for as long as he is EssilorLuxottica Executive Chairman (it being specified that the EssilorLuxottica Executive Chairman may designate any other person to act as executive chairman of Luxottica) and the EssilorLuxottica Executive Vice-Chairman will act as CEO of Essilor International for as long as he is the EssilorLuxottica Executive Vice-Chairman (it being specified that the EssilorLuxottica Executive Vice-Chairman may designate any other person to act as CEO of Essilor International).

The Board of Directors of Luxottica shall be composed of the current members of the Board of Directors of Luxottica and the Board of Directors of Essilor International will be composed of the current members of the Board of Directors of Essilor before the Closing Date of the Contribution subject to any change and except, with respect to Essilor International, for the two Directors representing the employees who will remain at the level of EssilorLuxottica. Any change in the composition of such boards will have to be proposed or agreed to by, with respect to Luxottica, the

EssilorLuxottica Executive Chairman and, with respect to Essilor International, the EssilorLuxottica Executive Vice-Chairman.

For a description of the governance of Luxottica before the Closing Date of the Contribution, please refer to Section 3.1.7 “Management” of this Update to the 2017 Registration Document.

For a description of the governance of Essilor before the Closing Date of the Contribution, please refer to Chapter 2 “Corporate Governance” of its 2017 Registration Document.

Contemplated employees shareholding policy

As of the date of this Update to the 2017 Registration Document, Essilor and Luxottica have different employees shareholding programs. A common program will be deployed step-by-step over time throughout the EssilorLuxottica Group in order to converge overtime towards one unified employees shareholding policy.

To accomplish such purpose, a three-year employee shareholding plan for EssilorLuxottica Group will be submitted (consistently with Essilor’s prior practice) to the first EssilorLuxottica’s shareholders’ general meeting that will take place after the Closing Date of the Contribution (the “**Employees Shareholding Plan**”).

The Employees Shareholding Plan, subject to the decisions of the EssilorLuxottica Board of Directors, is expected to follow the following principles (it is specified that the number of shares indicated below is subject to adjustment depending on the evolution of the share price of the Company):

1. The Employees Shareholding Plan will take the form of employee performance shares, employee stock-options, employee shares offerings and/or any other employee shareholdings plans;

2. 350,000 EssilorLuxottica shares reserved for members (belonging to the Essilor Group or to the Luxottica Group) of a company saving plan (French PEE) for 2018; this number of shares might be adjusted in 2019 and 2020 depending on changes to the EssilorLuxottica share price and on the scope of the EssilorLuxottica Group in France, provided however that the maximum number of shares that can be issued during any given year shall in no event represent more than 0.5% of the share capital of EssilorLuxottica;

3. 600,000 EssilorLuxottica shares reserved for employees of foreign subsidiaries (belonging to the Essilor Group or to the Luxottica Group) for 2018; this number of shares might be adjusted in 2019 and 2020 to take into account the gradual extension of the operation throughout the Luxottica Group. It is contemplated that EssilorLuxottica will exclusively use treasury shares to deliver shares as part of the employer matching contribution;

4. Regarding the Essilor Group (for all countries except for Canada), subject to performance and presence conditions,

   - 1,715,000 EssilorLuxottica performance shares to be allocated to Essilor Group employees and members of the management in 2018;

   - 1,870,000 EssilorLuxottica performance shares to be allocated to Essilor Group employees and members of the management in 2019; and

   - 2,040,000 EssilorLuxottica performance shares to be allocated to Essilor Group employees and members of the management in 2020, provided however that for any given year (i) the maximum number of performance shares awarded may not represent more than 2.5% of EssilorLuxottica's share capital at the date of the award, and (ii) the stock options awarded may not allow to purchase a number of shares representing more than 0.5% of the EssilorLuxottica's share capital as at the date of the award. In order to avoid the dilutive effect that stock options and performance shares may have for all shareholders, it is contemplated that the Board of Directors decides to only use existing shares acquired through the share buyback program;

5. Regarding the Essilor Group (for Canada only),

    - 145,000 EssilorLuxottica stock options to be granted to Essilor Group employees only in 2018;

    - 160,000 EssilorLuxottica stock options to be granted to Essilor Group employees only in 2019; and

    - 175,000 EssilorLuxottica stock options to be granted to Essilor Group employees only in 2020;

6. Regarding the Luxottica Group, the participation of the Luxottica Group beneficiaries, the period and number of shares will be decided at a later stage in order to avoid overlaps with the existing cash plans and the total compensation structure of the current Luxottica employees;

7. Conversion of the existing Luxottica 2018-2020 cash retention plan (resolution of the Luxottica's Board of December 15, 2017) into EssilorLuxottica shares. Please refer to Section 3.2.2 "Characteristics of financial instruments granting access to capital" of this Update to the 2017 Registration Document for more information on such 2018-2020 cash retention plan (also called "LTI Cash Plan 2018-2020"). It is expected that the Board of Directors of EssilorLuxottica will approve the conversion of this cash retention plan into the award for no consideration of EssilorLuxottica existing shares.

It is specified that it has been agreed between Essilor and Delfin that, to the extent that Valoptec Association, created in 1972, continues to represent exclusively (x) employees or former employees (or their successors) of EssilorLuxottica or of its subsidiaries or joint ventures in which it holds a significant interest and/or (y) asset management companies whose capital is entirely held by, and whose entire assets are managed exclusively in the interests of, the persons indicated in point (x) above, Valoptec will be, going forward and including after the Initial Term, (i) the only structure federating the employees of the combined group (including Luxottica's employees) who are also shareholders of the same in accordance with its current organizational rules and model and the balanced governance framework of the Combination Agreement and (ii) the only one represented on the Board of Directors of EssilorLuxottica.

Joint discussions between EssilorLuxottica, Essilor International and Luxottica will be engaged promptly after the Closing Date of the Contribution with respect to the functioning of Valoptec Association and the means to ensure that such association will adequately represent the employees of the EssilorLuxottica Group in accordance with its current organizational rules and model and the balanced governance framework of the Combination Agreement. Furthermore, after the Closing Date of the Contribution, an initiative will be deployed designed to enroll employees of Luxottica and its subsidiaries all around the world to become members of Valoptec Association in order to ensure its long term continuity (if being a shareholder of EssilorLuxottica).

Boost 2018 Offer

An offer to subscribe to existing shares of the Company reserved to employees of foreign subsidiaries of the Essilor Group (the "**Boost 2018 Offer**") has been decided by the Board of Directors of the Company on July 25, 2018. The contemplated subscription period of the Boost 2018 Offer would be open from November 2, 2018 to November 26, 2018 (included). More information on the Boost 2018 Offer, when available, will be published on the website of Essilor: www.essilor.com.

2.4.1.2 Contemplated governance of EssilorLuxottica

Contemplated composition of the Board of Directors of EssilorLuxottica

As approved by the Essilor's general shareholders' meetings of May 11, 2017 and April 24, 2018 (with respect to the appointment of Ms. Jeanette Wong as Director of EssilorLuxottica in replacement of Ms. Henrietta Fore), and pursuant to the provisions of the Combination Agreement referred to above, EssilorLuxottica's governance will be implemented with effect as from the Closing Date of the Contribution and during the Initial Term, except for the two Directors representing the employees who have been appointed prior to the Closing Date of the Contribution for a term of four years.

Following the Initial Term, (i) the Board members of EssilorLuxottica will be appointed for a term of office of three years; and (ii) any new member of the Board of Directors of EssilorLuxottica will be proposed for election at the EssilorLuxottica's general shareholders' meeting by the Board of Directors of EssilorLuxottica upon the recommendation by the nomination and compensation committee of EssilorLuxottica or by any EssilorLuxottica's shareholder in accordance with applicable law, without any regard to the provenance of the nominees from Luxottica or Essilor.

The contemplated composition of the Board of Directors of EssilorLuxottica will be as follows, it being specified that the indications below regarding their qualification as independent (based on the recommendations from the AFEP/ MEDEF Code) is of an indicative nature as such qualification will be made by the Board of Directors of EssilorLuxottica upon the recommendations of the nomination and compensation committee:

1. Mr. Leonardo Del Vecchio, EssilorLuxottica Executive Chairman;
2. Mr. Hubert Sagnières, EssilorLuxottica Executive Vice-Chairman;
3. Ms. Jeanette Wong, expected to be qualified as Independent Director;
4. Mr. Bernard Hours, expected to be qualified as Independent Director;
5. Ms. Annette Messemer, expected to be qualified as Independent Director;
6. Mr. Olivier Pécoux, expected to be qualified as non-independent Director;
7. Mr. Gianni Mion, expected to be qualified as Independent Director;
8. Ms. Cristina Scocchia, expected to be qualified as Independent Director;
9. Ms. Lucia Morselli, expected to be qualified as Independent Director;
10. Ms. Sabrina Pucci[+], expected to be qualified as Independent Director;
11. Mr. Francesco Milleri, expected to be qualified as non-independent Director;
12. Mr. Romolo Bardin, expected to be qualified as non-independent Director;

13. Mr. Giovanni Giallombardo, expected to be qualified as non-independent Director;

14. Ms. Juliette Favre, representative of Valoptec Association;

15. Ms. Delphine Zablocki, employee representative*; and

16. Mr. Léonel Pereira Ascencao, employee representative*.

[+]Ms. Sabrina Pucci was coopted as Director in replacement of Ms Rafaella Mazzoli for the same duration of the term of office as her predecessor by a decision of the Board of Directors of the Company dated June 7, 2018. Her cooptation will be submitted for ratification to the very next shareholders' meeting of the Company to take place after the Closing Date of the Contribution.

*appointed prior to the completion of the Contribution for a term of four years

To Essilor's and Luxottica's knowledge over the course of the past five years: (i) none of the above persons has been convicted of fraud; (ii) none of the above persons has been associated with any bankruptcy, receivership or judicial liquidation; (iii) no accusations or official public sanctions have been brought against any of the above persons by statutory or regulatory authorities (including designated professional bodies); and (iv) none of the above persons has been disqualified by a court from acting as a member of the administrative, management or supervisory body of any company, or from being involved in the management or performance of business of any company.

The contemplated composition of the Board of Directors of EssilorLuxottica will comprise seven Directors expected to be qualified as independent (50% of the members of the Board of Directors of EssilorLuxottica[6]) and six women (more than 40% of the members of the Board of Directors of EssilorLuxottica[7]) in compliance with applicable laws and regulations and the recommendations of the AFEP-MEDEF Code.

For a summary table detailing each of Essilor Director's compliance or non-compliance with regard to the independence criteria of the AFEP- MEDEF Code for the fiscal year 2017, please refer to Chapter 2.1.1.3 "Diversity policy applied to the members of the Board of Directors" of the 2017 Registration Document.

It is contemplated that Ms. Karine Pinault will act as the Secretary of the Board of Directors of EssilorLuxottica.

Biographies of the Directors of EssilorLuxottica

- **Leonardo Del Vecchio** (age: 83, Italian national)

Mr. Leonardo Del Vecchio is the founder of Luxottica Group and he has been appointed Chairman of Luxottica's board since it was formed in 1961. He has been granted executive powers as Chairman of Luxottica's board on January 29, 2016 and then on April 19, 2018.

Mr. Del Vecchio is also Chairman of Delfin, Aterno S.a.r.l. and the Leonardo Del Vecchio Foundation, Deputy Chairman of Covivio S.A., and Director of GiVi Holding S.p.A..

In 1986, the President of the Republic of Italy conferred on Mr. Del Vecchio the honor of Cavaliere dell'Ordine al "Merito del Lavoro" (Knight of the Order for Labor Merit).

In May 1995, he received an honorary degree in Business Administration from the Venice Cà Foscari University. In 1999, he received a Master honoris causa in International Business from MIB-

[6] The two employee representatives Directors are not taken into account for the calculation of such percentage, in accordance with the AFEP-MEDEF Code.
[7] The two employee representatives Directors are not taken into account for the calculation of such percentage, in accordance with the AFEP-MEDEF Code.

Management School in Trieste, and in 2002 he received an honorary degree in Managerial Engineering from the University of Udine. In March 2006, Mr. Del Vecchio received another honorary degree in Materials Engineering from Politecnico of Milan.

In December 2012, the Foundation CUOA awarded him an honorary master's degree in Business Administration.

Mr. Del Vecchio will bring his visionary business approach to the industry and his experience as a lifelong entrepreneur and innovator to the Board.

- **Hubert Sagnières** (age: 62, French and Canadian national)

Mr. Hubert Sagnières has been Chairman and Chief Executive Officer of Essilor since January 2, 2012.

He joined Essilor in 1989 as President of International Marketing. He was appointed President of Essilor Canada from 1991 to 1996 and President of Essilor Laboratories of America in 1996, then President of Essilor of America, a position he held until 2005. From 2006 to 2009, he was President of Essilor Europe and North America before being named Chief Operating Officer in August 2008, then Chief Executive Officer from January 1, 2010 to January 2, 2012.

- **Jeanette Wong** (age: 58, Singaporean national)

Ms. Jeanette Wong is DBS Group Executive responsible for Institutional Banking which encompasses Corporate Banking, Global Transaction Services, Strategic Advisory and Mergers & Acquisitions.

Previously, she was Chief Financial Officer of DBS Group from 2003 to 2008. Prior to joining DBS Bank, Jeanette Wong was at JP Morgan for 16 years (1986-2002). During her tenure at JP Morgan, she had regional responsibilities for the Global Markets and Emerging Markets Sales and Trading business in Asia and was also JP Morgan's head for Singapore from 1997 to 2002. Beforehand Ms. Jeanette Wong worked at Citibank from 1984 to 1986 and began her career in 1982 at Banque Paribas.

Jeanette Wong will bring to the Board her extensive expertise in terms of finance as well as her knowledge on corporate social responsibility, on global markets and primarily on Asian markets.

- **Bernard Hours** (age: 61, French national)

Mr. Bernard Hours held the position of Chief Operating Officer of Danone from January 2008 to September 2014 and Vice-Chairman of the Board of Directors from April 2011 to October 2014. He joined Danone in 1985, working first in sales and marketing for Evian and Kronenbourg, then as Marketing Director for Danone France in 1990. He was then President of Danone Hungary (1994) and Danone Germany (1996) before becoming President of LU France in 1998. In 2001, he joined the Dairy Division as President of Business Development and became Vice President of that Division in 2002.

Mr. Hours will bring to the Board his experience as a senior manager of a major international group and his knowledge notably in the field of governance, corporate social responsibility, marketing and sales.

- **Annette Messemer** (age: 53, German national)

Ms. Annette Messemer held the position of Group Executive/Divisional Board Member, Corporate Clients until June 2018 at Commerzbank AG in Frankfurt am Main (Germany). During her tenure, she had various responsibilities encompassing the capital markets client franchise and the performance and steering of the division. She also served an all the relevant bank committees such as the group credit committee.

Furthermore, Ms. Messemer was a member of the supervisory board of K+S AG until May 2018 (Kassel, Germany) and served on the supervisory board of Commerzreal (Wiesbaden, Germany) until 2016 and of WestLB AG until 2011 (Düsseldorf, Germany).

She started her career in investment banking at J.P. Morgan in New York in 1994 to continue her career in Frankfurt and London. During the 12 years of her career at J.P. Morgan she gained extensive experience in finance, leading strategic M&A and financing transactions as well as risk management transactions. She left J.P. Morgan as Senior Banker in 2006 to join Merrill Lynch as Managing Director and member of ist German executive committee. In 2010, she accepted the nomination to the supervisory board of WestLB by the German ministry of finance, to support one of the most significant bank restructurings in Germany during the financial crisis before joining Commerzbank in February 2013.

Ms. Messemer will bring to the board her extensive experience in strategy, finance, accounting and risk management having worked for over 20 years with leading multinational corporations and financial institutions, including regulators.

- **Olivier Pécoux** (age: 59, French national)

Mr. Olivier Pécoux is Chief Executive Officer - Managing Partner of the Rothschild & Co group, which he joined in 1991.

Since June 2012, he has been Executive Director of Rothschild & Co Gestion and General Partner of Rothschild & Co SCA. He began his career at Peat Marwick then at Schlumberger as a financial advisor in Paris and New York. In 1986, he joined Lazard Frères in Paris and was named Vice-Chairman of the investment bank's New York office in 1988.

Mr. Pécoux will bring to the Board his experience in financial and banking matters and his extensive knowledge of the optical industry and of Essilor that he has accompanied since 2001.

- **Gianni Mion** (age: 75, Italian national)

Mr. Mion is Chairman of Fila S.p.A..

He started his career in Peat Marwick Mitchell (now KPMG), where he worked from 1966 to 1973 as auditor in the offices of Rome and Chicago.

In 1973 he entered in McQuay Europa S.p.A. with a role of controller and after one year he moved in Gepi S.p.A., where he held various managerial positions until 1983 when he joined the Board of Directors of Fintermica S.p.A.. In 1985 he started to work for the Marzotto S.p.A. as Chief Financial Officer.

From 1986 to December 2016 was CEO and Executive Deputy Chairman of Edizione Holding (Holding of the Benetton family).

Mr. Mion has been in the Board of Directors of several companies: Edizione, Atlantia, Autogrill, Telecom Italia, Benetton Group, among them.

Mr. Mion will bring to the Board his business leadership experiences as well his commitment to the development of successful international organizations.

- **Cristina Scocchia** (age: 44, Italian national)

Ms. Scocchia is Member of the Board of Luxottica, Valtur S.p.A. and Elica S.p.A..

After graduating with the highest grades in Management of International Firms at Luigi Bocconi University, she completed a PhD in Business Administration at the University of Torino.

She started her career at Procter&Gamble, where since 1997 she held positions of increasing responsibility working on mature and emerging markets until she was appointed in September 2012 as Cosmetics International Operations Division leader, with the responsibility of supervising the brands in her portfolio in over 70 countries throughout the world. In July 2013, she joined L'Oréal Italia S.p.A. and, from 2014 to 2017, she acted as its Chief Executive Officer. From 2016 to 2017 she also acted as Chairman of the same company. Since July 2017 she has acted as Chief Executive Officer of Kiko S.p.A..

Ms. Scocchia will bring to the Board her extensive expertise in terms of strategy and management acquired during these years.

- **Lucia Morselli** (age: 62, Italian national)

Ms. Morselli is Member of the Board of Fondazione Snam, Sisal S.p.A., Ital Brokers S.p.A. and Snam (Cassa Depositi e Prestiti).

Ms. Morselli is member of the World Economic Forum.

After graduating with the highest grades in Mathematics at the University of Pisa, she completed a PhD in Mathematical Physics at the University of Rome and she earned two master degrees, the first one in Business Administration at the University of Torino and the second one in European Public Administration at the University of Milan.

She started her career at Olivetti S.p.A. as collaborator of the CFO in 1982; from 1985 to 1990 she has been Senior Manager of the Strategic and Manufacturing Service at Accenture; from 1990 to 1995 she has been CFO of the Aircraft Division Department at Finmeccanica S.p.A.

Subsequently she has been Chief Executive Officer of Telepiù Group (1995-1998), of News Corporate Europe and Stream (Sky) S.p.A. (1998-2003), of Tecnosistemi S.p.A. (2004), of Mikado S.p.A. and Compagnia Finanziaria S.p.A. (2009), of Bioera S.p.A. (2010-2011), of Berco Group (2013-2014), of Acciai Speciali Terni S.p.A. (2014-2016) and of Acciaitalia S.p.A.(2016-2018).

She also served as Chairman of the Board and Chief Executive Officer of Magiste International S.A. and Scorpio Shipping Group Ltd.

Ms. Morselli has been also a member of the Board of Directors of NDS and IPI S.p.A..

In 2003 she founded the consulting firm Franco Tatò & Partner.

Ms. Morselli will bring to the Board her extensive expertise in terms of management and business turnaround acquired during these years.

- **Sabrina Pucci** (age: 51, Italian national)

Ms. Sabrina Pucci is an independent Board member of Luxottica and Assicurazioni Generali S.p.A..

Ms Pucci embarked on an academic career after graduating in Economics and Business from La Sapienza University in Rome. Her fields of research include international accounting standards, risk, insurance, banks, financial instruments, intangible assets and pension funds. She has published extensively in her fields of expertise.

From 1990 to 1999, she was employed with ISVAP (today IVASS), first as accountant in the life office and then as manager of the actuarial non-life office.

Consultant for courts as accounting expert, she is a Full Professor of Accounting and Financial Reporting in the Department of Business Studies (Roma Tre University). Since 2006, she is member, and later Chairman, of the Insurance Commission constituted by the OIC (the Italian Accounting Standard Setter) in Rome.

Since November 2008, she is member of the Insurance Accounting Working Group of EFRAG (European Financial Reporting Advisory Group).

From May 2013, she is an Independent non-executive board member of Assicurazioni Generali S.p.A., member of the Audit and Risk Committee and member of the Appointing Committee (from 2016).

Ms. Pucci will bring to the Board her accounting and financial expertise acquired during these years.

- **Francesco Milleri** (age: 58, Italian national)

Coopted on March 1, 2016, as Director with deputy functions, on April 29, 2016, Mr. Milleri was appointed Deputy Chairman of Luxottica, to assist the Executive Chairman in carrying out the various functions associated with his current role. On December 15, 2017 he was appointed CEO of the Luxottica Group, maintaining the position of Deputy Chairman, and he was confirmed in the same capacities on April 19, 2018.

Mr. Milleri graduated with honors in Law at the University of Florence, where he worked as Assistant Professor of political economy from 1984 until 1986. He later earned in 1987 an MBA in Business Administration with high merit at the school of management at the Bocconi University in Milan, followed by two years of specialization in Corporate Finance at the Stern School of Business at New York University as the assignee of the "Donato Menichella" scholarship from Banca d'Italia.

Mr. Milleri began his career as a business consultant for Italian groups and multinationals in 1988. He gained international experience working in a variety of industries, from mechanics to consumer goods, from financial institutions to pharmaceuticals.

Alongside business consulting activities, he founded and currently leads since 2000 a group of companies focused on technology and digital automation platforms. He is also a Director of the Leonardo Del Vecchio Foundation and of the IEO European Institute of Oncology.

Mr. Milleri will bring to the Board his extensive expertise as a strategist for global companies and his proven ability to futurize business through digital technology and infrastructure.

- **Romolo Bardin** (age: 40, Italian national)

Mr. Romolo Bardin is member of the Board of Directors and Chief Executive Officer of Delfin. He began his career in Luxottica in 2002.

Mr. Bardin also holds positions in the following organizations:

- Assicurazioni Generali S.p.A. as Independent Director, Member of the Risk and Control Committee and Member of the Related Party Transactions Committee;
- Covivio S.A. as Member of the Board of Directors, member of the Audit Committee and the Strategic and Investment Committee;
- Member of the following Boards: Aterno S.à r.l., DFR investment S.à r.l., Delfin Finance S.A., Leonardo Del Vecchio Foundation, Vast Gain Limited Ltd S.à r.l., Immochapelle S.A., Batisica S.A., Berlin I, Berlin V, Immeo Lux S.à r.l., Immeo Berlin Prime S.à r.l., Berlin Prime Commercial S.à r.l., Immeo Valore 4 S.à r.l., Immeo Valore 6 S.à r.l..

Mr. Bardin will bring to the Board his high level expertise in terms of strategy, management and finance, acquired during these years.

- **Giovanni Giallombardo** (age: 62, Italian and Luxembourgish national)

Mr. Giovanni Giallombardo is Member of the Management Board of UniCredit Luxembourg S.A..

Mr. Giallombardo is also Member of the Board of Delfin, Immochapelle S.A. and MUDAM and Member of the Supervisory Board of Luxair S.A..

In 2011 Mr. Giallombardo has been nominated as Insurance Broker by the Luxembourg Ministry of Finance.

Previously Mr. Giallombardo has been Member of the Management Committeee of Unicredit Luxembourg S.A. (2009-2012); Chairman of the Board of Directors and CEO of Unicredit Luxembourg Finance S.A. (2005-2009); General Manager of Unicredit International Bank S.A. (2004-2009); General Manager of the Luxembourg Branch of Unicredito Italiano S.p.A. (2001-2004); General Manager of the Luxembourg Branch of Rolo Banca 1473 S.p.A. (1991-2001); Chairman of the Board of Directors of Rolo Pioneer Luxembourg S.A. (1998-2001); Deputy – Managing Director of the Luxembourg Branch Rolo Banca 1473 S.p.A. (1988-1999) and Manager at Citicorp Investment Bank S.A. (1984-1988).

From 1998 to 2001 Mr. Giallombardo has also been Chairman of the Commission for Financial Market at ABBL and Member of the Group "Security Market" at Commission de Surveillance du Secteur Financier.

Mr. Giallombardo graduated in Economics at the European School of Luxembourg and he completed a PhD in Economics and Commerce at the University of Florence.

Mr. Giallombardo will bring to the Board his high level expertise in terms of finance gained through his functions within international financial institutions.

- **Juliette Favre** (age: 45, French national)

Ms. Juliette Favre is Strategic projects executive, Global Operation Support, after having launched the Lab 4.0 program at Satisloh (Essilor's Equipment division) and President of Valoptec Association. She began her career at SEITA as engineer in the industrial sector. She joined Essilor in 2000 on Europe distribution sector to manage organization and support projects. In 2005, she joined the Research and Development Department as project manager in charge of New Products. In 2007, she was sent to Singapore to provide technological advisory to Asia-Pacific zone, then to Bangkok in 2009 in charge of Asia industrial engineering teams. In 2012, she is appointed as Industrial Director and comes back to France to ensure industrial development of the Instruments Division and implement new service activities with high added value by developing the customer service and the supply chain.

Ms. Favre contributes to the Board her deep familiarity with Essilor and its manufacturing and sales operations. She has been proposed as a candidate by Valoptec Association. Her membership of the Board of Directors is a strong signal of the importance Essilor attaches to employee share ownership.

- **Ms. Delphine Zablocki** (age: 43, French national)

Ms. Delphine Zablocki is a skilled operator at the Dijon factory (France) of Essilor, she began working at Essilor on June 1st, 2004.

Ms. Delphine Zablocki started working at Essilor in Dijon (France) as an interim worker in 2003 and she was hired in 2004. Her career at Essilor has allowed her to experience several workshops. She worked as a verifier at the Polycarbonate workshop, where she spent six years and then at the Orma workshop for one year. Later, Mrs Zablocki left the production and worked, still as a verifier, on the "lamination" project, a glass polarization technology. She continued for five years before being transferred to the TSV (vacuum treatment) center in Dijon (France), in 2016.

- **Mr. Léonel Pereira Ascencao** (age: 46, French-Portuguese national)

Mr. Léonel Pereira Ascencao is head of surfacing and glasses workshop at Essilor "Les Battants" plant in Ligny-en-Barrois (France), he began working at Essilor on May 22, 1996.

With 23 years of seniority at Essilor, Mr. Léonel Pereira Ascencao started as an operator at the Essilor laboratory based in Lyon (France), where he had the opportunity to work on the production at many different positions, both surfacing and coating. He kept progressing and was appointed as Team Leader. In 2007, he applied to an offer for a surfacing workshop manager position in Ligny-en-Barrois (France) and was selected. Mr. Pereira Ascencao has been in this position since then. In 2010, his scope was extended to Special Lenses, an activity that has experienced a strong growth over the past four years at Essilor.

Contemplated composition of the Committees

The Committees are expected to be composed as follows:

1. Nomination and compensation committee

    - Mr. Olivier Pécoux, Chairperson of the nomination and compensation committee, member of the current Board of Directors of Essilor, proposed by Essilor;

    - Mr. Bernard Hours, member of the current Board of Directors of Essilor, proposed by Essilor;

    - Mr. Romolo Bardin, proposed by Delfin; and

    - Mr. Gianni Mion, proposed by Delfin.

2. Audit and risk committee

    - Ms. Lucia Morselli, Chairperson of the audit and risk committee, proposed by Delfin;

    - Mr. Romolo Bardin, proposed by Delfin;

    - Mr. Olivier Pécoux, member of the current Board of Directors of Essilor, proposed by Essilor; and

    - Ms. Annette Messemer, member of the current Board of Directors of Essilor, proposed by Essilor.

3. Corporate social responsibility committee

    - Ms. Jeanette Wong, Chairperson of the corporate social responsibility committee, member of the current Board of Directors of Essilor, proposed by Essilor;

    - Ms. Cristina Scocchia, proposed by Delfin;

    - Mr. Giovanni Giallombardo, proposed by Delfin; and

    - Mr. Hubert Sagnières, member of the current Board of Directors of Essilor, proposed by Essilor.

4. Strategy committee

    - Mr. Francesco Milleri, Chairperson of the strategy committee, proposed by Delfin;

    - Mr. Gianni Mion, proposed by Delfin;

    - Mr. Bernard Hours, member of the current Board of Directors of Essilor, proposed by Essilor; and

    - Mr. Hubert Sagnières, member of the current Board of Directors of Essilor, proposed by Essilor.

Contemplated compensation policy of EssilorLuxottica's legal representatives

For information relating to the Essilor Executive Corporate Officers compensation policy, please refer to Chapter 2.3.2 of the 2017 Registration Document. The compensation report describes the principles and criteria for the determination, distribution and award of the fixed, variable and exceptional components comprising total compensation and benefits of any kind attributable to Essilor Executive Corporate Officers for fiscal year 2018 which was approved by Essilor shareholders' meeting of April 24, 2018, pursuant to article L. 225-37-2 of the French Commercial Code. These principles and criteria will apply, where appropriate, to any successor to the Chairman and Chief Executive Officer and President and Chief Operating Officer, until the next shareholders' meeting called to approve the compensation policy for Executive Corporate Officers. Similarly, these principles and criteria will apply, where appropriate, to any additional Executive Corporate Officers appointed during the fiscal year 2018, until the next shareholders' meeting called to approve the compensation policy for Executive Corporate Officers.

In light of the completion of the Combination between Essilor and Luxottica, this compensation policy for the future, reviewed by the Board of Directors of the Company, will be, after completion of the combination between Essilor and Luxottica, submitted to the prior approval to the shareholders' meeting of EssilorLuxottica.

Contemplated first shareholders' meeting of EssilorLuxottica

The first shareholders' general meeting of EssilorLuxottica which was scheduled for July 25, 2018 is contemplated to be reconvened on November 29, 2018 by the first EssilorLuxottica's Board of Directors scheduled to be held on the Closing Date of the Contribution.

Please refer to the following link for all documents and information, when available, regarding such shareholders' general meeting: https://www.essilor.com/en/investors/annual-shareholders-meeting/.

2.4.1.3 Summary of the key provisions of EssilorLuxottica's by-laws

The Essilor's general shareholders' meeting of May 11, 2017 approved amendments to the current by-laws of Essilor, effective and applicable as from the Closing Date of the Contribution to EssilorLuxottica (new legal name of Essilor as from such date). Such amendments include the change of name of Essilor to "EssilorLuxottica", the cancellation of double voting rights and the casting vote of the Chairman of the Board of Directors and the inclusion of a 31% voting cap for any shareholder subject to a formula described in the by-laws of EssilorLuxottica and reproduced below:

"Subject to the provisions hereinafter, each member of the Shareholder Meeting has as many votes as he possesses and represents, both personally and as a proxy holder.

However, no shareholder may express, whether personally or through an agent, with respect to the voting rights attached to the shares he directly and indirectly holds, more than 31% of the total number of voting rights of EssilorLuxottica, calculated as indicated above.

When no more than one natural person or corporate entity, acting alone or in concert with several other natural persons or corporate entities, directly or indirectly holds more than ten percent (10%) of the capital or voting rights of EssilorLuxottica on the shareholder record date for the General Shareholders' Meeting in question or exercises more than ten percent (10%) of the voting rights of EssilorLuxottica for itself or as an agent, the number of voting rights that any shareholder may express, personally or through an agent, with respect to the voting rights attached to the shares or to the divisions of share ownership (for the rights he is authorized to exercise depending on the case) that he holds, directly and indirectly, alone or in concert, cannot exceed the number resulting from the formula below:

$$31 * (N-P-D) / 100$$

where

(N) the total number of voting rights of EssilorLuxottica existing on the shareholder record date for the General Shareholders' Meeting in question and reported to the shareholders on the date of the General Shareholders' Meeting,

(P) the total number of voting rights attached to the treasury shares within the limits of a maximum amount of treasury shares corresponding to 1% of EssilorLuxottica's share capital,

(D) the total number of voting rights of the concerned shareholder neutralized by this statutory clause limiting voting rights for the fraction of voting rights attached to the shares that he holds and exceeding 34% of EssilorLuxottica's share capital.

When at least two natural persons or corporate entities, each acting alone or in concert with one or more natural persons or corporate entities, each hold more than ten percent (10%) of the share capital or voting rights of EssilorLuxottica on the shareholder record date for the General Shareholders' Meeting in question or each exercise more than ten percent (10%) of the voting rights of EssilorLuxottica for themselves or as agents on the shareholder record date for the General Shareholders' Meeting in question, the above voting right limitation will apply with the exception of elements (P) and (D), which will not be deducted.

For the purposes of this statutory clause limiting voting rights, it is specified that all current or former employees of EssilorLuxottica or of its subsidiaries or interests and/or the assigns of these persons and/or the asset management companies whose entire capital is exclusively held by the latter (the "**Employees and Employee Entities**"), acting alone or in concert with other Employees and Employee Entities or with an entity (including any mutual funds) the entire capital or units of which are held by Employees and Employee Entities (an "**Authorized Entity**") will not be taken into account for the calculation of the number of natural persons or corporate entities holding more than 10% of the capital or voting rights of EssilorLuxottica provided that (i) these Employees and Employee Entities and/or Authorized Entities do not act in concert with any third party other than the Employees and Employee Entities and/or Authorized Entities, (ii) the Employees and Employee Entities and/or Authorized Entities are not represented by a third party not appointed from among the Employees and Employee Entities; it being however specified that this exclusion will only apply insofar as the Employees and Employee Entities and/or any Authorized Entity hold less than 15% of the share capital or voting rights of EssilorLuxottica.

The limitation provided for in the above paragraphs has no effect on the calculation of the total number of voting rights attached to EssilorLuxottica's shares and which must be taken into account for the application of the legal, regulatory or statutory provisions providing for particular obligations by reference to the number of voting rights existing in EssilorLuxottica or the number of shares bearing voting rights.

The limitation provided for in the above paragraphs automatically lapses, without the necessity for a new decision of the Extraordinary General Shareholders' Meeting, whenever a natural person or corporate entity, acting alone or in concert with one or more natural persons or corporate entities, holds at least two thirds of the total number of shares and voting rights of EssilorLuxottica following a takeover bid procedure targeting all the shares of EssilorLuxottica. The Board of Directors notes that the lapse has occurred and carries out the corresponding statutory amendment formalities."

2.4.2 Consequences of the Transaction on the share capital

2.4.2.1 Essilor's share capital ownership

The table below sets forth the share capital ownership of Essilor as of June 30, 2018:

	Number of shares	**%**	**Voting rights**	**%**
Internal shareholding (Current, former and retired employees)				
Valoptec International FCPE	4,205,069	1.9%	8,410,138	3.6%
Essilor group five and seven year FCPE	4,439,515	2.0%	8,709,967	3.7%
Funds reserved for foreign employees	1,001,995	0.5%	1,036,998	0.4%
Pure registered shares or administered shares held by employees	7,815,964	3.6%	14,230,314	6.1%
SUBTOTAL	**17,462,543**	**8.0%**	**32,387,417**	**13.8%**
Partner shareholding[a] Pure registered shares or administered shares held by partners	344,240	0.2%	687,480	0.3%
SUBTOTAL	17,806,783	8.1%	33,074,897	14.1%
Treasury shares Liquidity contract	1,336,830	0.6%		
SUBTOTAL	**1,336,830**	**0.6%**		
PUBLIC	**199,997,026**	**91.3%**	**201,238,237**	**85.9%**
TOTAL	**219,140,639**	**100%**	**234,313,134**	**100%**

[a] Partner shareholding designates the portion of Essilor International shares held by employees, managers, and any former employees or managers of the companies in which Essilor International held an interest that was thereafter fully divested.

2.4.2.2 Table showing the impact of the Transaction on Essilor's share capital

The following impact analyses are provided for reference only and should be considered as theoretical. Post-Exchange Offer metrics assume an acceptance rate of 100% and the exclusion of Luxottica treasury shares which are assumed not to be tendered in the following analyses:

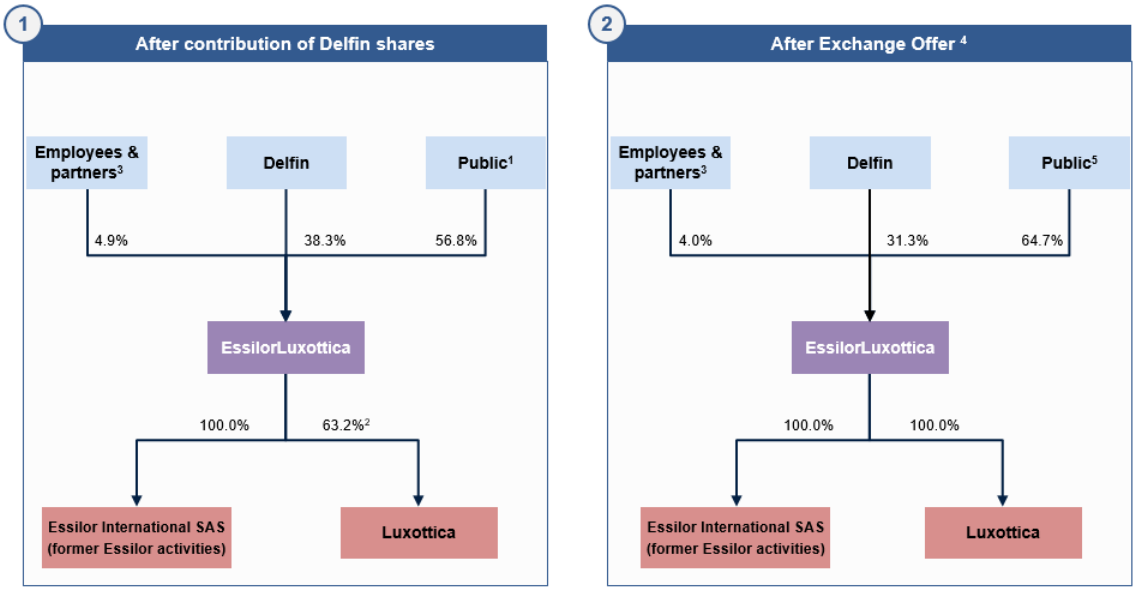
	Number of shares	Share capital (€m)	Premium, reserves, retained earnings and other (€m)	Equity (group share) (€m)
Before Contribution (as of June 30, 2018)	219,140,639[1]	39	6,547	6,586
Contribution impact[2]	139,703,301	25	13,149	13,174
After Contribution[2]	358,843,940	65	19,695	19,760
Exchange Offer impact[2 3]	81,316,189	15	7,653	7,668
After Exchange Offer[2 3]	440,160,129	79	27,349	27,428

(1) On a non-diluted basis including 1,336,830 treasury shares (0.6% of capital)

(2) Based on €94.30 share price (based on a €43.5 Luxottica share price to which the Exchange Ratio of 0.4613 was applied)

(3) On a fully diluted basis as of June 30, 2018, including 64,500 Luxottica stock options (excluding Luxottica performance share plans which are served, as per the terms of the plan, by treasury shares or cash) and all stock options (389,160) and rights to performance shares (5,278,715) issued by Essilor, based on the number of Essilor shares that Delfin will receive immediately upon the completion of the Contribution and assuming 100% acceptance rate (excluding 6,071,922 Luxottica's treasury shares)

2.4.2.3 <u>Group structure after completion of the Transaction</u>



(1) On a fully diluted basis for Essilor, that includes all stock options (389,160) and rights to performance shares (5,278,715) issued by Essilor, based on the number of Essilor shares that Delfin will receive immediately upon the completion of the Contribution and including 1,336,830 treasury shares (0.4% of the share capital)

(2) On a non-diluted basis as of June 30, 2018 and excluding 6,071,922 treasury shares (1.3% of Luxottica total number of shares including treasury shares)

(3) Partner shareholders refers to the Essilor shares held by employees, senior managers and, if applicable, former employees and senior managers of companies in which Essilor held a stake that was subsequently sold in full

(4) Assuming 100% acceptance rate in the Exchange Offer, based on the number of Essilor shares that Delfin will receive immediately upon the completion of the Contribution and excluding 6,071,922 Luxottica treasury shares (1.3% of Luxottica total number of shares including treasury shares)

(5) On a fully diluted basis for Luxottica as of June 30, 2018 (excluding Luxottica performance share plans which are served, as per the terms of the plan, by treasury shares or cash) and Essilor, including 64,500 Luxottica stock options and all stock options (389,160) and rights to performance shares (5,278,715) issued by Essilor, based on the number of Essilor shares that Delfin will receive immediately upon the completion of the Contribution and including 1,336,830 treasury shares (0.3% of capital)

2.4.2.4 Changes in the market capitalization

The table below shows theoretical changes in Essilor's market capitalization:

	Before Contribution	After Contribution	After Exchange Offer[4]
Number of shares	217,803,809[1]	357,507,110	438,823,299[2]
Reference share value (€)[3]	112.69	112.69	112.69
Capitalization (€m)	24,544	40,287	49,451

(1) On a non-diluted basis for Essilor and excluding 1,336,830 treasury shares as of June 30, 2018 (0.6% of capital)

(2) Including potential impact of Luxottica dilutive instruments (64,500 stock options) as of June 30, 2018 (excluding performance share plans which are served, as per the terms of the plan, by treasury shares or cash) and excluding treasury shares

(3) Based on volume-weighted average price between January 16, 2017 (Transaction announcement) and August 31, 2018

(4) Assuming 100% acceptance rate and excluding 6,071,922 Luxottica treasury shares as of June 30, 2018 (1.3% of Luxottica total number of shares including treasury shares)

2.4.2.5 Impact of the Contribution and the Exchange Offer on the calculation of earnings per share (EPS) based on both companies net profit (group share) for the six-month ended as at June 30, 2018

The table below shows the impact of the Contribution and the Exchange Offer on Essilor's EPS:

	Before Contribution	After Contribution	After Exchange Offer[3 4]
Net profit (group share) (€m)[1]	349	684	879
Weighted average number of shares outstanding in 2017[2]	217,787,729	357,491,030	438,807,219
Earnings per share (€)	1.60	1.91	2.00
Diluted weighted average number of shares outstanding in 2017[1 2]	223,749,332	363,452,633	444,768,822
Diluted earnings per share (€)	1.56	1.88	1.98

(1) After the Contribution and after the Exchange Offer, EssilorLuxottica net profit (group share) is equal to the sum of (i) Essilor net income group share and (ii) percentage of EssilorLuxottica ownership in Luxottica (on a diluted basis excluding treasury shares) multiplied by Luxottica net income (group share)

(2) Excluding treasury shares

(3) Maximum potential impact of all Essilor dilutive instruments as of June 30, 2018 that include all stock options (389,160) and rights to performance shares (5,278,715) issued by Essilor

(4) Assuming 100% acceptance rate and excluding 6,071,922 Luxottica treasury shares (1.3% of Luxottica total number of shares including treasury shares)

2.4.2.6 Effect of the Transaction on the distribution of the Essilor share capital and voting rights

The table below shows Essilor's capital structure evolution after the Contribution and the Exchange Offer (assuming 100% acceptance rate, based on the number of Essilor shares that Delfin will receive immediately upon the completion of the Contribution and excluding Luxottica treasury shares) based on the companies' ownership structures as at June 30, 2018:

Capital	Before Contribution		After Contribution		After Exchange Offer	
	Number of shares	%	Number of shares	%	Number of shares	%
Employees & partners	17,806,783	7.9%	17,806,783	4.9%	17,806,783	4.0%
Delfin	35,205	0.0%	139,738,506	38.3%	139,738,506	31.3%
Free-float	199,961,821	88.9%	199,961,821	54.9%	281,278,010[1]	63.1%
Treasury shares	1,336,830	0.6%	1,336,830	0.4%	1,336,830[2]	0.3%
Total before Essilor dilution	**219,140,639**		**358,843,940**		**440,160,129**	
Impact of Essilor dilutive instruments[3]	5,667,875	2.5%	5,667,875	1.6%	5,667,875	1.3%
Total diluted number of shares	**224,808,514**	**100.0%**	**364,511,815**	**100.0%**	**445,828,004**	**100.0%**

(1) Including Luxottica dilutive instruments (64,500 stock options) as of June 30, 2018 (excluding Luxottica performance share plans which are served, as per the terms of the plan, by treasury shares or cash)

(2) Excluding 6,071,922 Luxottica treasury shares as of June 30, 2018 (1.3% of Luxottica total number of shares including treasury shares)

(3) Maximum potential impact of all Essilor dilutive instruments as of June 30, 2018 that include all stock options (389,160) and rights to performance shares (5,278,715) issued by Essilor

The table below shows Essilor's voting rights evolution after the Contribution and the Exchange Offer (assuming 100% acceptance rate, based on the number of Essilor shares that Delfin will receive immediately upon the completion of the Contribution and excluding Luxottica treasury shares) based on the companies' voting rights structures as at June 30, 2018[1]:

Voting rights	Before Contribution		After Contribution		After Exchange Offer	
	Number of voting rights	%	Number of voting rights	%	Number of voting rights	%
Employees & partners	33,074,897	13.8%	17,806,783	4.9%	17,806,783	4.0%
Delfin	35,205	0.0%	139,738,506	38.5%[2]	139,738,506	31.4%[2]
Free-float	201,203,032	83.8%	199,961,821	55.1%	281,278,010[3]	63.3%
Treasury shares	-	-	-	-	-	-
Total before Essilor dilution	**234,313,134**		**357,507,110**		**438,823,299**	
Impact of Essilor dilutive instruments[4]	5,667,875	2.4%	5,667,875	1.6%	5,667,875	1.3%
Total diluted number of shares	**239,981,009**	**100.0%**	**363,174,985**	**100.0%**	**444,491,174**	**100.0%**

(1) On May 11, 2017, Essilor's special shareholders' meeting approved the resolution providing for the cancellation of double voting rights in relation to the Transaction

(2) Exercise of voting rights capped at 31% subject to a formula, as discussed in Section 2.4.1.3 "Summary of the key provisions of EssilorLuxottica's by-laws" of this Update to the 2017 Registration Document

(3) Including Luxottica dilutive instruments (64,500 stock options) as of June 30, 2018 (excluding Luxottica performance share plans which are served, as per the terms of the plan, by treasury shares or cash)

(4) Maximum potential impact of all Essilor dilutive instruments as of June 30, 2018 that include all stock options (389,160) and rights to performance shares (5,278,715) issued by Essilor

2.4.3 Dilution

2.4.3.1 <u>Impact of the Contribution and the Exchange Offer on the share of consolidated equity, group share, for the holder of one Essilor share prior to the Contribution and the Exchange Offer</u>

The table below shows the impact of the Contribution and Exchange Offer (assuming 100% acceptance rate, based on the number of Essilor shares that Delfin will receive immediately upon the completion of the Contribution and excluding Luxottica treasury shares) on the share of consolidated equity, group share based on the number of shares and equity (group share) as at June 30, 2018:

In €m	Before Contribution	After Contribution	After Exchange Offer[1]
Equity (group share) (€m)	6,586	19,760	27,428
Number of shares[2]	217,803,809	357,507,110	438,823,299
Equity (group share) per share (€)	30.2	55.3	62.5

(1) Assuming 100% acceptance rate and excluding 6,071,922 Luxottica treasury shares (1.3% of Luxottica total number of shares including treasury shares)

(2) On a non-diluted basis for Essilor and excluding treasury shares

2.4.3.2 Impact of the Contribution and the Exchange Offer on the interest of a shareholder holding 1% of Essilor's share capital prior to the Contribution and the Exchange Offer

The table below shows the impact of the Contribution and the Exchange Offer (assuming 100% acceptance rate, based on the number of Essilor shares that Delfin will receive immediately upon the completion of the Contribution and excluding Luxottica treasury shares) on the ownership based on the number of shares as at June 30, 2018:

	Ownership percentage	
	On a non-diluted basis	On a diluted basis[1]
Before Contribution	1.00%	0.97%
After Contribution	0.61%	0.60%
After Exchange Offer[2]	0.50%	0.49%

(1) Maximum potential impact of all Essilor dilutive instruments as of June 30, 2018 that include all stock options (389,160) and rights to performance shares (5,278,715) issued by Essilor

(2) Assuming 100% acceptance rate and excluding 6,071,922 Luxottica treasury shares (1.3% of Luxottica total number of shares including treasury shares)

2.5 Unaudited pro forma condensed consolidated financial information

2.5.1 Unaudited pro forma condensed consolidated financial information at December 31, 2017

2.5.1.1 Introduction

The unaudited pro forma condensed consolidated financial information of EssilorLuxottica (the "**Combined Company**") includes the unaudited pro forma condensed consolidated statement of financial position at December 31, 2017 and the unaudited pro forma condensed consolidated income statement for the year ended December 31, 2017 with the related explanatory notes (together the "**Unaudited Pro Forma Condensed Consolidated Financial Information**") and has been prepared to represent the pro forma effects of the following transactions (the "**Transactions**").

On January 15, 2017, Essilor and Delfin entered into the Combination Agreement setting forth the following:

- Delfin irrevocably agrees to contribute its entire stake in Luxottica (representing 302,846,957 ordinary shares of Luxottica or 62.42% of Luxottica's share capital as of the date of this Update to the 2017 Registration Document), to Essilor in return for newly-issued ordinary shares of Essilor to be approved by the Essilor's shareholders' meeting, on the basis of the Exchange Ratio of 0.4613 Essilor shares for 1 Luxottica share (the "**Contribution**"), and

- Essilor subsequently will make an offer, in accordance with the provisions of Italian Law, to acquire all of the remaining issued and outstanding shares of Luxottica pursuant to the same Exchange Ratio and with a view to delist Luxottica's shares from the Milan Stock Exchange (the "**Offer**").

On May 11, 2017, the general meeting of Essilor's shareholders approved the resolutions concerning (i) the Contribution as mentioned in the Combination agreement, (ii) the amendment of the Essilor statutes, (iii) the appointment of new Directors among the Board of EssilorLuxottica, (iv) the approval of the issue of shares Essilor in consideration for the Luxottica Contribution to the Offer and (v) the Hive Down.

On November 1, 2017, following the approval of the Hive Down, Essilor transferred all its activities and shareholdings to a newly named subsidiary Essilor International S.A.S.. Essilor will be renamed "EssilorLuxottica", once the Contribution is completed.

The Transactions were conditional upon, among other things, the clearance from competition authorities required in certain countries.

The Unaudited Pro Forma Condensed Consolidated Financial Information, which has been produced for illustrative purposes only, by its nature addresses a hypothetical situation and, therefore, does not represent the Combined Company's actual financial position or results.

For accounting purposes, Luxottica is deemed to acquire Essilor based on the guidance in IFRS 3 "Business combination" ("IFRS3"), paragraphs B13-B18. On the basis of consideration of all the facts, on balance, in particular, the Transactions-related facts and the Combination Agreement, Essilor and Luxottica management and Essilor Board of Directors determined that Luxottica would be the acquirer for accounting purposes. Therefore, for accounting purposes, the Transactions will be treated as the acquisition of Essilor by Luxottica even though, legally, Essilor is the acquirer and will be the entity which will issue new shares to Luxottica's shareholders ("reverse acquisition").

In determining the accounting treatment for the Transactions, Luxottica and Essilor management considered the factors of the above-mentioned guidance. The assessment of such factors involves significant management judgment.

While the acquirer is usually the entity that issues the equity interest, as in the case of the Offer by Essilor to shareholders of Luxottica, Essilor and Luxottica management also considered other pertinent facts and circumstances, including the following:

- the existence of a large minority voting interest (held by Delfin in the Combined Company), considered as the strongest indicator,
- the composition of the senior management and governance of the Combined Company, considered neutral,
- the terms on which the equity interests were exchanged and the relative voting rights, considered neutral,
- Luxottica having slightly larger revenue, EBITDA and number of employees.

Accordingly, the consolidated financial information of the Combined Company will reflect the acquisition of Essilor by applying IFRS 3 including the acquisition method of accounting on the Essilor identifiable assets acquired and liabilities assumed.

The pro forma adjustments related to the Unaudited Pro Forma Condensed Consolidated Financial Information are limited to those that are (i) directly attributable to the Transactions, and (ii) factually supportable. The tax impact resulting from those pro forma adjustments has been in most cases computed based on the 2017 adjusted effective tax rate of each group, being 22.1% for Essilor and 29.5% for Luxottica.

The Unaudited Pro Forma Condensed Consolidated Financial Information does not reflect items that cannot be identified or determined at the date of this Update to the 2017 Registration Document (the "Document"), for example:

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

- any synergies, operating efficiencies and cost savings that may result from the Transactions,

- any special items and any costs that may be incurred such as payments pursuant to contractual change of control provisions in addition to those incurred in 2017 historical financial statements, which cannot be exhaustively identified at this stage and which are not expected to have a continuing impact on the Combined Company.

The Unaudited Pro Forma Condensed Consolidated Financial Information have been prepared assuming that:

- as a result of the Offer, all of the remaining issued outstanding shares of Luxottica will be converted to Essilor shares based on the Exchange Ratio, and
- the noteholders of Luxottica private placement notes will not exercise their change of control put option, since the returns are significantly above current market interest rates. The outstanding principal amount of the private placement notes at December 31, 2017 amounts to € 261 million (composed of an issuance of US$ 253 million of notes at a $ to € exchange rate of 1.1993 and of an issuance of € 50 million of notes).

The unaudited pro forma condensed consolidated statement of financial position has been prepared assuming that the Transactions had occurred on December 31, 2017. The unaudited pro forma condensed consolidated income statement has been prepared assuming that the Transactions had occurred on January 1, 2017. Because of its nature, the Unaudited Pro Forma Condensed Consolidated Financial Information addresses a hypothetical situation and is not intended to represent or to be indicative of the result of operations or the financial position that EssilorLuxottica would have achieved had the Transactions occurred as of January 1, 2017 in the pro forma condensed consolidated income statement or as of December 31, 2017 in the pro forma condensed consolidated statement of financial position, nor is the Unaudited Pro Forma Condensed Consolidated Financial

Information indicative of the future operating results or financial position of the Combined Company. The Unaudited Pro Forma Condensed Consolidated Financial Information is based upon publically available information and certain assumptions that each of Luxottica and Essilor believe are reasonable at the date of this Document, in the context of the Combination Agreement.

Actual results could differ materially from the Unaudited Pro Forma Condensed Consolidated Financial Information presented, as they will depend on several variables, including, among others, the actual number of Luxottica shares converted to Essilor shares, the actual timeline of the conversion and actual stock prices at the time of the Transactions, and any other key valuation (including the fair value of the assets acquired) and market assumptions.

The Unaudited Pro Forma Condensed Consolidated Financial Information is derived from and should be read in conjunction with:

- Luxottica's historical audited annual consolidated financial statements as of and for the year ended December 31, 2017 prepared in accordance with IFRS as adopted by the European Union, included in this Document, on which PricewaterhouseCoopers S.p.A. issued an audit report dated March 27, 2018, which does not include any qualification or emphasis paragraph, also included in this Document, and

- Essilor's historical audited consolidated financial statements as of and for the year ended December 31, 2017 prepared in accordance with IFRS as adopted by the European Union, which are incorporated by reference in this Document, on which PricewaterhouseCoopers Audit and Mazars issued an audit report dated March 5, 2018, which does not include any qualification or emphasis paragraph, also incorporated by reference in this Document.

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

The Unaudited Pro Forma Condensed Consolidated Financial Information is prepared on a basis that is consistent with the accounting policies used in the preparation of Luxottica's historical audited annual consolidated financial statements as of and for the year ended December 31, 2017, except for the presentation of "Research and development costs". For the purpose of the unaudited pro forma condensed consolidated income statement, "Research and developments costs" are classified within "Total operating expenses" (rather than within "Cost of sales") to align with the presentation the Combined Company is expected to adopt in its next consolidated financial statements.

No material differences have been identified between Luxottica's and Essilor's accounting policies, based on the information available and that could be reasonably shared between Essilor and Luxottica prior to the completion of the Contribution. As such, no adjustments to align accounting policies have been deemed necessary for the purposes of the Unaudited Pro Forma Condensed Consolidated Financial Information.

There are however certain differences in the way in which Essilor and Luxottica present items on their respective consolidated statement of financial position and consolidated income statement. As a result, certain items have been reclassified to ensure consistency with the basis for preparation of the Unaudited Pro Forma Condensed Consolidated Financial Information. Those reclassifications have no effect on total assets or total net income and are detailed hereafter in Note 2 and Note 6.

Subsequent to the Contribution, further reclassifications or adjustments may prove to be required when the Combined Company obtains full access to the information, aligns the accounting policies and finalizes the presentation of its financial statements.

Furthermore, certain market based assumptions were used which will be updated upon completion of the Transactions. Essilor and Luxottica management believe the estimated preliminary fair values utilized for the assets to be acquired and liabilities to be assumed are based on reasonable estimates and assumptions. However, preliminary fair value estimates may change as additional information becomes available and such changes could be material, as certain valuations and other studies have yet to commence or progress to a stage where there is sufficient information for a definitive measurement.

Regulatory framework

This Unaudited Pro Forma Condensed Consolidated Financial Information is presented pursuant to the annex II of the AMF (Autorité des Marchés Financiers) Instruction n°2016-04 dated January 15, 2018, since these Transactions involve a change of more than 25 per cent of the key indicators of Essilor.

This Unaudited Pro Forma Condensed Consolidated Financial Information has been prepared in accordance with Annex II of Commission Regulation (EC) n°809/2004 "Pro Forma Financial Information Building Block", the recommendations issued by ESMA (formerly CESR) (ESMA/2013/319 of March 20, 2013) and the recommendations n°2013-08 issued by AMF on pro forma financial information.

2.5.1.2 Combined Company - Unaudited pro forma condensed consolidated statement of financial position at December 31, 2017

			Unaudited Pro Forma Adjustments			
(in Euro millions)	Essilor historical	Luxottica historical	Reclassifications	Business combination	Other adjustments	Unaudited Combined Company pro forma
	Note 1	**Note 1**	**Note 2**	**Note 3**	**Note 4**	
Cash and cash equivalents	484	1 159	-	-	-	1 643
Accounts receivable	1 685	944	(232)	-	(72) (a)	2 324
Inventories	1 097	832	-	120 (a)	-	2 049
Other current assets	223	233	232	-	-	688
Total current assets	**3 489**	**3 167**	**-**	**120**	**(72)**	**6 704**
Property, plant and equipment	1 116	1 809	-	-	-	2 925
Goodwill	5 583	3 622	-	13 715 (b)	-	22 921
Intangible assets	1 682	1 225	-	7 978 (a)	-	10 885
Other non current assets	430	219	-	-	(4) (b)	645
Total non-current assets	**8 811**	**6 875**	**-**	**21 693**	**(4)**	**37 376**
TOTAL ASSETS	**12 300**	**10 043**	**-**	**21 813**	**(76)**	**44 080**
Short-term debt	491	228	-	-	-	719
Other current liabilities	2 461	1 863	-	-	(23) (c)	4 301
Total current liabilities	**2 952**	**2 091**	**-**	**-**	**(23)**	**5 020**
Long-term debt	1 674	1 671	-	-	-	3 345
Other non current liabilities	747	474	-	1 827 (c)	-	3 049
Total non-current liabilities	**2 421**	**2 146**	**-**	**1 827**	**-**	**6 394**
Group stockholders' equity	6 504	5 801	-	19 986 (d)	(53) (d)	32 238
Non-controlling interests	423	5	-	-	(0)	428
Total stockholders' equity	**6 927**	**5 807**	**-**	**19 986**	**(53)**	**32 666**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**12 300**	**10 043**	**-**	**21 813**	**(76)**	**44 080**

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

2.5.1.3 Combined Company - Unaudited pro forma condensed consolidated income statement for the year ended December 31, 2017

(in Euro millions)	Essilor historical	Luxottica historical	Unaudited Pro Forma Adjustments: Reclassifications	Business combination		Other adjustments		Unaudited Combined Company pro forma
	Note 5	Note 5	Note 6	Note 7		Note 8		
Net sales	7 490	9 157	-	-		(397)	(a)	16 251
Cost of sales	(3 144)	(3 282)	110	(120)	(a)	384	(a)	(6 052)
Gross profit	**4 346**	**5 875**	**110**	**(120)**		**(13)**		**10 199**
Total operating expenses	(3 272)	(4 575)	(110)	(586)	(b)	(38)	(b)	(8 580)
Income from operations	**1 074**	**1 301**	**-**	**(706)**		**(50)**		**1 618**
Total Other income/(expense)	(64)	(44)	-	-		(1)	(c)	(109)
Income before provision for income taxes	**1 010**	**1 256**	**-**	**(706)**		**(51)**		**1 509**
Provision for income taxes	(132)	(216)	-	75	(c)	11	(d)	(261)
Net Income	**878**	**1 040**	**-**	**(631)**		**(40)**		**1 248**

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

2.5.1.4 Notes to the Unaudited Pro Forma Condensed Financial Information

Unaudited pro forma condensed consolidated statement of financial position

Note 1 – Essilor and Luxottica historical condensed consolidated statement of financial position at December 31, 2017

These columns include the unaudited condensed consolidated statement of financial position of Essilor and Luxottica at December 31, 2017, derived from the Essilor's and Luxottica's historical audited annual consolidated financial statements as of and for the year ended December 31, 2017.

Note 2 – Reclassifications

An amount of € 232 million of "Accounts receivable" within Essilor historical statement of financial position has been reclassified to "Other current assets" to ensure consistency in the presentation of the unaudited pro forma condensed consolidated statement of financial position.

Note 3 – Business combination

The Combination is accounted for using the acquisition method of accounting in accordance with IFRS 3, which requires that one of the two companies in the combination be designated as the acquirer for accounting purposes based on the evidence available.

In the unaudited pro forma condensed consolidated statement of financial position, the consideration transferred has been allocated to Essilor assets acquired and liabilities assumed based upon preliminary estimates of their fair values ("purchase price allocation"). Any difference between the consideration transferred and the fair value of Essilor's assets acquired and liabilities assumed is recorded as goodwill. The purchase price allocation for the acquisition of Essilor has not been finalized, and the final allocation may differ materially from the preliminary allocation. The final valuation and the impact of integration of the activities could cause material differences between actual and pro forma results

(a) Preliminary fair value adjustments

The following is a description of each significant preliminary fair value adjustment.

	(in € million)		Estimated weighted average remaining useful life in years
Estimated preliminary fair value of intangible assets	9 415		
Premium Optical Brands		*2 300*	25
Trade names		*505*	20
Technologies		*3 150*	10
Customer relationship		*3 460*	15
Less, net historical carrying value of intangible assets	(1 437)		
Estimated preliminary fair value adjustment on intangible assets (a)	**7 978**		
Estimated preliminary fair value adjustment on inventories (b)	120		
Estimated preliminary pro forma adjustment (c= a+b)	**8 098**		

The above preliminary purchase price allocation reflect the latest outputs from the ongoing valuation work performed with the support of an independent valuation expert.

The remeasurement of inventories is based on inventories as of December 31, 2017 and will be adjusted on the basis of the inventories at the Contribution date.

The valuation process regarding property, plant and equipment is ongoing and will be finalized after the completion of the Transactions. Considering the current status of the preliminary remeasurement, the procedures still to be carried out to confirm the fair value adjustments, and the limited potential impact on the unaudited pro forma condensed consolidated income statement, no fair value adjustment has been considered in the Unaudited Pro Forma Condensed Consolidated Financial Information.

As the purchase price allocation will be completed, the above preliminary fair value adjustment may be remeasured and other identifiable assets and liabilities may be identified, which could result in significantly different depreciation and amortization expenses and different classifications in the consolidated statement of financial position.

(b) Preliminary goodwill

In a transaction in which the consideration is not in the form of cash, the consideration transferred is measured based on the fair value of the consideration given at the date of the business combination at the then-current market price. The fair value of the consideration transferred will fluctuate until completion of the Contribution, as the final consideration will be based on the fair value of Luxottica's share price at the date of the Transactions.

For purposes of the pro forma computations, the Luxottica share price of Euro 55.66 at September 17, 2018 is used, as an approximation of the share price at the effective realization date of the Transactions.

Under IFRS, the acquisition-date fair value of the consideration transferred by the accounting acquirer is based on the number of shares that Luxottica as the accounting acquirer (the legal subsidiary) would have had to issue to the shareholders of Essilor as the accounting acquiree (the legal parent) to give the shareholders of Essilor the same percentage of equity interests in the Combined Company that results from the reverse acquisition. For the purpose of the Unaudited Pro Forma Condensed Consolidated Financial Information, the consideration has been determined assuming a full conversion of Luxottica shares after both the Contribution and the Offer.

Based on the above information, the fair value of the new shares to be issued is determined as follows:

Number of Luxottica outstanding shares at December 31, 2017 (excluding treasury shares)	478 497 344
% shareholding of Essilor shareholders after the Transactions in Combined Company	49,7% *
Number of Luxottica shares theoretically to be issued to Essilor shareholders	472 102 779
Luxottica share price at September 17, 2018 (in €)	55.66
Fair value of the new shares to be issued (in € million)	**26 277**

* See computation of the % of shareholding below

Number of Luxottica outstanding shares at December 31, 2017		478 497 344
Exchange Ratio		0,4613
Equivalent in Essilor shares	[A]	220 730 825
Number of Essilor shares at December 31, 2017 (excluding treasury shares)	[B]	217 781 012
Percentage shareholding of Essilor after Contribution in Combined Company	**[B]/([A]+[B])**	**49,7%**

The preliminary goodwill was calculated based on the estimated fair values of the pro forma consideration transferred and the estimated fair values of the assets acquired and liabilities assumed:

	(in € million)	
Fair value of the new shares to be issued	**26 277**	
Share-based payment adjustment *	213	
Pro forma consideration transferred	**26 490**	
Essilor’s net assets before acquisition (Equity attributable to parent company owners)	6 504	
Elimination of pre-existing Essilor’s goodwill in Equity	(5 583)	
Fair value adjustments on other intangible assets	7 978	Refer to Note 3 (a)
Deferred tax effect on fair value adjustments on other intangible assets	(1 801)	
Fair value adjustments on inventories	120	Refer to Note 3 (a)
Deferred tax effect on fair value adjustments on inventories	(27)	
Preliminary fair value of net assets acquired	**7 192**	
Preliminary Goodwill	**19 298**	
Pre-existing Essilor's Goodwill	(5 583)	
Goodwill adjustment	**13 715**	

* Under IFRS, the acquisition-date market-based value of the share-based payments (also referred as “awards”) granted by Essilor to its employees has to be allocated to equity, as part of the consideration transferred, for the vested portion of the awards and to post-combination expense for the unvested portion of the awards (refer to Note 8 (b) for further details). For the purposes of the unaudited pro forma condensed consolidated statement of financial position, the market-based value of the vested portion of the awards, € 213 million, was calculated at December 31, 2017, as if the acquisition had occurred at that date.

Sensitivity

The following table provides sensitivity to changes in the Luxottica share price and the consequence to the pro forma fair value of the new shares to be issued:

	Luxottica share price	Fair value of the new shares to be issued	Preliminary goodwill
	(in €)	*(in € million)*	*(in € million)*
Base case Luxottica share price at September 17, 2018	55.66	26 277	19 298
Luxottica share price +5% compared to base case	58.44	27 590	20 611
Luxottica share price -5% compared to base case	52.88	24 965	17 986

(c) Reflects the tax effect on the preliminary fair value adjustments, based on the adjusted effective tax rate of Essilor Group for 2017 of 22,1% as well as the elimination of tax effects on historical intangible assets.

(d) Reflects the equity adjustment as a result of the business combination:

	(in € million)
Reversal of the historical net equity of Essilor	(6 504)
Consideration transferred	26 490
Equity adjustment relating to business combination attributable to Group shareholders	**19 986**

Note 4 - Other Adjustments

(a) Reflects the elimination of the intercompany balances at December 31, 2017 between Essilor and Luxottica.

(b) Represents the € 4 million relating to Essilor subsidiaries (Eyebiz Laboratories Pty Ltd and Eyebiz Laboratory Co Ltd) in which Luxottica had a non-controlling interest before the Contribution and which Luxottica recorded as investments in associates presented as part as other non-current assets. As a result of the Contribution, Luxottica gains control of these subsidiaries.

(c) Represents the following:

- € 52 million relating to additional transaction costs net of income tax, expected to be incurred until the closing of the Transactions, of which € 42 million by Essilor and € 10 million by Luxottica. As detailed in the table below, those additional transaction costs are recorded for € 31 million in pro forma operating expenses and for € 21 million as a reduction of equity.
- € (72) million relating to the counterpart of the elimination of intercompany balances at December 31, 2017 between Essilor and Luxottica (refer to (a) above).
- € (3) million relating to the cancellation of Essilor's put option on non-controlling interest of Eyebiz Laboratories Pty Ltd and Eyebiz Laboratory Co Ltd.

(d) Impact on equity:

	(in € million)	
Transaction costs recognized in operating expenses to be incurred in addition to the transaction costs booked in the 2017 historical financial statements	(40)	Refer to Note 8 (b)
Current tax on the above-mentioned transaction costs	9	
Transaction costs relating to the Offer recognized in equity	(25)	
Current tax on the above-mentioned transaction costs	4	
Subtotal Transactions costs, net of tax	**(52)**	
Eyebiz	(1)	
Equity adjustment relating to other adjustments	**(53)**	

Unaudited pro forma condensed consolidated income statement

Note 5 – Essilor and Luxottica historical condensed consolidated income statement for the year ended December 31, 2017

This column includes the unaudited condensed consolidated income statement of Essilor and Luxottica for the year ended December 31, 2017, derived from the Essilor's and Luxottica's historical audited annual consolidated financial statements as of and for the year ended December 31, 2017.

Note 6 - Reclassifications

"Research and development costs" classified within costs of sales in Luxottica historical income statement have been reclassified to "total operating expenses" for an amount of € 110 million to align with the presentation the Combined Company is expected to adopt in its next consolidated financial statements.

The amount has been preliminary determined based on the information that could be reasonably shared between Essilor and Luxottica prior to the completion of the Contribution, therefore it might change once the Combined Company finalizes the presentation of its consolidated financial statements.

Note 7 – Business combination

(a) Represents the reversal of the fair value adjustment on the inventories for € (120) million (refer to Note 3 (a)). For the purpose of the unaudited pro forma condensed consolidated income statement, it is assumed that all inventories are sold during 2017 and thus the remeasurement fully impacts, in a non-recurring manner, the 2017 unaudited pro forma condensed consolidated income statement.

(b) Represents the amortization related to technologies, brands, trade names and customer relationships that has been calculated on the estimated preliminary fair value, taking into account the estimated remaining useful life as disclosed in Note 3 (a).

The following table shows the pro forma total increase in relation to amortization expenses:

	(in € million)
Amortization of estimated fair value of intangible assets	678
Less, amortization of historical intangible assets	92
Estimated preliminary pro forma adjustment	**586**

(c) Represents the tax effect on the above adjustments based on the adjusted effective tax rate of Essilor Group at 22,1 % for the purchase price allocation impacts also considering the tax impact at the actual tax rate recognized in 2017 for the historical amortization expenses.

Note 8 - Other adjustments

(a) Reflects the elimination of the intercompany transactions between Essilor and Luxottica, including the elimination of internal profits on inventories resulting from these intercompany sales, for the year ended December 31, 2017. In the future, this impact will be limited to the fluctuation year over year of these internal profits to be eliminated.

(b) Represents the following:

- Additional transaction costs in pro forma operating expenses for € 40 million.
  The transaction costs are composed of non-recurring legal consulting fees, banking fees and other consulting fees attributable to the Hive Down and to the Offer. Total transaction costs in operational expenses are estimated to € 168 million before tax which include transaction costs recognized in the historical financial statements of Essilor and Luxottica, for € 110 million and € 18 million before tax, respectively.

	(in € million)
Total estimated transaction costs in operating expenses	168
Less the transaction costs already booked in 2017 historical financial statements	128
Additional transaction costs in pro forma operating expenses	**40**

These costs are not expected to have a recurring impact on the Combined Company.

- Pro forma adjustments relating to Essilor's share based payments for € (2) million.

  - Essilor has granted employees various equity-settled share-based payments with market-based performance conditions. In May 2017, Essilor modified such unvested equity-settled share-based payments so as to (i) waive the market-based performance conditions for all employees, except for two corporate officers, and (ii) replace the market-based performance conditions by non-market-based performance conditions for such two corporate officers. The vesting period for the share-based payments remains unchanged. This modification applied to share-based payments granted in 2015 and in September and December 2016 and increased the amount of the share-based payment by € 37 million, recorded as share-based payments expenses in Essilor 2017 historical financial statements. This modification was decided by Essilor in order to facilitate the Combination, but it applies regardless of whether the Combination actually takes place. Therefore, for the purpose of the Unaudited Pro Forma Condensed Consolidated Financial Information, it was considered as occurred prior to the Combination.

  - The terms of the share-based payments granted by Essilor remain unchanged as a result of the business combination. However, those share-based payments have to be measured at their market-based value at the acquisition date. The acquisition-date market-based value of the original awards (taking into account the market performance conditions for the 2014 and 2017 plans, but not for the 2015 and 2016 plans as, for those plans, the performance conditions are deemed waived before the Combination) has to be allocated to equity for the vested portion of the awards (refer to Note 3 (b)) and to post-combination expense for the unvested portion of the awards over the remaining vesting period.

- For purposes of the unaudited pro forma condensed consolidated income statement, the remeasurement of share-based payments at January 1, 2017, results in a reduction of € 2 million of the operational expenses.

(c) Reflects the elimination of €1 million of income recognized by Luxottica for the share of profits in associates in Essilor subsidiaries (Eyebiz Laboratories Pty Ltd and Eyebiz Laboratory Co Ltd). As a result of the Combination, Luxottica gained control over these subsidiaries.

(d) Represents the following:

- € 9 million for the tax effect on the € 40 million additional transaction costs to be incurred, as explained in Note 4 (d).
- € 2 million for the deferred tax due to the elimination of the inventory profit, as explained in Note 8 (a).

2.5.2 Statutory auditors' report

This is a free translation into English of the auditors' report issued in the French language and is provided solely for the convenience of English speaking readers.

This report should be read in conjunction with, and is construed in accordance with, French law and professional standards applicable in France.

Statutory auditors' report on the pro forma financial information for the year ended 31 December 2017

To the Président-Directeur Général

In our capacity as Statutory Auditors of your company and in accordance with the French financial markets authority (Autorité des marchés financiers – "AMF") Instruction n°2016-04 and the Commission Regulation (EC) n°809/2004, we hereby report to you on the pro forma financial information of Essilor International (Compagnie Générale d'Optique) ("Essilor") as of and for the year ended December 31, 2017 set out in section 2.5.1 Unaudited Consolidated Condensed Pro Forma Financial Information at December 31, 2017 of the Update to the 2017 Registration Document forming part of the prospectus prepared by Essilor for (i) the increase in Essilor's share capital through the issuance of ordinary Essilor shares in consideration for (x) the contribution in kind of shares in Luxottica Group S.p.a. and (y) shares in Luxottica Group S.p.a. tendered into the mandatory exchange tender offer that will be launched by Essilor (renamed EssilorLuxottica) following the completion of the contribution (ii) the admission to trading of Essilor shares issued in connection with such contribution and such mandatory exchange tender offer.

The pro forma financial information has been prepared for the sole purpose of illustrating the impact that the contribution of shares in Luxottica Group S.p.a. to Essilor, and the mandatory exchange tender offer for all of the outstanding shares of Luxottica Group S.p.a that will by launched by EssilorLuxottica following the completion of the contribution, might have had on the consolidated statement of financial position as of December 31, 2017 and on the consolidated income statement for the year ended December 31, 2017 of Essilor had it taken place with effect on December 31, 2017 for the statement of financial position and from January 1, 2017 for the income statement. By its very nature, this information is based on a hypothetical situation and does not represent the financial position or performance that would have been reported, had the operation and the event taken place at an earlier date than the actual or contemplated date.

It is your responsibility to prepare the pro forma financial information in accordance with the provisions of the AMF Instruction n°2016-04 and of the Commission Regulation (EC) n°809/2004 and ESMA's recommendations on pro forma financial information.

It is our responsibility to express an opinion, based on our work, in accordance with Annex II, item 7 of Commission Regulation (EC) n°809/2004, as to the proper compilation of the pro forma financial information.

We performed those procedures that we deemed necessary in accordance with the professional guidance issued by the French Institute of statutory auditors (Compagnie nationale des commissaires aux comptes) relating to such engagements. These procedures, which did not include an audit or a review of the financial information used as a basis to prepare the pro forma financial information, mainly consisted in ensuring that the information used to prepare the pro forma information was consistent with the underlying financial information, as described in the introduction and the notes to the pro forma financial information, reviewing the evidence supporting the pro forma adjustments and conducting interviews with the management of Essilor to obtain the information and explanations that we deemed necessary.

In our opinion:
a) the pro forma financial information has been properly compiled on the basis stated; and
b) that basis is consistent with the accounting policies expected, as of today, to be used by EssilorLuxottica for the preparation of its consolidated financial statements.

This report has been issued solely for the purpose of obtaining the visa of the AMF on the prospectus, the admission to trading on a regulated market, and/or a public offer, of securities of Essilor in France and in other EU member states in which the prospectus approved by the AMF would is notified; and cannot be used for any other purpose.

Neuilly-sur-Seine and Paris La Défense, on September 28, 2018

The Statutory Auditors
French original signed by

PricewaterhouseCoopers Audit		Mazars	
Olivier LOTZ	Cédric LE GAL	Daniel ESCUDEIRO	Jean-Luc BARLET

3. UPDATE RELATING TO LUXOTTICA

Detailed information on Luxottica's operating activity, legal situation, consolidated financial statements, statutory auditors' reports and related documents, recent changes and future outlooks are presented in the following documents:

- the 2017, 2016 and 2015 Luxottica annual financial reports (including both the consolidated and Luxottica financial statements);
- the 2018 half year financial report;
- the 2017, 2016 and 2015 Luxottica annual reports on corporate governance; and
- the 2017, 2016 and 2015 Luxottica remuneration reports.

The above documents as well as other corporate documents and information on Luxottica, are available on its website, www.luxottica.com.

3.1 General information

3.1.1 Name and registered office

The corporate name of the company is Luxottica Group S.p.A.

Its registered office is located at 3, Piazzale Cadorna, 20123, Milan, Italy.

3.1.2 Date of incorporation and term

Luxottica was incorporated in 1981, and its term expires on December 31, 2050, except in the case of early winding-up or extension.

3.1.3 Legislation and corporate form

Luxottica is an Italian joint stock company (*società per azioni*) incorporated under Italian law, governed by Italian law and its by-laws.

3.1.4 Corporate purpose

Luxottica's principal purposes are, among other things, (i) the ownership and management of shareholding interests in other companies or entities both in Italy and abroad; (ii) financing and managerial coordination of the companies and entities in which it owns shareholding interests; (iii) providing credit support for subsidiaries; and (iv) the sale, in Italy and abroad, of frames for optical glasses, sunglasses and products in the eyewear field.

3.1.5 Trade and Companies Register

Luxottica is registered with the Milan Companies Register under number 00891030272.

3.1.6 Financial year

Luxottica's financial year ends on December 31, each year

3.1.7 Management

3.1.7.1 Names and functions of main managers

The Luxottica governance – based on a management and control system – is characterized by:

i. a Board of Directors, responsible for the management of the company;
ii. a Board of statutory auditors, which performs control activities, such as verifying that Luxottica: (i) complies with applicable laws and its by-laws; (ii) respects the principles of correct administration; (iii) maintains adequate organizational structure, internal controls and administrative and accounting systems; (iv) ensures that the accounting system represents the facts in a fair and true manner; and (v) gives adequate instructions to the subsidiaries. The Board of statutory auditors also supervises the manner in which Luxottica complies with the Code of Conduct for Listed Companies. It also supervises the financial reporting process, the effectiveness of the internal auditing system and risk assessment, the audit work and the independence of the auditing firm.

(a) Board of Directors

The current Board of Directors of Luxottica was appointed at the shareholders' meeting held on April 19, 2018. It currently consists of the following members:

Name	Date of birth	Position	Member since
Leonardo Del Vecchio	May 22, 1935	Executive Chairman of the Board of Directors	1961[8]
Luigi Francavilla	June 12, 1937	Deputy Chairman	1985
Francesco Milleri	December 21, 1959	Deputy Chairman - Chief Executive Officer	2016
Stefano Grassi	July 28, 1973	Chief Financial Officer	2017
Marco Giorgino*	December 11, 1969	Director	2018
Elisabetta Magistretti*	July 21, 1947	Director	2012
Maria Pierdicchi*	September 18, 1957	Director	2015
Sabrina Pucci*	August 30, 1967	Director	2018
Karl Heinz Salzburger*	March 13, 1957	Director	2015
Luciano Santel*	October 12, 1956	Director	2015
Cristina Scocchia*	December 4, 1973	Director	2015
Andrea Zappia*	September 24, 1963	Director	2015

* *Director satisfying the requirement of independence set forth in the Italian Consolidated Financial Act and in the Code of Conduct for Listed Companies.*

The Board of Directors is appointed on the basis of lists submitted by shareholders. Pursuant to Italian law and Luxottica by-laws, all members of the Board of Directors less one are elected from the list that obtained the most votes, the remaining director is elected from the list that obtained the second highest number of votes and that is not related to the list from which the other Board members have been elected. In addition, pursuant to Italian law, at least one director - if the Board is composed of

[8] Mr Leonardo Del Vecchio has been the Chairman of Luxottica and of its controlling company since the creation of Luxottica Group.

less than seven members - or at least two directors - if the Board is composed of more than seven members - shall comply with independence criteria. In compliance with Italian law, the by-laws of Luxottica also provide mechanisms to grant adequate gender diversity within the Board in compliance with Italian law.

The current term of the Board of Directors expires at the time of the approval of the financial statements as of and for the year ending December 31, 2018.

(b) Board Committees

In compliance with the provisions of the Code of Conduct for Listed Companies, Luxottica maintains a human resources committee, elected from the members of the Board of Directors. The human resources committee's functions include performing verifications and advice and proposals, including, among others: (i) proposing a remuneration policy of the Luxottica Group to the Board of Directors; (ii) recommending to the Board of Directors the remuneration payable to the company's executive directors and determining the remuneration criteria for senior management of the company and of the entire Luxottica Group; and (iii) reviewing the Luxottica Group employees' incentive plans and making proposals to the Board of Directors regarding the beneficiaries of the plans. The human resources committee also evaluates the organizational requirements of the Luxottica Group and the actions taken to assign key positions ("succession plans") and makes inquiries for the preparation and revision of succession plans adopted by the Board of Directors. The members of the current human resources committee are Andrea Zappia, Chairperson, Marco Giorgino and Sabrina Pucci, all independent directors.

Luxottica also has a control and risk committee, which is responsible for performing investigations, providing advice and submitting proposals to the Board of Directors. In particular, the control and risk committee: (i) assists the Board of Directors in the execution of its internal control tasks and mandates; (ii) evaluates the planned initiatives and projects of the internal auditing function; (iii) reviews and assesses the regular reports issued by the internal auditing function; (iv) assesses, together with the manager responsible for the preparation of Luxottica's accounting records and the managers and the auditors, the proper use and application of accounting principles; (v) assesses the results of the activities performed by the internal auditing function; (vi) expresses opinions concerning the identification and management of corporate risks; and (vii) expresses opinions concerning the planning, implementation and management of the internal control system. The current control and risk committee is composed of the following independent directors: Elisabetta Magistretti, Chairperson, Luciano Santel and Cristina Scocchia, all independent directors.
The term of these committees is aligned with the term of the Board of Directors, because its members are also members of the Board of Directors.

(c) Board of statutory auditors

Pursuant to Italian law, Luxottica maintains a Board of statutory auditors, elected by the shareholders' meeting, composed of experts in legal and accounting matters who are required to have no other affiliation with Luxottica and who must satisfy certain professional and other standards.

The Board of statutory auditors is composed of three regular members and two alternate members. Members of the Board of statutory auditors are required to attend the meetings of the Board of Directors and of the shareholders.

The Board of statutory auditors is appointed on the basis of lists submitted by shareholders. Pursuant to the Italian Consolidated Financial Act, at least one effective member of the Board of statutory auditors shall be appointed by minority shareholders and shall act as Chairperson. At the shareholders' meeting held on April 19, 2018, the following individuals were appointed as members of the Board of statutory auditors: Giovanni Fiori (Chairperson), Dario Righetti and Barbara Tadolini. The following individuals were also appointed as alternate members of the Board of statutory auditors: Maria Venturini and Francesca Di Donato. The alternate members will replace current members who leave their position during the current term. Giovanni Fiori and Francesca Di Donato were selected from a list submitted by minority stockholders. Dario Righetti, Barbara Tadolini and Maria Venturini were selected from a list submitted by Delfin. The current term of the Board of statutory auditors expires at the time of the approval of the financial statements as of and for the year ending December 31, 2020.

3.1.7.2 Compensation and benefits of the members of Luxottica's administrative and management bodies

Set forth below is information regarding: (i) total compensation paid to the members of the Board of Directors and of the Board of statutory auditors for services rendered to Luxottica and its subsidiaries during 2017 (amounts in euros), and (ii) the additional variable remuneration based on financial instruments and/or cash received by Mr. Francesco Milleri and Mr. Stefano Grassi pursuant to long-term incentive plans in 2017.

Directors' and statutory auditors' remuneration as of December 31, 2017 (in euros)

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and Surname	**Office**	**Term in office**	**Expiration**	**Fixed remuneration**	**Remuneration for Committee Participation**	**Variable non-equity remuneration**		**Non-cash benefits**	**Other remuneration**	**Total**	**Fair value of Equity Remuneration *** ***(Estimated Potential Value)***	**Indemnity for termination of position**
						Bonuses and other incentives	**Profit-sharing**					
Leonardo Del Vecchio	Executive Chairman	January 1, 2017 - December 31, 2017	Approval of financial statements for 2017									
(I) Remuneration paid by Luxottica				1,100,000 (1)						1,100,000		
(II) Remuneration paid by subsidiary or affiliate companies												
(III) Total				1,100,000						1,100,000		
Luigi Francavilla	Vice-Chairman	January 1, 2017 - December 31, 2017	Approval of financial statements for 2017									
(I) Remuneration paid by Luxottica				158,000 (2)						158,000		
(II) Remuneration paid by subsidiary or affiliate companies				657,060						657,060		
(III) Total				815,060						815,060		
Francesco Milleri	Vice-Chairman and CEO	January 1, 2017 - December 31, 2017	Approval of financial statements for 2017									
(I) Remuneration paid by Luxottica				1,100,000 (3)						1,100,000		
(II) Remuneration paid by subsidiary or affiliate companies												
(III) Total				1,100,000						1,100,000		
Stefano Grassi	Director	January 1, 2017 - December 31, 2017	Approval of financial statements for 2017									
(I) Remuneration paid by Luxottica				469,715 (4)		270,500 (5)		4,871		745,086	172,710	
(II) Remuneration paid by subsidiary or affiliate companies												
(III) Total				469,715		270,500		4,871		745,086	172,710	

Marina Brogi	Director	January 1, 2017 - December 31, 2017	Approval of financial statements for 2017									
(I) Remuneration paid by Luxottica				100,000	25,000 (6)					125,000		
(II) Remuneration paid by subsidiary or affiliate companies												
(III) Total				100,000	25,000					125,000		
Luigi Feola	Director	January 1, 2017 - December 31, 2017	Approval of financial statements for 2017									
(I) Remuneration paid by Luxottica				100,000						100,000		
(II) Remuneration paid by subsidiary or affiliate companies												
(III) Total				100,000						100,000		
Elisabetta Magistretti	Director	January 1, 2017 - December 31, 2017	Approval of financial statements for 2017									
(I) Remuneration paid by Luxottica				100,000	40,000 (7)					140,000		
(II) Remuneration paid by subsidiary or affiliate companies												
(III) Total				100,000	40,000					140,000		
Mario Notari	Director	January 1, 2017 - December 31, 2017	Approval of financial statements for 2017									
(I) Remuneration paid by Luxottica				100,000	25,000 (8)					125,000		
(II) Remuneration paid by subsidiary or affiliate companies												
(III) Total				100,000	25,000					125,000		
Maria Pierdicchi	Director	January 1, 2017 - December 31, 2017	Approval of financial statements for 2017									
(I) Remuneration paid by Luxottica				100,000						100,000		
(II) Remuneration paid by subsidiary or affiliate companies												
(III) Total				100,000						100,000		
Karl Heinz Salzburger	Director	January 1, 2017 - December 31, 2017	Approval of financial statements for 2017									
(I) Remuneration paid by Luxottica				100,000						100,000		
(II) Remuneration paid by subsidiary or affiliate companies												
(III) Total				100,000						100,000		
Luciano Santel	Director	January 1, 2017 - December 31, 2017	Approval of financial statements for 2017									
(I) Remuneration paid by Luxottica				100,000	35,000 (9)					135,000		

(II) Remuneration paid by subsidiary or affiliate companies												
(III) Total				100,000	35,000					135,000		
Cristina Scocchia	Director	January 1, 2017 - December 31, 2017	Approval of financial statements for 2017									
(I) Remuneration paid by Luxottica				100,000	35,000 (10)					135,000		
(II) Remuneration paid by subsidiary or affiliate companies												
(III) Total				100,000	35,000					135,000		
Sandro Veronesi	Director	January 1, 2017 - December 31, 2017	Approval of financial statements for 2017									
(I) Remuneration paid by Luxottica				100,000						100,000		
(II) Remuneration paid by subsidiary or affiliate companies												
(III) Total				100,000						100,000		
Andrea Zappia	Director	January 1, 2017 - December 31, 2017	Approval of financial statements for 2017									
(I) Remuneration paid by Luxottica				100,000	30,000 (11)					130,000		
(II) Remuneration paid by subsidiary or affiliate companies												
(III) Total				100,000	30,000					130,000		
Massimo Vian	CEO Product and Operations	January 1, 2017 - December 15, 2017	December 15, 2017									
(I) Remuneration paid by Luxottica				1,157,490 (12)				94,792		1,252,282		6,300,000 (13)
(II) Remuneration paid by subsidiary or affiliate companies												
(III) Total				1,157,490				94,792		1,252,282		6,300,000
Francesco Vella	Chairman of the Board of Statutory Auditors	January 1, 2017 - December 31, 2017	Approval of financial statements for 2017									
(I) Remuneration paid by Luxottica				105,000						105,000		
(II) Remuneration paid by subsidiary or affiliate companies												
(III) Total				105,000						105,000		
Alberto Giussani	Statutory Auditor	January 1, 2017 - December 31, 2017	Approval of financial statements for 2017									
(I) Remuneration paid by Luxottica				70,000						70,000		
(II) Remuneration paid by subsidiary or affiliate companies												
(III) Total				70,000						70,000		
Barbara Tadolini	Statutory Auditor	January 1, 2017 - December 31, 2017	Approval of financial statements for 2017									
(I) Remuneration paid by Luxottica				70,000						70,000		
(II) Remuneration paid by subsidiary or affiliate companies												

(III) Total			70,000						70,000		
Executives with strategic responsibilities – 6 employees of Luxottica											
(I) Remuneration paid by Luxottica			2,732,117		1,073,950 (15)		112,581		3,918,648	2,066,763	1,700,000
(II) Remuneration paid by subsidiary or affiliate companies											
(III) Total			2,732,117		1,073,950		112,581		3,918,648	2,066,763	1,700,000

1) EUR 100,000 paid as Director and EUR 1,000,000 paid as Chairman of the Board of Directors.
2) EUR 100,000 paid as Director and EUR 58,000 paid as Vice-Chairman of the Board of Directors.
3) EUR 100,000 paid as Director and EUR 1,000,000 paid as Vice-Chairman of the Board of Directors and CEO.
4) EUR 4,570 paid as Director and EUR 465,145 paid as an employee.
5) Variable non-equity remuneration paid because of the employment contract.
6) Remuneration paid as member of the Human Resources Committee.
7) Remuneration paid as Chairwoman of the Control and Risk Committee.
8) Remuneration paid as member of the Human Resources Committee.
9) Remuneration paid as member of the Control and Risk Committee.
10) Remuneration paid as member of the Control and Risk Committee.
11) Remuneration paid as Chairman of the Human Resources Committee.
12) EUR 95,699 paid as Director, EUR 382,796 paid as CEO and EUR 678,995 paid as an employee.
13) Amount paid upon termination of the employment relationship: EUR 200,000 as a general novation transaction and EUR 6,100,000 as severance indemnity.
14) Variable non-equity remuneration paid because of the employment contract.

Outstanding incentive plans for Luxottica's Directors as of the date of this Update to the 2017 Registration Document

Name and Surname		Allocated financial instruments		Financial instruments vested and not assigned	Financial instruments vested and assigned/assignable		Cash Bonuses		
	Plan	Number of financial instruments	Vesting period	Number of financial instruments	Number of financial instruments	Value on maturity date	Payable/ paid	Deferred	Term of deferral
Francesco Milleri – Vice-Chairman and CEO	LTI Cash Plan 2018 – 2020 (resolution of the Board of December 15, 2017)							4,000,000	December 15, 2017 – December 31, 2020
Stefano Grassi – Director	PSP PLAN 2015 (resolution of the Board of May 4, 2015)	12,000	May 4, 2015 – December 31, 2017	3,000	9,000*	466,380			
	LTI Cash Plan 2016 – 2019 (resolution of the Board of October 24, 2016)							1,300,000	October 24, 2016 – December 31, 2019
	LTI Cash Plan 2018 – 2020 (resolution of the Board of December 15, 2017)							3,000,000	December 15, 2017 – December 31, 2020

* Assigned by board resolution dated February 26, 2018 and with effect as of March 2, 2018.

3.1.8 Independent Auditors

The independent auditors are appointed by the shareholders' meeting.

On April 28, 2011, the shareholders' meeting appointed PricewaterhouseCoopers S.p.A. as auditing company, for fiscal years 2012-2020.

PricewaterhouseCoopers S.p.A.'s registered office is located in Milan, via Monte Rosa 91.

3.1.9 Related-party agreements

As of the date of this Update to the 2017 Registration Document, the following material related-party agreements are effective within the Luxottica Group.

Related-parties are identified pursuant to IAS 24 *Related Party Disclosures*[9].

(a) License agreements

Luxottica has a worldwide exclusive license agreement to manufacture and distribute ophthalmic products under the Brooks Brothers name. The Brooks Brothers trade name is owned by Brooks Brothers Group, Inc., which is controlled by Mr. Claudio Del Vecchio, a son of Luxottica's Executive Chairman and controlling shareholder, Mr. Leonardo Del Vecchio. The license expires on December 31, 2019. Royalties paid to Brooks Brothers Group, Inc. under such agreement were €0.5 million for the first six months of 2018 and €0.9 million for each year ended December 31, 2017, 2016 and 2015, respectively.

(b) Lease of office building

On April 29, 2014, the Board of Directors of Luxottica authorized it to enter into an agreement to lease a building located in Piazzale Luigi Cadorna 3, Milan (hereinafter the "Building"). The lease is for a period of seven years and 5 months and renewable for additional six years. The Building is owned by Beni Stabili SIIQ S.p.A. (hereinafter "Beni Stabili"), which - through Delfin - is ultimately controlled by Mr. Leonardo Del Vecchio. In accordance with the procedure on related parties transactions adopted by Luxottica and CONSOB regulation n. 17221/2010, and in light of the lease value, the agreement qualified as a "minor transaction with related parties". On March 31, 2014, the risk and control committee, solely composed of independent directors, unanimously expressed a favorable opinion regarding Luxottica's interest in entering into this transaction as well as on the fairness of the related conditions. Luxottica incurred an expense for the lease of the building of €2.7 million, €4.7 million and €3.8 million in 2017, 2016 and 2015, respectively.

On July 3, 2017, Luxottica bought from Beni Stabili the Building for a consideration of €114.6 million. This acquisition qualified as a "minor transaction with related parties" in accordance with the procedure on related parties transactions adopted by Luxottica and CONSOB regulation n. 17221/2010, and in light of the purchase price. On February 24, 2017, the risk and control committee, solely composed of independent directors, unanimously expressed a favorable opinion regarding Luxottica's interest in entering into this transaction as well as on the fairness of the related conditions.

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[9] Pursuant to IAS 24, a "related party" is a person or entity that is related to the entity preparing its financial statements (referred to as the "reporting entity"). In particular:

(a) a person or a close member of that person's family is related to a reporting entity if that person: (i) has control or joint control of the reporting entity; (ii) has significant influence over the reporting entity; or (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity; or

(b) an entity is related to a reporting entity if any of the following conditions applies: (i) the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others); (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member); (iii) both entities are joint ventures of the same third party; (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity; (v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity; (vi) the entity is controlled or jointly controlled by a person identified in (a); (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

(c) Technology Advisory Arrangements

On March 1, 2016, Mr. Francesco Milleri was appointed as a director of Luxottica with deputy functions. On April 29, 2016, the shareholders' meeting confirmed Mr. Milleri as director and the Board of Directors appointed him Deputy Chairman. On December 15, 2017, the Board of Directors appointed Mr. Milleri Chief Executive Officer. In 2016, Luxottica and certain of its subsidiaries entered into transactions with entities owned or controlled by Mr. Milleri, primarily related to the implementation of Luxottica's updated IT platform. Amounts related to these transactions were €14.1 million in the first six months of 2018 and €27.3 million and €11.9 million in 2017 and 2016, respectively. Part of these amounts were capitalized under intangible assets for an amount of €12.2 million for the first six months of 2018 and € 25 million and € 10.3 million for the period 2017 and 2016, respectively. The net book value of these fixed assets amounted to €36.5 million as of June 30, 2018, whereas it amounted to €29.6 million as of December 31, 2017 and €10.3 million as of December 31, 2016. On April 26, 2016 Luxottica signed a two-year master agreement with companies owned or controlled by Mr. Milleri for services related to the Luxottica Group IT platform. On November 13, 2017 Luxottica Group signed an addendum which (i) includes digital IT services and (ii) extends the initial duration of the master agreement to three years with expiry date on April 25, 2019. The addendum was approved by the Board of Directors of Luxottica. The agreement can be terminated by Luxottica in case of: (i) force majeure events; (ii) lack of performance and quality standards in the supply of services; (iii) violation of the exclusivity clause in favor of Luxottica; (iv) supplier's change of control. The renewal of the agreement will be discussed in good faith among the parties during the 60 days preceding the expiry of the 3-year term. Total commitments related to the provision of IT services from companies pertaining to Francesco Milleri amount to €2.1 million as of June 30, 2018 (€ 5.7 million as of December 31, 2017 and € 50 thousand as of December 31, 2016).

(d) Joint-Venture Arrangement

In February 2010, Luxottica and Essilor formed the Australian Joint-Venture. This alliance (which is majority controlled by Essilor) manages Eyebiz Laboratories Pty. Ltd., which provides lens manufacturing and finished lenses for Australia and New Zealand. The Australian Joint-Venture invested in a new, state of the art facility in Thailand capable of providing 24 hour production seven days a week.

Details on transactions with Eyebiz Laboratories Pty. Ltd., as well as other non-material related-party agreements, can be found in note 29 of the notes to the condensed consolidated interim financial statements of Luxottica as of June 30, 2018, note 30 of the notes to the consolidated financial statements of Luxottica for 2017 and in note 30 of the notes to the consolidated financial statements of Luxottica for 2016.

3.1.10 Address at which the documents and information relating to Luxottica are available for consultation

Corporate documents and information relating to Luxottica are available on its website, www.luxottica.com.

3.2 General information concerning the share capital

3.2.1 Issued capital, number and class of financial instruments therein, and mention of their main characteristics

3.2.1.1 Amount of capital subscribed, number and classes of securities comprising the share capital

As of the date of this Update to the 2017 Registration Document, the share capital of Luxottica amounts to €29,109,181.98, fully paid up and divided into 485,153,033 ordinary shares with a nominal value of €0.06 each.

On June 14, 2006, the extraordinary general shareholders' meeting of Luxottica resolved to increase the share capital up to a nominal amount of €1,200,000, in one or more tranches and as of or prior to June 30, 2021, by issuing new ordinary shares to be offered only to employees of Luxottica and/or of companies controlled by Luxottica. After June 30, 2021, the share capital will be increased by an amount equal to the overall subscriptions made.

As of the date of this Update to the 2017 Registration Document, pursuant to this resolution, 15.919.500 new ordinary shares have been subscribed.

Luxottica ordinary shares have been listed on the electronic share market and then on the MTA (Mercato Telematico Azionario) managed by Borsa Italiana, ISIN: IT0001479374, since 2000.

3.2.1.2 Main characteristics of the different classes of shares

Ordinary shares

Luxottica has issued only ordinary shares, which are freely transferable.

The voting rights attached to all of Luxottica's shares are proportional to the ownership interest represented by such shares in the company's share capital. Each of Luxottica's shareholders, including its controlling shareholder Delfin, is entitled to one vote per share at each shareholders' meeting.

Luxottica's ordinary shares grant the right to receive payment of dividends, if so approved by a majority of shareholders at the ordinary meeting convened to approve the yearly financial statements. Before dividends may be paid with respect to the results of any year, in compliance with Italian law, an amount equal to 5% of Luxottica's net income for such year must be set aside in the legal reserve until this reserve, including amounts set aside during prior years, is equal to one-fifth of the nominal value of Luxottica's issued share capital. Dividends can only be distributed out of realized profits, resulting from regularly approved financial statements. In cases where losses have reduced Luxottica's share capital, dividends cannot be distributed until the share capital has been restored or reduced accordingly. If the net income is not distributed as dividends and an appropriate reserve is consequently set aside, the shareholders can adopt a resolution, at an extraordinary meeting, to convert such reserve into capital. In this case, the shares resulting from the increase are attributable to the shareholders without additional consideration in proportion to their ownership before the increase.

Interim dividends can be distributed to the holders of Luxottica ordinary shares, provided that: (i) the Board of Directors so resolves on the basis of a report on the financial and accounting situation of the company, as well as on the opinion of the independent auditor in respect thereof; (ii) the independent auditor issued a positive opinion with respect to the financial statements for the previous financial year; (iii) the financial statements for the previous financial year did not show losses; and (iv) the amount of interim dividends does not exceed the lower value between profits realized in the relevant financial year (less any amount to be set aside to the legal reserve pursuant to law) and of distributable reserves.

On a liquidation or winding-up of the company, holders of ordinary shares will be entitled to participate in any surplus assets remaining after the payment of all creditors. Shares rank *pari passu* among themselves in liquidation.

3.2.1.3 Number of double voting rights and treasury shares

No shares granting double voting rights have been issued by Luxottica.

At the date of this Update to the 2017 Registration Document, Luxottica holds 6,071,922 treasury shares.

3.2.1.4 Non fully-paid equity

N/A

3.2.1.5 Changes in the share capital over the past five years

Please refer to Section 3.2.1.1 "Amount of capital subscribed, number and classes of securities comprising the share capital" of this Update to the 2017 Registration Document.

3.2.2 Characteristics of financial instruments granting access to capital

Luxottica's general shareholders' meeting has approved long-term remuneration plans based on the assignment of stock options or rights pursuant to which the beneficiaries can – subject to certain conditions – subscribe or receive Luxottica shares for free.

As of the date of this Update to the 2017 Registration Document, the outstanding stock options and rights granting access to Luxottica capital are those provided by the remuneration plans here below:

a) in July 2006, Luxottica adopted an employee stock option plan providing for the issuance of options covering up to 20,000,000 ordinary shares. Under the 2006 Option Plan, the option exercise price per share shall be the fair market value of an ordinary share on the date of grant, where "fair market value" is the market value of a share on the MTA provided, however, that for U.S. employees, it is defined as the higher of: (i) the arithmetic average of the official market price of Luxottica's ordinary shares on the MTA during the month ending on the day prior to the date of grant; and (ii) the official market price of Luxottica's ordinary shares on the MTA on the trading day immediately preceding the date of grant. Options granted under the plan generally become exercisable three years after the date of grant and expire nine years after such date;

b) on May 7, 2009, the Board of Directors authorized the reassignment of new options to employees who were then beneficiaries of the stock option grants approved in 2006 and 2007 and held options with an exercise price, considering then present market conditions and the financial crisis, that was significantly higher than the market price at such time, undermining the performance incentives that typically form the foundation of incentive plans. The Board of Directors therefore approved the grant of new options to the beneficiaries of the abovementioned stock option grants, which are exercisable – on the condition of surrendering the options granted in 2006 and/or 2007 - at an exercise price determined pursuant to the provisions of the 2001 and 2006 Stock Option Plans and, therefore, consistent with the market values of Luxottica shares at the time of grant of the new options;

c) in April 2013, a performance share plan for the key managers and employees, as identified by the Board of Directors, was adopted (the "**New PSP Plan**"). The beneficiaries are granted the right to receive units of Luxottica provided that certain financial targets set by the Board of Directors at the time of grant are achieved by the end of a specified three-year reference period. The New PSP Plan has a term of five years, during which the Board of Directors may authorize the issuance of grants to the New PSP Plan's beneficiaries. Pursuant to the New PSP Plan, the Board of Directors granted a total amount of 4,073,340 units. On February 26, 2018, the Board of Directors assigned the last grant that had been approved in 2015 under this plan. The pay-out was calculated according to the Board resolution of May 16, 2017, considering the performance levels of the first two years of vesting (2015 and 2016), and excluding 2017 due to the substantial changes in the Luxottica Group's strategic business goals related to the Combination. No further grant has been issued.

The overall outstanding grants are detailed on the following page.[10]

The outstanding remuneration plans of Luxottica provide that, in the case of extraordinary transactions and/or change of control and/or tender offer, the Board of Directors can resolve to change the relevant terms and conditions, including by providing acceleration. In addition, pursuant to the Combination Agreement, Luxottica and Essilor shall agree on an exchange mechanism to allow the holders of any unvested stock options or rights to exercise them and tender their shares within the Italian Exchange Offer.

With regard to the Luxottica stock option plans, it is to be noted that all unexercised options have exceeded the vesting period. Since the expiry of the exercise period (May 2021) is not compatible with the completion schedule of the Combination, on May 16, 2017 the Board of Directors resolved to reduce the exercise period for these rights, implying that beneficiaries can exercise these rights before, or at the same time as, the period for accepting the Italian Exchange Offer and can, as appropriate, subscribe to the latter. The new expiry date of such rights will be the 55th day following the completion of the Contribution and the issue of the press release related to the Exchange Offer, in compliance with Article 102 of the Italian Consolidated Financial Act. Any options that are not exercised within this shorter period of time shall expire.

[10] On December 15, 2017, upon recommendation of the Human Resources Committee, the Board of Directors approved the adoption of a long-term monetary incentive plan “LTI Cash Plan 2018-2020”, the distribution of which is conditional, *inter alia*, on the continuity of the employment relationship with the companies of the Luxottica Group for a three-year period. This plan is subject to the completion of the Combination by December 31, 2018 at the latest. This monetary incentive can be converted in the future, subject to the approval of the competent corporate bodies, into a plan based on EssilorLuxottica or Luxottica shares.

As of June 30, 2018, the following grants were outstanding as detailed below:

	Number of rights granted	Number of rights exercised*	Number of rights forfeited	Number of rights outstanding	Exercise price	Original Expiration date**
2009 Non-U.S. Grant	378,000	305,000	73,000	—	€13.45	May 7, 2018
2009 U.S. Grant	672,000	479,000	193,000	—	€14.99	May 7, 2018
2009 Non-U.S. Residents Reassignment, Ordinary	2,060,000	1,840,000	220,000	—	€13.45	May 7, 2018
2009 U.S. Residents Reassignment, Ordinary	825,000	630,000	195,000	—	€15.03	March 31, 2017
2009 Non-U.S. Residents Reassignment, Performance Grant	4,250,000	4,250,000	—	—	€13.45	May 7, 2018
2009 U.S. Residents Reassignment, Performance Grant	1,450,000	1,350,000	100,000	—	€15.11	June 12, 2018
2010 Non-U.S. Residents Grant	1,221,000	1,061,500	151,500	8,000	€20.72	April 29, 2019
2010 U.S. Residents Grant	703,500	497,500	206,000	—	€21.23	April 29, 2019
2011 Non-U.S. Residents Grant	1,323,500	1,183,000	127,500	13,000	€22.62	April 28, 2020
2011 U.S. Residents Grant	715,500	468,500	244,000	3,000	€23.18	April 28, 2020
2012 Non-U.S. Residents Grant	1,389,000	1,182,500	166,000	40,500	€26.94	May 7, 2021
2012 U.S. Residents Grant	687,500	496,000	191,500	—	€28.32	May 7, 2021
Total Stock options	**15,675,000**	**13,743,000**	**1,867,500**	**64,500**		
2008 PSP Grant	1,203,600	—	1,203,600	—	—	—
2009 PSP Grant	1,793,750	1,505,400	288,350	—	—	—
2010 PSP Grant	865,000	523,800	341,200	—	—	—
2011 PSP Grant	764,750	509,500	255,250	—	—	—
2012 PSP Grant	721,200	498,778	222,422	—	—	—
2013 PSP Grant	1,281,480	830,054	451,426	—	—	—
2014 PSP Grant	1,209,900	680,449	529,451	—	—	—
2015 PSP Grant (ordinary)	893,160	392,017	501,143	—	—	—
2015 PSP Grant (extraordinary)	688,800	54,750	634,050	—	—	—

Total PSP [1]	**9,421,640**	**4,994,748**	**4,426,892**	**0**
Total Stock Options and PSP	**25,096,640**	**18,737,748**	**6,294,392**	**64,500**

* Amount shown in this column for PSP Plans represent the actual amount of shares assigned to beneficiaries.

** The original expiration date is subject to be anticipated according to the Board of Director's resolution of May 16, 2017 (see above, para. 3.2.2).

(1) Remuneration under the Performance share plans can be given, as per the terms of the plan, through treasury shares or cash.

3.2.3 Allocation of shares and voting rights in Luxottica

The following table sets forth, as of the date of this Update to the 2017 Registration Document, the beneficial ownership of Luxottica ordinary shares by each person beneficially owning 3% or more of the issued share capital (including ordinary shares represented by ADRs), known to Luxottica on the basis of the most recent public filings or communications to Luxottica pursuant to Italian law.

Name of person or company/group	Amount of shares owned	Percent of class
Leonardo Del Vecchio	303,609,457(1)	62.58%
Giorgio Armani	22,524,000	4.64%

(1) 302,846,957 shares (62.42% as of the date of this Update to the 2017 Registration Document) held by Delfin, which is controlled by Mr. Del Vecchio. Mr. Del Vecchio holds voting and investment power over the shares held by Delfin; 762,500 shares are held by his wife.

Other notifications of investors, such as positions in derivative instruments, can be found at the website of CONSOB, www.consob.it.

3.3 Information relating to Luxottica's activity

Copies of the English version of Luxottica's 2018 half year report may be accessed on Luxottica's website at http://www.luxottica.com/en/half-year-report-2018.

3.3.1 Presentation of the Luxottica Group and its main activities

3.3.1.1 Corporate profile

Luxottica is a market leader in the design, manufacture and distribution of fashion, luxury, sports and performance eyewear. The company's total net sales was over Euro 9 billion in 2017 and headcount is approximately 85,000 employees.

Founded in 1961 by Leonardo Del Vecchio, listed on Borsa Italiana since 2000, Luxottica is a vertically integrated organization whose manufacturing of sun and prescription eyewear is backed by a wide-reaching wholesale organization and a retail network located primarily in North America, Latin America, Asia-Pacific and Western Europe.

Product design, development and manufacturing of frames take place in Luxottica's six production facilities in Italy, three factories in China, one factory in Brazil, one facility in the United States devoted to sports and performance eyewear and two small plants in Japan and India, the latter serving the local market.

Luxottica also has produced sun and ophthalmic lenses for more than 20 years. Luxottica has increased its manufacturing capacity since the end of 2016 with the addition of three new laboratories in Europe, North America and Asia-Pacific which are completely integrated with its logistics hubs.

The design and quality of Luxottica's products and strong, well-balanced brand portfolio are recognized throughout the world. Proprietary brands include Ray-Ban, one of the world's best-known eyewear brands, Oakley, one of the leading product design and sport performance brands globally, Vogue Eyewear, Persol, Oliver Peoples, Alain Mikli and Arnette. Licensed brands include Giorgio Armani, Burberry, Bulgari, Chanel, Coach, DKNY, Dolce&Gabbana, Ferrari, Michael Kors, Miu Miu, Prada, Ralph Lauren, Starck Eyes, Tiffany & Co., Tory Burch, Valentino and Versace.

Luxottica's wholesale distribution network covers more than 150 countries across five continents and has approximately 50 commercial subsidiaries providing direct operations in key markets. Direct wholesale operations are complemented by an extensive retail network comprised of approximately 9,000 stores worldwide.

Luxottica is a leader in the optical retail business in North America with its LensCrafters and Pearle Vision brands, in Australia and New Zealand with the OPSM and Laubman & Pank brands, in China with the LensCrafters brand, in Italy with the Salmoiraghi & Viganò brand and in Latin America with the GMO and Óticas Carol brands. In North America, Luxottica also operates its licensed optical retail brands Sears Optical and Target Optical. Additionally, Luxottica operates one of the fastest growing managed vision care networks in the United States through EyeMed.

Luxottica is home to Sunglass Hut, the largest retailer of premium sunglasses in North America, Europe, Latin America, Asia-Pacific, South Africa and the Middle East. Additionally, Luxottica has developed its new Ray-Ban retail concept in China, offering an interactive space created for consumers to embrace the unique Ray-Ban experience and culture. The Oakley brand provides a powerful wholesale and retail presence in both the performance optics and sport channels with its “O” stores, offering Oakley-branded eyewear as well as apparel, footwear, backpacks and accessories designed for athletic lifestyles. Finally, retail brands including Oliver Peoples, Alain Mikli, Ilori Optical and Optical Shop of Aspen give Luxottica a foothold in the luxury space.

Luxottica’s distribution channels are complemented by its e-commerce platforms, including Oakley.com, Ray-Ban.com, Persol.com, Vogue-Eyewear.com, SunglassHut.com and Glasses.com.

3.3.1.2 History of Luxottica Group

Incorporation

Luxottica was founded by Leonardo Del Vecchio in 1961, when he set up Luxottica di Del Vecchio e C. S.a.S., which subsequently became a joint-stock company organized under the laws of Italy under the name of Luxottica S.p.A. The company started out as a small workshop and operated until the end of the 1960s as a contract producer of dyes, metal components and semi-finished goods for the optical industry. It gradually widened the range of processes offered until it had an integrated manufacturing structure capable of producing a finished pair of glasses. In 1971, the first collection of prescription eyewear was presented at Milan’s MIDO (an international optics trade fair), marking the definitive transition from contract manufacturer to independent producer.

Expansion into Wholesale Distribution

In the early 1970s, Luxottica sold its frames exclusively through independent distributors. In 1974, after five years of sustained development in its manufacturing capacity, it began to pursue a strategy of vertical integration, with the goal of distributing frames directly to retailers. The first step was the acquisition of Scarrone S.p.A., which had marketed Luxottica products since 1971, bringing with it vital knowledge of the Italian eyewear market.

International expansion began in the 1980s with the acquisition of independent distributors and the formation of subsidiaries and joint ventures in key international markets.

The wholesale distribution expansion focused on customer differentiation, customized service and new sales channels, such as large department stores, travel retail and e-commerce, as well as continuous penetration into the emerging markets. The 1981 acquisition of La Meccanoptica Leonardo, the owner of the Sferoflex brand and of an important flexible hinge patent, enabled the enhancement of the design and quality of products and an increase in market share.

Starting in the late 1980s, eyeglasses, previously perceived as mere sight-correcting instruments, began to evolve into “eyewear”. An aesthetic focus on everyday objects and designers’ interest in the emerging accessories market led the Luxottica Group to embark on its first collaboration with the fashion industry in 1988 by entering into a licensing agreement with Giorgio Armani. Luxottica followed that initial collaboration with numerous others and with the acquisition of new brands, and gradually began building what is now a world-class brand portfolio.

Over the years, Luxottica has launched collections from names like Bvlgari (1997), Chanel (1999), Prada (2003), Versace (2003), Donna Karan (2005), Dolce&Gabbana (2006), Burberry (2006), Ralph

Lauren (2007), Paul Smith (2007), Tiffany & Co. (2008), Tory Burch (2009), Coach (2012), Starck Eyes (2013), Giorgio Armani (2013), Michael Kors (2015) and Valentino (2017).

Moreover, in 1999, Luxottica acquired Ray-Ban, one of the world's best-known sunglass brands, along with its crystal sun lens technology.

In 2007, Luxottica acquired California-based Oakley, a leading sport and performance brand, which owned the Oliver Peoples brand and a license to manufacture and distribute eyewear under the Paul Smith name. At the time of the acquisition, Oakley had its own retail network of over 160 stores.

In 2013, Luxottica acquired Alain Mikli International SA ("Alain Mikli"), a French luxury and contemporary eyewear company, which owned the Alain Mikli brand and Starck Eyes license. As a result of the acquisition, the Luxottica Group strengthened both its luxury brand portfolio and prescription offerings.

Retail Distribution

In 1995, Luxottica acquired The United States Shoe Corporation, which owned LensCrafters, one of North America's largest optical retail chains. The Luxottica Group became the world's first significant eyewear manufacturer to enter the retail market, maximizing synergies with its production and wholesale distribution and increasing penetration of its products through LensCrafters stores.

Since 2000, Luxottica has strengthened its retail business by acquiring a number of chains, including Sunglass Hut (2001), a leading retailer of premium sunglasses, OPSM Group (2003), a leading optical retailer in Australia and New Zealand, Cole National Corporation (2004), which brought with it another important optical retail chain in North America, Pearle Vision, and an extensive retail licensed brands store business (Target Optical and Sears Optical). In 2005, Luxottica began retail expansion into China, where LensCrafters has become a leading brand in the country's high-end market. In the same year, it also began to expand Sunglass Hut globally into high-potential markets like the Middle East, South Africa, India, Southeast Asia, Mexico, Brazil and Europe. In 2011, Luxottica began optical retail expansion in Latin America by completing the acquisition of Multiópticas Internacional S.L. ("GMO" or "Multiópticas Internacional"), a leading retailer in Chile, Peru, Ecuador and Colombia. In 2016, Luxottica completed the acquisition of Salmoiraghi & Viganò, one of the leading optical retail chains in Italy, in which Luxottica has held a minority stake since 2012. In 2017, the Luxottica Group entered the optical retail business in Brazil through the acquisition of Óticas Carol, one of the largest franchising optical retailers in the country.

3.3.1.3 Presentation of Luxottica Group's main activities

Design and product development

Emphasis on product design and the continuous development of new styles are key to Luxottica's success. Every year, Luxottica adds approximately 2,000 new styles to its eyewear collections. Each style is typically produced in two sizes and five colours.

Luxottica's designs have always both reflected and influenced emerging fashion trends. The Luxottica Group emphasizes unique product design and the continuous development of new styles that appeal to the needs and desires of consumers.

While wearable technology is in its early stages, Luxottica has taken a leading role in exploring and developing smart eyewear through partnerships with leading tech players. In 2016, Luxottica and Intel launched "Radar Pace", Oakley branded smart glasses with a voice-activated real time coaching system to improve the work-out experience and performance for runners and cyclists.

Manufacturing

Luxottica runs six production facilities in Italy for sunglasses and frames, three factories in China, one factory in Brazil, one factory in the United States devoted to sports and performance eyewear and two small plants in Japan and India, the latter serving the local market.

In 2017, Luxottica global production reached approximately 89 million units.

All six facilities located in Italy, the center of the group's luxury eyewear production, combine the tradition of Italian craftsmanship with the speed and efficiency of modern automation. These factories represent approximately 41% of the global production output. Five facilities are located in Northeastern Italy, where most of the country's eyewear industry is based, and one is located near Turin.

Three manufacturing facilities in China and a small plant in India collectively represent approximately another 46% of the total production output. The Foothill Ranch facility in California represents approximately another 9% of total production output and manufactures high-performance sunglasses and prescription frames and lenses and assembles most of Oakley's eyewear products. The Campinas plant in Brazil produces the remaining approximately 4% of total production output and more than 50% of the eyewear sold by Luxottica in the Brazilian market.

Products and materials

Frames

Over the years Luxottica has progressively diversified its technology mix from the traditional metal, plastic injection and acetate slabs to include aluminum, wood, die casting and fabric inserts. Consumer needs are continuously changing, which requires quick technological adaptation.

The two main product families are metal and plastic (acetate and injected), which represent almost 35% and 65% of the Luxottica Group's total frame production, respectively.

Luxottica's manufacturing process for metal frames has approximately 70 different phases, beginning with the production of basic components, such as rims, temples and bridges using a molding process. These components are then welded together to form frames over numerous stages of detailed assembly work. Once assembled, the metal frames are treated with various coatings to improve their resistance and finish, and then prepared for lens fitting and packaging.

Plastic frames are manufactured using either a milling or an injection molding process. In the milling process, a computer-controlled machine carves frames from colored acetate slabs. This process produces rims, temples and bridges that are then assembled, finished and packaged. In the injection molding process, plastic resins are liquefied and injected into molds. The plastic parts are then assembled, coated, finished and packaged.

Plano sun lenses

Luxottica has gradually invested in producing its own lenses in-house. Italy's Lauriano plant is a benchmark for the world of Luxottica plano sun lenses with its multiple roles: production plant, research and experimental lab dedicated to the latest innovations, and logistics center delivering lenses to the rest of the group. The Foothill Ranch facility also performs a key role in Luxottica Group's plano sun lens operations, manufacturing high-performance sunglasses, prescription frames and lenses and assembling most of Oakley's eyewear products.

Ophthalmic lenses

At the end of 2016 and in the first quarter of 2017, Luxottica opened three new laboratories within its logistic hubs in Italy, the United States and China specifically for the production of ophthalmic lenses. These labs are in addition to the existing lens manufacturing network that has made Luxottica a key player in the high-end ophthalmic lens business.

Distribution

Please refer to Section 3.3.1.5 "Luxottica Group's distribution" of this Update to the 2017 Registration Document.

Brand portfolio

The portfolio is well-balanced between proprietary and licensed brands, and it continues to evolve. Proprietary brands include Ray-Ban, one of the world's best-known eyewear brands, Oakley, one of the leading product design and sport performance brands globally, Vogue Eyewear, Persol, Oliver Peoples, Alain Mikli and Arnette.

The presence of Ray-Ban and Oakley gives the proprietary brand portfolio a strong base, complemented by Persol, Oliver Peoples and Alain Mikli on the high-end of the market, Arnette in the sport market, and Vogue Eyewear in the fashion market. Alongside the proprietary brands, the portfolio has over 20 licensed brands, including some of the most well-known and prestigious names in the global fashion and luxury industries. Licensed brands include Giorgio Armani, Burberry, Bulgari, Chanel, Coach, DKNY, Dolce&Gabbana, Ferrari, Michael Kors, Miu Miu, Prada, Ralph Lauren, Starck Eyes, Tiffany & Co., Tory Burch, Valentino and Versace.

With its manufacturing and distribution know-how, its experience in international markets and direct retail operations supported by marketing investment, Luxottica is the ideal partner for fashion houses and stylists seeking to translate their style and values into successful premium eyewear collections. Luxottica differentiates each designer's offering to produce a broad range of models that appeal to a diverse group of consumers, lifestyles and geographies.

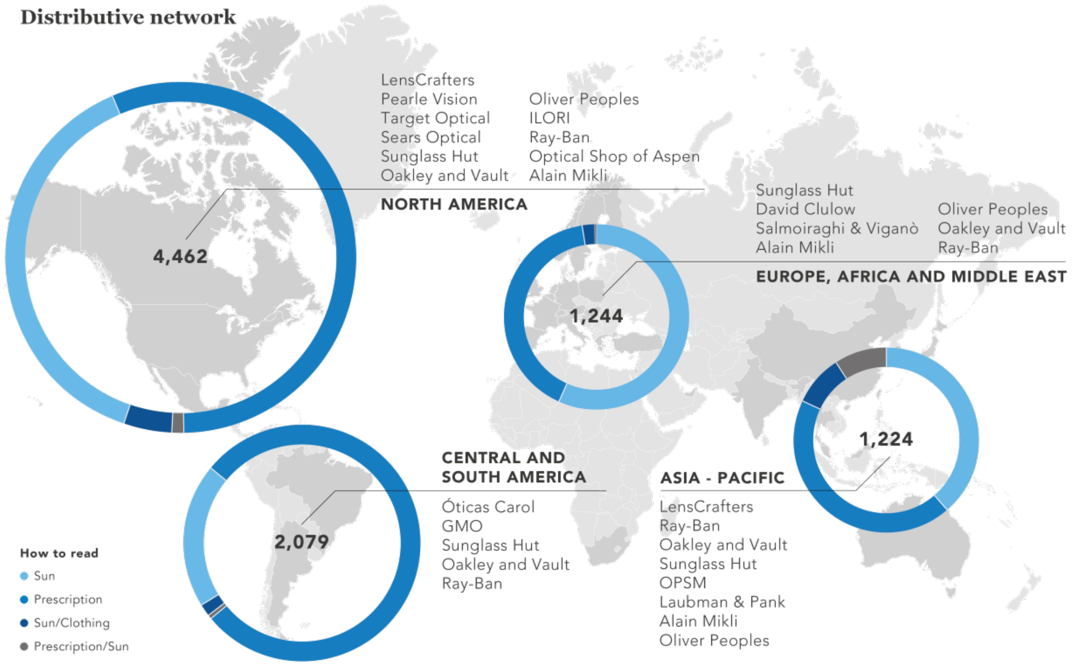
3.3.1.4 Luxottica Group's geographical presence

Luxottica Group leverages a diverse and widespread geographical presence across 150 countries, with institutional offices, wholesale subsidiaries, approximately 9,000 retail stores, 4 primary service centers and 13 manufacturing facilities.

Luxottica Operations – Main facilities

A leader in optical and sun retail

As of June 30, 2018



Wholesale distribution platform

3.3.1.5 Luxottica Group’s distribution

Luxottica Group’s global distribution network, including retail chains and a wholesale network of third-party stores, is one of its core strengths. It extends to both developed and emerging markets, where the Luxottica Group has made substantial investments over the last few years. This efficient distribution network makes it possible to maintain close contact with customers while maximizing the visibility of the brand portfolio.

Logistics

Luxottica Group’s distribution system, which serves both the retail and wholesale businesses and links them to the production facilities, is globally integrated and fed by a centralized manufacturing platform. It provides daily monitoring of global sales performance and inventory levels to meet local market demand.

There are four main distribution hubs in strategic locations serving the Luxottica Group’s major markets: Sedico (Italy), Atlanta (United States), Dongguan (China) and Jundiaí (Brazil). They operate as centralized facilities under a highly automated order management system, which serves group’s local distribution centers and, in some markets, ships products directly to customers, which further reduces delivery times and keeps stock levels low.

By the first quarter of 2017, the Group successfully opened its new service centers in Atlanta and Dongguan thereby strengthening the Group’s global logistics centralization strategy in the North America and Asia-Pacific regions.

The Sedico, Atlanta and Dongguan service centers include laboratories for the production of ophthalmic lenses to serve the European, North American and Asia-Pacific markets, creating integrated logistics and production hubs for ophthalmic lenses and frames.

In order to better serve the consumer with customized speed to market, Luxottica has continued to simplify its global network and concentrate on the Group’s four main service centers allowing it to streamline its operational efficiency and progressively close decentralized local facilities.

Wholesale Distribution

Luxottica Group’s wholesale distribution network covers more than 150 countries, with approximately 50 commercial subsidiaries in major markets and approximately 80 independent distributors in other less developed markets. Wholesale customers are mostly retailers of mid to premium-priced eyewear, such as independent opticians, optical retail chains, specialty sun retailers, department stores, duty-free shops and online retailers. Certain brands, including Oakley, are also distributed to sporting goods stores and specialty sports locations.

In addition to giving wholesale customers access to some of the most popular brands and models, Luxottica Group provides them with pre- and post-sale services to enhance their business and maintain close contact with distributors in order to monitor sales and the quality of the points of sale.

In 2002, Luxottica introduced the STARS (Superior Turn Automatic Replenishment System) program within the group’s wholesale segment, which leverages Luxottica knowledge of local markets and brands to deliver fresh, high-turnover products to customers and maintain optimal inventory levels at each point of sale. Strengthening the partnership between Luxottica and its customers, this program directly manages product selection activities, assortment planning and automatic replenishment of products in the store, utilizing ad hoc systems, tools and state-of-the-art planning techniques. STARS serves approximately 10,000 stores in the major European markets, the United States, the Middle East and emerging markets.

Retail Distribution

With a strong portfolio of retail brands, Luxottica Group is well positioned to serve every segment of the market with a variety of differentiation points, including the latest designer and high-performance frames, advanced lens options, advanced eyecare, everyday value and high-quality vision care health benefits.

As of June 30, 2018, Luxottica Group's retail business consisted of 7,146 owned stores and 1,863 franchised locations.

	North America	Asia-Pacific	Greater China	Europe	MEA	Latam	Total
LensCrafters	1,045		130				1,175
Pearle Vision	114						114
Sunglass Hut (1)	1,826	318	55	476	132	392	3,199
Oakley retail locations (2)	193	50	2	10		14	269
Sears Optical	307						307
Target Optical	511						511
OPSM		326					326
Laubman & Pank		24					24
Ray-Ban	10	7	111	19	2	13	162
David Clulow (3)				121			121
GMO (4)						497	497
Óticas Carol						16	16
Oliver Peoples (5)	36	8		4			48
Salmoiraghi & Viganò				377			377
Franchising (6)	420	193		46	57	1,147	1,863
	4,462	926	298	1,053	191	2,079	9,009

(1) Includes Apex in North America

(2) Includes Oakley "O" Stores

(3) Includes David Clulow joint venture stores

(4) Includes EconOpticas

(5) Includes Ilori Optical, Optical Shop of Aspen, Oliver Peoples and Alain Mikli following a reorganization of the group's luxury retail stores

(6) Includes franchised locations for Pearle Vision, Sunglass Hut, Oakley "O" stores, OPSM, Laubman & Pank, Oliver Peoples, Alain Mikli, Óticas Carol and Salmoiraghi & Viganò

Luxottica Group's retail stores sell not only prescription frames and sunglasses that the group manufactures but also a wide range of frames, lenses and ophthalmic products manufactured by other companies. Luxottica Group's proprietary and licensed brands represent approximately 90% of the total net sales of frames by the retail division.

Short descriptions of the main Luxottica Group’s retail brands follow.

LensCrafters

Founded in 1983, LensCrafters pioneered a revolutionary concept to combine eyecare, eyewear and onsite labs to craft glasses in about an hour. Today, LensCrafters is one of the largest optical retail brand in North America in terms of sales.

Most LensCrafters stores are located in high-traffic commercial malls and shopping centers, but are often destinations in themselves. A wide selection of premium and luxury optical frames, sunglasses and high-quality lenses and optical products made by Luxottica and other suppliers are available in most locations. Each location has an experienced doctor, either an independent or employed doctor of optometry, who is focused on building patient relationships. All have access to the group's state-of-the-art lens processing network with the ability to craft, surface, finish and fit lenses.

In 2006, Luxottica began to expand the LensCrafters brand in China by acquiring and then rebranding local retail chains in Beijing, Shanghai, Guangdong and Hong Kong.

Pearle Vision

Acquired by Luxottica in 2004, Pearle Vision is one of the largest franchised optical retailers in North America. Built around the neighborhood doctor, Pearle Vision allows local business operators to provide trusted eyecare to their patients with the support and resources of the Pearle Vision brand.

Sears Optical and Target Optical

With the acquisition of Cole National in 2004, Sears Optical and Target Optical, both licensed brands operating within their host stores, became part of the Luxottica retail network. The two brands, each with their own marketing positions within Luxottica, offer consumers the convenience of taking care of their optical needs while shopping at their preferred retailers.

OPSM

OPSM is a leading eyecare and eyewear retailer in Australia and New Zealand with more than 80 years of history. Through its world-class technology and exceptional service, OPSM’s goal is to raise the standard of eye health and eyecare. In addition to its eyecare services, OPSM is renowned for its exclusive range of optical frames and sunglasses from international brands.

GMO

GMO, an optical market leader in Latin America, became a part of Luxottica Group in July 2011, following the acquisition of Multiópticas Internacional. Since its beginning in the late 1990s, GMO has developed a reputation for optical retail excellence among consumers in Chile, Peru, Ecuador and Colombia with its strong Ópticas GMO and Econópticas retail brands.

Óticas Carol

Óticas Carol, which was founded in 1997 with the goal to satisfy the needs of the Brazilian consumer in the eyewear industry, is one of Brazil’s leading optical retail brands. Óticas Carol’s mission is to provide the best platform for the sustainable growth of its franchisees, delighting its customers with excellent optical services and products. Óticas Carol joined the Luxottica Group in 2017.

David Clulow

Luxottica operates David Clulow, a premium optical retailer in the United Kingdom and Ireland. The brand emphasizes service, quality and fashion. Its targeted marketing reinforces these brand values and builds long-term relationships with customers. In addition to operating optical stores, David Clulow manages a number of designer sunglass concessions in up-market department stores, further reinforcing its position as a premium brand in the United Kingdom.

Salmoiraghi & Viganò

Founded in 1974 by the merger of two historical brands, started respectively by Angelo Salmoiraghi and Angelo Viganò in the mid-nineteenth century, Salmoiraghi & Viganò is the Italian premium optical retail brand. The key principles on which Salmoiraghi & Viganò was founded are relevant today and include innovation, customer experience, service and quality products. Its retail stores stock a wide assortment of optical and sun eyewear by the premier brands available on the international scene.

Sunglass Hut

Founded in 1971 as a small kiosk in a Miami mall, Sunglass Hut has grown into one of the world's leading destinations for the most sought-after high quality and performance sunglass brands. Stores can be found in fashionable shopping districts across the globe, from the Americas, Europe and the Middle East to Australia, South Africa, China and Southeast Asia and beyond, providing consumers with a fun, highly engaging shopping experience.

Ray-Ban Stores

In 2016, Luxottica introduced a brand-new Ray-Ban retail concept in China, converting some of its pre-existing LensCrafters locations and opening new retail locations. In the United States, Luxottica opened a flagship store in New York's Soho neighborhood, and recently has extended the new monobrand retail concept in Southeast Asia and Latin America. More than physical stores, they offer an interactive space created for consumers to embrace the unique Ray-Ban experience and culture.

Oakley "O" Stores

Oakley "O" stores worldwide offer a full range of Oakley products including sunglasses, apparel, footwear and accessories. These stores are designed and merchandised to immerse consumers in the Oakley brand through innovative use of product presentation, graphics and original audio and visual elements. In the United States, Oakley "O" stores are in major shopping centers. Oakley's retail operations are also located in Mexico, Europe and the Asia-Pacific region.

Oliver Peoples

Luxottica operates luxury retail stores under the Oliver Peoples name, which exclusively sell Oliver Peoples branded products.

Eyemed Vision Care

EyeMed Vision Care is the second largest vision benefits company in the United States, servicing approximately 47 million members in large, medium and small-sized companies, as well as government entities. EyeMed members are enrolled through employer-sponsored benefits sold directly by EyeMed or bundled with benefits offered in partnership with many of the largest and most-respected healthcare organizations in the United States. EyeMed offers the largest network of eyecare providers in the United States, including a diverse range of independent practitioners and retail locations, including Luxottica optical retail locations.

E-commerce

Luxottica Group offers consumers around the globe a premium online shopping experience that lives up to the same high standards found at its brick and mortar locations.

Oakley, Ray-Ban, Sunglass Hut, Oliver Peoples and recently added Persol and Vogue Eyewear e-commerce websites serve as important sales channels that complement Luxottica Group's retail operations and wholesale distribution. The websites drive brand awareness and allow consumers to purchase products efficiently, extending superior customer service into the digital space.

Ray-Ban.com was launched in the United States in 2009 and is home to the most extensive assortment of premium Ray-Bans, exclusive offerings and a consumer experience that is unique to the brand. Currently, Ray-Ban.com operates in 27 countries. Ray-Ban Remix, the online customization platform first launched in Europe in 2013, is a key driver of the brand's e-commerce expansion and its growing connection with millennials. Recently, Ray-Ban.com introduced an award-winning 3D virtual try-on technology that gives Ray-Ban fans the ability to virtually try on thousands of frames and immediately find their preferred look.

Oakley.com provides a digital window into the Oakley brand, presenting the most comprehensive assortment of Oakley products globally and an e-commerce channel across multiple markets including the United States, Canada, Australia, Japan, Brazil and 16 countries in Europe. Its online custom eyewear experience gives Oakley fans the ability to customize their favourite models from Jawbreaker to Frogskins, selecting frame colour, lens tint, personalized etching and other features.

Launched in 2008, SunglassHut.com has become the digital destination for consumers looking to find the latest trends and hottest premium sunglasses. Over the years, the United Kingdom, Brazil, New Zealand and Mexico joined the United States, Canada and Australia in offering online shopping on their local Sunglass Hut websites. Additionally, Sunglass Hut redesigned its mobile and desktop sites across all countries to enhance customer experiences, storytelling and business performance. Specific focus has been given to the implementation of omnichannel scenarios that allow the company to seamlessly engage consumers across Sunglass Hut stores and the website.

Luxottica is also investing in increasing its optical e-commerce footprint, with a wide portfolio of brands and solutions that cover vision correction needs, including clear and sun prescription frames and contact lenses.

3.3.2 Net revenue in the last three financial years for each geographical market (consolidated data)

The following table presents Luxottica Group's net sales by geographic market for the periods indicated (in thousands of euros):

	2017	2016(*)	2015
European Retail	519,748	318,106	264,504
European Wholesale	1,446,728	1,442,681	1,366,444
North America Retail	4,196,851	4,345,132	4,097,272
North America Wholesale	1,055,605	1,036,173	1,053,906
Asia-Pacific Retail	687,440	653,517	659,554
Asia-Pacific Wholesale	468,327	536,217	518,369
Latam Retail(**)	220,030	212,566	193,798
Latam Wholesale(**)	396,219	354,949	349,185
Other Retail	28,406	28,698	28,904
Other Wholesale	138,045	157,664	304,642
Total	**9,157,291**	**9,085,707**	**8,836,578**

(*) 2016 wholesale split has been revised for a minor reclass of sales between geographies.

(**) Latin America consists of countries in the Latin American region, primarily Brazil, Argentina, Ecuador, Mexico, Peru, Chile and Colombia.

3.3.3 Changes in Luxottica's Group workforce over the past three financial years

As of December 31, 2017, the Luxottica Group had 85,150 employees, of which 57.5% were dedicated to the retail business, 11% to the wholesale business and 30.7% to production and distribution activities. Central corporate services based in Milan represent 0.8% of the total Luxottica Group workforce. As of December 31, 2016, Luxottica Group had 82,282 employees, and as of December 31, 2015, it had 78,933 employees.

3.3.4 Key data on the activity of material subsidiaries or sub-subsidiaries

The significant subsidiaries controlled by Luxottica, including holding companies are:

Subsidiary (Amounts in thousands of Euros)	Ownership	Net Sales 2017	Total Assets 2017
Manufacturing			
Luxottica S.r.l.	100%	224	345,690
Distribution			
Luxottica USA LLC	100%	714,293	101,500
Luxottica Retail North America Inc	100%	1,862,155	1,854,850
Holding Companies			
Luxottica U.S. Holdings Corp.	100%	-	355,781
Oakley Inc	100%	11,871	1,601,258

3.3.5 Disputes or exceptional events

3.3.5.1 Material disputes

French Competition Authority Investigation

Luxottica's French subsidiaries, Luxottica France S.A.S.U., Alain Mikli International S.A.S.U. and Mikli Diffusion France S.A.S.U. (the "**French Subsidiaries**"), together with other major competitors in the French eyewear industry, have been the subject of an investigation conducted by the French Competition Authority ("**FCA**") relating to pricing and sales practices in the industry. In May 2015, Luxottica and the French Subsidiaries received a statement of objections from the FCA (the "**Statement of Objections**"). This statement outlined the preliminary position of the FCA in relation to the alleged anti-competitive practices and did not anticipate any content of the final decision.
In August 2015, Luxottica and the French Subsidiaries filed detailed responses to the Statement of Objections. During 2016, the FCA requested additional information, as it is typical in this kind of proceeding. In July 2016, the FCA issued a report (the "**Report**") responding to the observations submitted by the companies involved in the investigation. In October 2016, Luxottica filed its statement of defense responding to the FCA's Report. Following such filing, a final hearing was held on December 15, 2016. On February 24, 2017, Luxottica was notified of the FCA's decision in connection with the proceeding. The FCA concluded that there was insufficient evidence to confirm the anti-competitive practices alleged in the Report and referred the case back to FCA's investigation services department for further review and possibly the issuance of a supplementary statement of objections. No fines or sanctions were imposed in connection with the FCA's ruling dated February 24, 2017.

Given the current status of this investigation, Luxottica, together with its external legal advisors, has assessed the risk of the potential liability to be not probable and concluded that it is not possible to estimate or provide a range of potential liability that may be involved in this matter. The outcome of such proceedings is by nature uncertain and it is thus impossible to know, should the proceeding conclude with an unfavorable ruling for Luxottica, whether this will have material repercussions on the economic and financial results.

Other proceedings

Luxottica is defendant in various other lawsuits arising in the ordinary course of business. It is the opinion of the management of Luxottica that it has meritorious defenses against all such outstanding claims, which Luxottica Group will vigorously pursue, and that the outcome of such claims, individually or in the aggregate, will not have a material adverse effect on the Luxottica's consolidated financial position or results of operations.

3.3.5.2 Specific risk factors related to the business of the Luxottica Group

Risks Relating to industry and general economic conditions

Political changes in certain countries in which we do business and/or regulatory uncertainty with respect to international trade may and could materially adversely affect our business, financial condition and results by increasing costs and slowing distribution processes.

On June 23, 2016, the United Kingdom (U.K.) held a referendum in which voters approved an exit from the European Union (E.U.), commonly referred to as "Brexit". As a result of the referendum, the British government is negotiating the terms of the U.K.'s future relationship with the E.U. Although it is unknown what those terms will be, it is possible that there will be greater restrictions on imports and exports between the U.K. and E.U. countries and increased regulatory complexities. These changes may adversely affect Luxottica's operations and financial results. In the United States of America, the new government has expressed its intention to reassess and possibly amend existing trade arrangements such as the North America Free Trade Agreement. During 2017, amendments to some existing trade agreements were approved to restrict free trade, including significant increases in tariffs on goods imported into the US. Any future changes in the US political or regulatory conditions or in laws or policies governing foreign trade, manufacturing, development and investment in the territories and countries where Luxottica currently develops and sells products could adversely affect Luxottica's business.

If current economic conditions deteriorate, demand for Luxottica products will be adversely impacted, access to credit will be reduced and customers and others with which Luxottica does business will suffer financial hardship. All of these factors could reduce sales and in turn adversely impact the business, results of operations, financial condition and cash flows.

Uncertainty about global economic conditions poses a risk to the business because consumers and businesses may postpone spending in response to tighter credit markets, unemployment, negative financial news and/or declines in income or asset values, which could have a material adverse effect on demand for Luxottica products and services.

Discretionary spending can be affected by many factors, including general business conditions, inflation, interest rates, consumer debt levels, unemployment rates, availability of consumer credit, conditions in the real estate and mortgage markets, currency exchange rates and other matters that influence consumer confidence. Many of these factors are outside Luxottica's control. Purchases of discretionary items could decline during periods in which disposable income is lower or prices have increased in response to rising costs or in periods of actual or perceived unfavorable economic conditions. If this occurs or if unfavorable economic conditions continue to challenge the consumer environment, Luxottica's business, results of operations, financial condition and cash flows could be materially adversely affected.

In the event of financial turmoil affecting the banking system and financial markets, additional consolidation of the financial services industry or significant failure of financial services institutions, there could be a tightening of the credit markets, decreased liquidity and extreme volatility in fixed income, credit, currency and equity markets. In addition, a credit crisis could have material adverse effects on the business, including the inability of customers of wholesale distribution business to obtain credit to finance purchases of Luxottica's products, restructurings, bankruptcies, liquidations and other unfavorable events for consumers, customers, vendors, suppliers, logistics providers, other service providers and the financial institutions that are counterparties to our credit facilities and other related transactions. The likelihood that such third parties will be unable to overcome such unfavorable financial difficulties may increase. If the third parties on which Luxottica relies for goods and services or its wholesale customers are unable to overcome financial difficulties resulting from the deterioration of worldwide economic conditions or if the counterparties to Luxottica's credit facilities or derivative transactions do not perform their obligations as intended, Luxottica's business, results of operations, financial condition and cash flows could be materially adversely affected.

If Luxottica's business suffers due to changing local conditions, profitability and future growth may be affected.

Luxottica currently operates worldwide and has operations in many continents including Asia, South America and Africa. Therefore, Luxottica is subject to various risks inherent in conducting business internationally, including the following: (i) exposure to local economic and political conditions; (ii) export and import restrictions; (iii) currency exchange rate fluctuations and currency controls; (iv) cash repatriation restrictions; (v) application of the "Foreign Corrupt Practices Act" and similar laws; (vi) difficulty in enforcing intellectual property and contract rights; (vii) disruptions of capital and trading markets; (viii) accounts receivable collection and longer payment cycles; (ix) potential hostilities and changes in diplomatic and trade relationships; (x) legal or regulatory requirements; (xi) withholding and other taxes on remittances and other payments by subsidiaries; (xii) local antitrust and other market abuse provisions; (xiii) investment restrictions or requirements; and (xiv) local laws requiring that certain products contain a specified minimum percentage of domestically produced components.

The likelihood of such occurrences and their potential effect on Luxottica and the Luxottica Group vary from country to country and are unpredictable, but any such occurrence may result in the loss of sales or increased costs of doing business and may have a material adverse effect on our business, results of operations, financial condition and prospects.

If vision correction alternatives to prescription eyeglasses become more widely available, or consumer preferences for such alternatives increase, profitability could suffer through a reduction of sales of Luxottica's prescription eyewear products, including lenses and accessories.

Luxottica's business could be negatively impacted by the availability and acceptance of vision correction alternatives to prescription eyeglasses, such as contact lenses and refractive optical surgery. Increased use of vision correction alternatives could result in decreased use of Luxottica's prescription eyewear products, including a reduction of sales of lenses and accessories sold in Luxottica's retail outlets, which could have a material adverse impact on the business, results of operations, financial condition and prospects.

Unforeseen or catastrophic losses not covered by insurance could materially adversely affect results of operations and financial condition.

The Luxottica Group maintains insurance coverage for the financial mitigation of a series of catastrophic risks. However, losses exceeding the insured limits could materially adversely affect Luxottica's results of operations and financial conditions.

Business and operations risks

If Luxottica is unable to successfully introduce new products and develop and defend its brands, future sales and operating performance may suffer.

The mid- and premium-price categories of the prescription frame and sunglasses markets in which Luxottica competes are particularly vulnerable to changes in fashion trends and consumer preferences. Luxottica's historical success is attributable, in part, to the introduction of innovative products which are perceived to represent an improvement over products otherwise available in the market and on the ability to develop and defend brands. Luxottica's future success will depend on the continued ability to develop and introduce such innovative products and continued success in building brands. If Luxottica is unable to continue to do so, future sales could decline, inventory levels could rise, leading to additional costs for storage and potential write-downs relating to the value of excess inventory, and there could be a negative impact on production costs since fixed costs would represent a larger portion of total production costs due to the decline in quantities produced, which could materially adversely affect results of operations.

In the next few years, Luxottica may continue to be exposed to disputes by holders of shares issued on the NY Stock Exchange despite the delisting.

Despite the delisting of Luxottica shares from the NY Stock Exchange, Luxottica and its directors may continue to be subject to legal actions by the shareholders, within the statute of limitations established by local laws.

If Luxottica is not successful in completing and integrating strategic acquisitions to expand or complement its business, future profitability and growth could be at risk.

As part of Luxottica's growth strategy, it has made, and may continue to make, strategic business acquisitions to expand or complement its business. Acquisition activities, however, can be disrupted by actions undertaken by competitors, changes in governmental regulations and rapid developments in the industry. Luxottica may face additional risks and uncertainties following an acquisition, including: (i) difficulty in integrating the newly acquired business and operations in an efficient and effective manner; (ii) inability to achieve strategic objectives, cost savings and other benefits from the acquisition; (iii) the lack of success by the acquired business in its markets; (iv) the loss of key employees of the acquired business; (v) a decrease in the focus of senior management on operations; (vi) difficulty integrating human resources systems, operating systems, inventory management systems and assortment planning systems of the acquired business with Luxottica's systems; (vii) the cultural differences between Luxottica's organization and that of the acquired business; and (viii) liabilities that were not known at the time of acquisition or the need to address tax or accounting issues.

If Luxottica fails to timely recognize or address these matters or to devote adequate resources to them, it may fail to achieve its growth strategy or otherwise realize the intended benefits of any acquisition. Even if Luxottica is able to integrate its business operations successfully, the integration may not result in the realization of the full benefits of synergies, cost savings, innovation and operational efficiencies that may be possible from the integration or in the achievement of such benefits within the forecasted period of time.

On June 22, 2108, Luxottica executed a stock purchase agreement for the acquisition of 100% of Barberini S.p.A's stock capital, for a purchase price (subject to post-closing adjustments) equal to Euro 143,664,840. The closing of the acquisition is conditional upon the obtainment of the clearance by the Italian Antitrust Authority. Barberini S.p.A. is a key manufacturer of high quality optical glass lenses for the most prestigious eyewear brands around the world, with exclusive and sophisticated technical features.

If Luxottica is unable to achieve its business objectives and manage growth, operating margins may be reduced as a result of decreased efficiency of distribution.

In order to achieve and manage its growth effectively, Luxottica is required to increase and streamline production and implement manufacturing efficiencies where possible, while maintaining strict quality control and the ability to deliver products to customers in a timely and efficient manner. Luxottica must also continuously develop new product designs and features, expand its information systems and operations, and train and manage an increasing number of management level and other employees. If Luxottica is unable to manage these matters effectively, its distribution process could be adversely affected and it could lose market share in affected regions, which could materially adversely affect business prospects.

If Luxottica does not correctly predict future economic conditions and changes in consumer preferences, sales of premium products and profitability could suffer.

The fashion and consumer products industries in which Luxottica operates are cyclical. Downturns in general economic conditions or uncertainties regarding future economic prospects, which affect consumer disposable income, have historically adversely affected consumer spending habits in its principal markets and thus made the growth in sales and profitability of premium-priced product categories difficult during such downturns. Therefore, future economic downturns or uncertainties could have a material adverse effect on its business, results of operations and financial condition, including sales of Luxottica's designer and other premium brands. The industry is also subject to rapidly changing consumer preferences and future sales may suffer if the fashion and consumer products industries do not continue to grow or if consumer preferences shift away from Luxottica's products. Changes in fashion could also affect the popularity and, therefore, the value of the fashion licenses granted to Luxottica by designers. Any event or circumstance resulting in reduced market acceptance of one or more of these designers could reduce sales and the value of the Luxottica models from that designer.

Unanticipated shifts in consumer preferences may also result in excess inventory and underutilized manufacturing capacity. In addition, Luxottica's success depends, in large part, on the ability to anticipate and react to changing fashion trends in a timely manner. Any sustained failure to identify and respond to such trends could materially adversely affect the business, results of operations and financial condition and may result in the write-down of excess inventory and idle manufacturing facilities.

If Luxottica does not continue to negotiate and maintain favourable license arrangements, sales or cost of sales could suffer.

Luxottica has entered into license agreements that enable it to manufacture and distribute prescription frames and sunglasses under certain designer names, including *Chanel, Prada, Miu Miu, Dolce & Gabbana, Bvlgari, Tiffany & Co., Versace, Valentino, Burberry, Ralph Lauren, Tory Burch, Coach, Armani* and *Michael Kors*. These license agreements typically have terms of between four and ten years and may contain options for renewal for additional periods and require Luxottica to make guaranteed and contingent royalty payments to the licensor. Given that the ability to maintain and negotiate favourable license agreements with leading designers in the fashion and luxury goods industries is essential to the branding of products and, therefore, material to the success of business, Luxottica: (i) maintains a very wide and diversified license portfolio - so as to mitigate the risk of termination by a licensor -, (ii) significantly invests in products quality, innovation and distribution, and (iii) constantly monitors the expiry of the terms of the license agreements to be proactive in renewal negotiations. However, if Luxottica is unable to negotiate and maintain satisfactory license arrangements with leading designers, growth prospects and financial results could materially suffer from a reduction in sales or an increase in advertising costs and royalty payments to designers.

As Luxottica operates in a complex international environment, if new laws, regulations or policies of governmental organizations, or changes to existing ones, occur and cannot be managed efficiently, the results could have a negative impact on operations, ability to compete or future financial results.

Compliance with European, U.S. and other laws and regulations that apply to Luxottica's international operations increases costs of doing business, including cost of compliance, in certain jurisdictions, and such costs may rise in the future as a result of changes in these laws and regulations or in their interpretation or enforcement. This includes, in particular, manufacturing activities and services provided by third parties within the supply chain, which are subject to numerous workplace health and safety laws, environmental laws, labour laws and other similar regulations and restrictions on the sourcing of materials (including with respect to "conflict mineral" zones) that may vary from country to country and are continuously evolving. In certain countries, failure to comply with applicable laws and regulations relating to workplace health and safety protection and environmental matters could result in criminal and/or civil penalties being imposed on responsible individuals and, in certain cases, the company.

Starting from May 2018, a new regulation on data protection came into force in the European Union with fines and penalties calculated on the basis of turnover. In certain circumstances, even if no fine or penalty is imposed for failure to comply with an applicable law or regulation, Luxottica may suffer reputational harm if it fails to comply with applicable laws and regulations. Luxottica has already implemented policies and procedures designed to facilitate compliance with these laws and regulations, and notably it has (i) trained all its office employees on the new regulation, (ii) created an internal procedure to manage data subject access requests, (iii) appointed a group data protection officer - whose details have been notified to the competent Italian supervisory authority -, (iv) updated all its privacy notices, and (v) created a register for processing the various activities concerning personal data. Nevertheless, there can be no assurance that Luxottica's employees, contractors or agents will not violate such laws and regulations or policies. Any such violations could individually, or in aggregate, materially adversely affect Luxottica's financial condition or operating results.

Additionally, Oakley, Eye Safety Systems and EyeMed subsidiaries are U.S. government contractors or subcontractors and, as a result, Luxottica must comply with, and is affected by, U.S. laws and regulations related to conducting business with the U.S. government. These laws and regulations may impose various additional costs and risks on the business. For example, Oakley and Eye Safety Systems are required to obtain applicable governmental approvals, clearances and certain export licenses. Luxottica may also become subject to audits, reviews and investigations of compliance with these laws and regulations.

If Luxottica is unable to protect its proprietary rights, sales might suffer, and it may incur significant additional costs to defend such rights.

Luxottica relies on trade secret, unfair competition, trade dress, trademark, patent and copyright laws to protect its rights to certain aspects of its products and services, including product designs, brand names, proprietary manufacturing processes and technologies, product research and concepts and goodwill, all of which are important to the success of products and services and competitive position. However, pending trademark or patent applications may not in all instances result in the issuance of a registered trademark or patent, and trademarks or patents granted may not be effective in thwarting competition or be held valid if subsequently challenged. In addition, the actions Luxottica takes to protect its proprietary rights may be inadequate to prevent imitation of products and services. Proprietary information could become known to competitors, and Luxottica may not be able to meaningfully protect its rights to proprietary information. Furthermore, other companies may independently develop substantially equivalent or better products or services that do not infringe on Luxottica's intellectual property rights or could assert rights in, and ownership of, Luxottica's proprietary rights. Moreover, the laws of certain countries do not protect proprietary rights to the same extent as the laws of the United States or of the member states of the European Union.

Consistent with Luxottica's strategy of vigorously defending its intellectual property rights, Luxottica devotes substantial resources to the enforcement of patents issued and trademarks, to the protection of trade secrets or other intellectual property rights and to the determination of the scope or validity of the proprietary rights of others that might be asserted against Luxottica. However, if the level of potentially infringing activities by others were to increase substantially, Luxottica might have to significantly increase the resources devoted to protecting its rights. From time to time, third parties may assert patent, copyright, trademark or similar rights against intellectual property that is important to Luxottica's business. The resolution or compromise of any litigation or other legal process to enforce such alleged third party rights, regardless of its merit or resolution, could be costly and divert the efforts and attention of the management. Luxottica may not prevail in any such litigation or other legal process or it may compromise or settle such claims because of the complex technical issues and inherent uncertainties in intellectual property disputes and the significant expense in defending such claims. An adverse determination in any dispute involving proprietary rights could, among other things, (i) require to coexist in the market with competitors utilizing the same or similar intellectual property, (ii) require to grant licenses to, or obtain licenses from, third parties, (iii) prevent from manufacturing or selling products, (iv) require to discontinue the use of a particular patent, trademark, copyright or trade secret or (v) subject Luxottica to substantial liability. Any of these possibilities could have a material adverse effect on the business by reducing future sales or causing Luxottica to incur significant costs to defend its rights.

If Luxottica is unable to maintain current operating relationships with host stores, including retail licensed brands and other host relationships, the company could suffer a loss in sales and possible impairment of certain intangible assets.

Sales depend in part on Luxottica's relationships with the host stores that allow the company to operate its retail licensed brands, including Sears Optical and Target Optical and other host relationships including relationship with Macy's. If the relationship with Sears Optical, Target Optical and Macy's were to end, Luxottica would suffer a loss of sales and the possible impairment of certain intangible assets. This could have a material adverse effect on business, results of operations, financial condition and prospects.

If Luxottica fails to maintain an efficient distribution and production network or if there is a disruption to critical manufacturing plants or distribution network in highly competitive markets, the business, results of operations and financial condition could suffer.

The mid- and premium-price categories of the prescription frame and sunglasses markets in which Luxottica operates are highly competitive. In addition to successfully introducing new products, responding to changes in the market environment and maintaining superior production capabilities, the ability to remain competitive is highly dependent on success in maintaining an efficient distribution network. If, notwithstanding its endeavours to build solid relationships with an extensive number of distributors and to constantly offer high quality products, Luxottica is unable to maintain an efficient and resilient distribution and production network, sales may decline due to the inability to timely deliver products to customers and profitability may decline due to an increase in per unit distribution costs in the affected regions, which may have a material adverse impact on business, results of operations and financial condition.

If Luxottica were to become subject to adverse judgments or determinations in current or future legal proceedings to which it is, or may become, a party, future profitability could suffer through a reduction of sales, increased costs or damage to reputation due to failure to adequately communicate the impact of any such proceeding or its outcome to the investor and business communities.

In the ordinary course of business, Luxottica becomes involved in various other claims, lawsuits, investigations and governmental and administrative proceedings, some of which are or may be significant. Adverse judgments or determinations in one or more of these proceedings could require Luxottica to change the way it does business or use substantial resources in adhering to the settlements and could have a material adverse effect on the business, including, among other consequences, by significantly increasing the costs required to operate the business.

Ineffective communications, during or after these proceedings, could amplify the negative effects, if any, of these proceedings on Luxottica's reputation and may result in a negative market impact on the price of Luxottica securities.

Changes in tax rates or exposure to additional tax liabilities could affect future results.

Luxottica is subject to taxes in Italy, the United States and numerous other jurisdictions. Future effective tax rates could be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, or changes in tax laws or their interpretation. Any of these changes could have a material adverse effect on profitability. Luxottica is also regularly subject to the examination of its income tax returns by the Italian tax authority, the U.S. Internal Revenue Service as well as the governing tax authorities in other countries where it operates. Luxottica routinely assesses the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of Luxottica's provision for tax risks. Currently, some of the Luxottica Group companies are under examination by various tax authorities. There can be no assurance that the outcomes of the current ongoing examinations and possible future examinations will not materially adversely affect the business, results of operations, financial condition and prospects.

If there is any material failure, inadequacy, interruption, security failure or breach of the information technology systems, whether owned by Luxottica or outsourced or managed by third parties, this may result in remediation costs, reduced sales due to an inability to properly process information and increased costs of operating Luxottica's business.

Luxottica relies on information technology systems both managed internally and outsourced to third parties across operations, including for management of the supply chain, point-of-sale processing in stores and various other processes and transactions. Given that the ability to effectively manage the business and coordinate the production, distribution and sale of products depends on, among other things, the reliability and capacity of these systems, Luxottica has implemented an information security governance model, whose aim is to preserve the company assets, strengthen the Luxottica corporate brand, enable relevant business opportunities, reduce risks and increase customers' confidence. Failure of Luxottica's information technology systems to operate effectively, network disruptions, problems with transitioning to upgraded or replacement systems, or a breach in data security of these systems could cause delays in product supply and sales, reduced efficiency of operations, unintentional disclosure of customer or other confidential information of the company leading to additional costs and possible fines or penalties, legal defence and settlement costs, or damage to reputation, and potentially significant capital investments and other costs could be required to remediate the problem, which could have a material adverse effect on results of operations.

If Luxottica records a write-down for inventories that are obsolete or exceed anticipated demand or other assets the net realizable value of which is below the carrying amount, such charges could have a material adverse effect on Luxottica's results of operations.

Luxottica records a write-down for product and component inventories that have become obsolete or exceed anticipated demand or net realizable value. Luxottica reviews long-lived assets for impairment whenever events or changed circumstances indicate that the carrying amount of an asset may not be recoverable, and determines whether valuation allowances are needed against other assets, including, but not limited to, accounts receivable. If Luxottica determines that impairments or other events have occurred that lead to believe the company will not fully realize these assets, Luxottica records a write-down or a valuation allowance equal to the amount by which the carrying value of the assets exceeds their recoverable amount. Although Luxottica believes its inventory and other asset-related provisions are currently adequate, no assurance can be made that, given the rapid and unpredictable pace of product obsolescence, Luxottica will not incur additional inventory or asset-related charges, which charges could have a material adverse effect on results of operations.

Leonardo Del Vecchio, Chairman and controlling shareholder of Luxottica, controls about 62.42% of voting power (as of the date of this Update to the 2017 Registration Document) and is in a position to affect ongoing operations, corporate transactions and any matters submitted to a vote of Luxottica shareholders, including the election of directors and a change in corporate control.

As of the date of this Update to the 2017 Registration Document, Mr. Leonardo Del Vecchio, Executive Chairman of Luxottica, through Delfin, has voting rights over 302,846,957 ordinary shares, or about 62.42% of the share capital as of the date of this Update to the 2017 Registration Document. As a result, Mr. Del Vecchio has the ability to exert significant influence over Luxottica's corporate affairs and to control the outcome of virtually all matters submitted to a vote of Luxottica's stockholders, including the election of directors, the amendment of the by-laws, and the approval of mergers, consolidations and other significant corporate transactions.

Mr. Del Vecchio's interests may conflict with or differ from the interests of other shareholders. In situations involving a conflict of interest between Mr. Del Vecchio and other shareholders, Mr. Del Vecchio may exercise his control in a manner that would benefit him to the potential detriment of other shareholders. Mr. Del Vecchio's indirect significant ownership interest could delay, prevent or cause a change in control of Luxottica, any of which may be adverse to the interests of other stockholders.

Financial Risks

If the U.S. dollar or the Australian dollar weaken relative to the Euro or the Chinese Yuan strengthens relative to the Euro, profitability as a consolidated Group could suffer.

Luxottica's principal manufacturing facilities are located in Italy and China. It also maintains manufacturing facilities in Brazil, India and the United States as well as sales and distribution facilities throughout the world. As a result, Luxottica's results of operations could be materially adversely affected by foreign exchange rate fluctuations in two principal areas:

- Luxottica incurs most of manufacturing costs in Euro and in Chinese Yuan, and receives a significant part of revenues in other currencies such as the U.S. dollar, the Australian dollar and the Brazilian real. Therefore, a strengthening of the Chinese Yuan could negatively impact consolidated results of operations; and

- a substantial portion of Luxottica's assets, liabilities, revenues and costs are denominated in various currencies other than Euro, with a substantial portion of revenues and operating expenses being denominated in U.S. dollars. As a result, operating results, which are reported in Euro, are affected by currency exchange rate fluctuations, particularly between the U.S. dollar and the Euro.

As Luxottica's international operations grow, future changes in the exchange rate of the Euro against the U.S. dollar and other currencies may negatively impact reported results, although there are policies in place designed to manage such risk.

<u>If economic conditions around the world worsen, Luxottica may experience an increase in exposure to credit risk on accounts receivable, which may result in a higher risk that Luxottica is unable to collect payments from customers and, potentially, increased costs due to reserves for doubtful accounts and a reduction in sales to customers experiencing credit-related issues.</u>

A substantial majority of Luxottica's outstanding trade receivables are not covered by collateral or credit insurance. While there are procedures to monitor and limit exposure to credit risk on trade and non-trade receivables, there can be no assurance such procedures will effectively limit credit risk and avoid losses, which could have a material adverse effect on Luxottica's results of operations.

3.4 Financial information on Luxottica

3.4.1 Luxottica's 2018 half year results

The English version of Luxottica's 2018 half year report may be accessed on Luxottica's website at http://www.luxottica.com/en/half-year-report-2018.

<u>Press release published by Luxottica on July 23, 2018</u>

Net sales improve in the second quarter, record net margin in the first half of 2018

- **Luxottica Group's net sales in the second quarter were Euro 2,417 million: +1.4% at constant exchange rates[2] and -4.9% at current exchange rates**
  - **Retail division's net sales were Euro 1,516 million: +4.3% at constant exchange rates[2] and -2.8% at current exchange rates**
  - **Wholesale division's net sales were Euro 901 million: -3.1% at constant exchange rates[2] and -8.2% at current exchange rates**
- **Luxottica Group's net sales in the first half of the year were Euro 4,553 million: +0.3% at constant exchange rates[2] and -7.7% at current exchange rates**
  - **Retail division's net sales were Euro 2,822 million: +2.8% at constant exchange rates[2] and -6.5% at current exchange rates**
  - **Wholesale division's net sales were Euro 1,731 million: -3.6% at constant exchange rates[2] and -9.6% at current exchange rates**
- **Adjusted[3,5] operating income was Euro 781 million: +0.5% at constant exchange rates[2] and -13.1% at current exchange rates**
- **Reported operating income was Euro 763 million: +1.7% at constant exchange rates[2] and -12.2% at current exchange rates**

- **Adjusted[3,5] net income was Euro 545 million: +11.6% at constant exchange rates[2] and -3.9% at current exchange rates**
- **Reported net income was Euro 530 million: +9.8% at constant exchange rates[2] and -5.7% at current exchange rates**
- **Outlook confirmed for 2018**

The Board of Directors of Luxottica Group S.p.A. (MTA: LUX), a leader in the design, manufacture, distribution and sale of fashion, luxury and sports eyewear, met on July 23, 2018 to review the consolidated net sales for the second quarter and preliminary results for the six months ended June 30, 2018, in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

In the second quarter of 2018, Luxottica's net sales accelerated, growing by 1.4% at constant exchange rates[2] (-4.9% at current exchange rates). The results were driven by the strong performance of the Retail division and e-commerce platforms as well as solid growth in North America and Asia-Pacific. This allowed the Group to close the first half of the year with sales slightly up (+0.3% at constant exchange rates[2], -7.7% at current exchange rates) and strong profitability, with record net margin.

The Wholesale division's net sales in the second quarter were down 3.1% at constant exchange rates[2] (-8.2% at current exchange rates) impacted by a temporary slowdown in Europe due to new commercial policies and a delayed sun season. On the other hand, North America and Asia-Pacific each reported strong performance following the restructuring of their distribution network.

In the second quarter, the Retail division's net sales grew by 4.3% at constant exchange rates[2] (-2.8% at current exchange rates) and comparable store sales[4] were up by 1.3%, an acceleration compared to the first quarter of the year. This confirmed the effectiveness of strategic initiatives aimed at improving the operating model and the ability of the Group's retail brands to execute them. For the third consecutive quarter, Sunglass Hut, with sales up 5.5% at constant exchange rates[2], grew in its main geographies. Retail brands in China, including Ray-Ban stores, and Australia confirmed a strong increase in sales. In North America, LensCrafters' sales were back to growth, with improving comparable store sales[4] even if still slightly negative.

The net sales from Group's e-commerce platforms in the second quarter were up by 16% at constant exchange rates[2]. Ray-Ban.com confirmed it is the main driver of the Group's digital business, benefiting in the quarter from the exclusive launch online of special collections, such as Ray-Ban Reloaded, and the brand-new campaign for Ray-Ban Studios, which strengthened the link between the brand, music and millennials.

"I'm pleased with the very good Group results. The growth in the markets where we completed the new commercial strategy, including North America and Asia, confirms the value and effectiveness of the initiatives undertaken. We look with confidence at Europe's prospects, the region where we are reorganizing our distribution strategy," commented Leonardo Del Vecchio, Executive Chairman of Luxottica.

"We are continuing to invest in product excellence and innovation. Our 'made in Japan' manufacturing capability and Barberini's lenses further expand our luxury portfolio. The Group's digital evolution is ongoing. Our e-commerce business is more and more important in our strategy and our communication is now focused on digital and social media".

"Considering the positive trends we are also seeing in July, we confirm our outlook for 2018".

Regarding the proposed combination between Luxottica and Essilor, the two companies are finalizing discussions with the Chinese competition authority and remain confident to obtain its approval by the end of the month. In parallel, the two companies are also finalizing their discussions with the Turkish antitrust authority and evaluating the timing for the closing of the transaction.

Luxottica renewed the license agreement for design, production and worldwide distribution of prescription frames and sunglasses for the Philippe Starck and Starck Eyes brands. The agreement has a duration of five years and is automatically renewable for a further five years.

Group's performance in the first half of 2018[1]

In the first six months of 2018, Group revenues reached Euro 4,553 million (+0.3% at constant exchange rates[2], -7.7% at current exchange rates)

Wholesale division sales were Euro 1,731 million (-3.6% at constant exchange rates[2], -9.6% at current exchange rates), with the strong growth in North America partially offsetting the temporary slowdown in Europe due to the new commercial policies and unseasonal weather conditions.
The Retail business net sales accelerated in the second quarter and were Euro 2,822 million in the first half of the year (+2.8% at constant exchange rates[2], -6.5% at current exchange rates), thanks to the contribution of Sunglass Hut, of Ray-Ban stores, OPSM in Australia, as well as the excellent performance of e-commerce platforms.

The Group's adjusted[3,5] operating income, substantially in line with the first half of 2017 at constant exchange rates[2] (with an adjusted operating margin[3,5] slightly improving at 18.3%), was Euro 781 million at current exchange rates.
Adjusted operating income[3,5] excluded organizational simplification and restructuring costs for certain business areas as well as non-recurring costs for a total of approximately Euro 19 million.
The Wholesale division's adjusted operating margin[3,5] at constant exchange rates[2] was 28.4%, down 20 basis points; the margin of the Retail division increased to 15.7%, up by 60 basis points.

On an adjusted[3,5] basis and at constant exchange rates[2], net profit increased by 11.6%, benefiting from the lower cost of debt, the benefits of the Italian Patent Box, and from American tax reform, and amounting to Euro 545 million at current exchange rates. Record adjusted net margin[3,5] of 12.8% increased by 130 basis points at constant exchange rates[2] compared to the first half of 2017. EPS (earnings per share) on an adjusted basis[3,5] was Euro 1.14 (1.38 dollars at the average €/US$ exchange rate of 1.2104).

The strong free cash flow[3] generation in the first half of the year reached approximately Euro 400 million.

Net debt[3] as of June 30, 2018 was approximately Euro 900 million, down by 19.2% compared to the same period last year, with a net debt/adjusted[3,5] EBITDA ratio of 0.5x.

Geographic segments: net sales[1]

Net sales (millions of Euro)	2Q 2017 restated[6]	%	2Q 2018	%	Change at constant exchange rates[2]	Change at current exchange rates
North America	1,432	56%	1,368	57%	+3.4%	-4.5%
Wholesale	261	10%	255	11%	+5.5%	-2.1%
Retail	1,172	46%	1,113	46%	+2.9%	-5.0%
Europe	628	25%	590	24%	-4.5%	-6.1%
Asia-Pacific	290	11%	294	12%	+7.5%	+1.5%
Latin America	143	6%	128	5%	+2.3%	-10.3%
Rest of the World	47	2%	36	2%	-19.4%	-23.2%
Group total	**2,540**	**100%**	**2,417**	**100%**	**+1.4%**	**-4.9%**

Net sales (millions of Euro)	1H 2017 restated[6]	%	1H 2018	%	Change at constant exchange rates[2]	Change at current exchange rates
North America	2,809	57%	2,566	56%	+1.8%	-8.7%
Wholesale	534	11%	495	11%	+3.0%	-7.4%
Retail	2,274	46%	2,071	45%	+1.5%	-9.0%
Europe	1,145	23%	1,079	24%	-4.3%	-5.8%
Asia-Pacific	597	12%	573	13%	+3.5%	-4.0%
Latin America	288	6%	259	6%	+2.5%	-10.1%
Rest of the World	93	2%	76	2%	-13.0%	-17.8%
Group total	**4,932**	**100%**	**4,553**	**100%**	**+0.3%**	**-7.7%**

North America – In the second quarter, North America net sales grew by 3.4% at constant exchange rates[2] and accelerated compared to the performance of the first three months of the year in both divisions. Wholesale business sales increased by 5.5% at constant exchange rates[2] with the positive contribution from all sales channels, in particular department stores and key accounts. The positive results of the Retail division, with sales up 2.9% at constant exchange rates[2], were driven by Sunglass Hut, which in the quarter opened approximately 170 shop-in-shops in Bass Pro and Cabela's locations, in addition to contributions from Target Optical and Ray-Ban.com. LensCrafters reported positive net sales, at +2% at constant exchange rates[2], and an improvement in comparable stores sales[4].

Europe – After twelve consecutive quarters of solid growth, Europe reported a decline in sales in the first six months of 2018. A decline of 4.5% at constant exchange rates[2] in the second quarter was due to the effect of the new trade policies and the delayed start of the sun season, which led customers to be more cautious in their orders. In the second quarter, against falling wholesale net sales, an effective retail strategy led the excellent performance of the division, with the contribution of all the chains.

Asia-Pacific – In the second quarter, Asia-Pacific's net sales at constant exchange rates[2] were up by 7.5%. Greater China is growing double digits after completing the restructuring of the distribution channel and thanks to the positive contribution from Hong Kong. Australia confirmed the solid growth of previous quarters, accompanied by positive performance from Japan and India. The Retail division's net sales accelerated in the second quarter of the year, leveraging on the strong result of the retail brands in Australia and China, where Ray-Ban continued to expand.

Latin America – In the second quarter, Latin America reported net sales up by 2.3% at constant exchange rates[2]. Brazil contributed to the results thanks to the solid growth of the Óticas Carol franchise business, with 80 new openings in the first six months of the year. Mexico posted growing sales, in particular due to the expansion of Sunglass Hut.

Notes to the press release

1 Comparisons, including percentage changes, are between the three and six-month periods ended June 30, 2018 and 2017.

2 Figures at constant exchange rates have been calculated using the average exchange rates in effect for the corresponding period in the previous year. For further information, please refer to the attached tables.

3 Adjusted data, EBITDA, EBITDA margin, free cash flow and net debt are not measures in accordance with IFRS. For further information, please refer to the attached tables.

4 "Comps" or "Comparable store sales" reflect the change in sales from one period to another that, for comparison purposes, includes in the calculation only stores open in the more recent period that also were open during the comparable prior period, and applies to both periods the average exchange rate for the prior period and the same geographic area.

5 The adjusted data for the six-month period ended June 30, 2018 excludes: (i) restructuring and reorganization costs of Euro 14.0 million (Euro 12.1 million net of the tax effect) and (ii) non-recurring expenses of Euro 4.5 million (Euro 3.2 million net of the tax effect) related to the pending combination with Essilor. The combined effect of (i) and (ii) for the six-month period ended June 30, 2018, was extraordinary expense with an impact on operating income of approximately Euro 18.5 million and Euro 15.3 million on net income.
The adjusted data for six-month period ended June 30, 2017 excludes: (i) restructuring and reorganization costs of Euro 22.9 million (Euro 15.8 million net of the tax effect); (ii) non-recurring expenses of Euro 38.6 million (Euro 24.5 million net of the related tax effect) related to (a) the early repayment of financial liabilities of Euro 30.8 million (Euro 19.0 million net of the tax effect) and (b) the pending combination with Essilor of Euro 7.9 million (Euro 5.5 million net of the tax effect) and (iii) non-recurring income of Euro 48.7 million (Euro 34.9 million net of the tax effect), relating to the gain on the sale of a building owned by the Group. The combined effect of (i), (ii) and (iii) for the six-month period ended June 30, 2017, was extraordinary costs with an impact on operating income of approximately Euro 31 million, Euro 12.9 million on income before provision for income taxes, and Euro 5.4 million on net income.

6 See the second table in the accompanying Appendix.

– APPENDIX FOLLOWS –

LUXOTTICA GROUP

CONSOLIDATED FINANCIAL HIGHLIGHTS
FOR THE SIX-MONTH PERIODS ENDED
JUNE 30, 2018 AND JUNE 30, 2017

In accordance with IFRS

KEY FIGURES IN MILLIONS OF EURO	2018	2017 RESTATED (1)	% CHANGE AT CONSTANT EXCHANGE RATE (2)	% CHANGE AT CURRENT EXCHANGE RATE
NET SALES	**4,553**	**4,932**	**0.3%**	**-7.7%**
Wholesale division	1,731	1,915	-3.6%	-9.6%
Retail division	2,822	3,017	2.8%	-6.5%
ADJUSTED (3,4) OPERATING INCOME	**781**	**899**	**0.5%**	**-13.1%**
REPORTED OPERATING INCOME	**763**	**868**	**1.7%**	**-12.2%**
ADJUSTED (3,4) NET INCOME ATTRIBUTABLE TO LUXOTTICA STOCKHOLDERS	**545**	**567**	**11.6%**	**-3.9%**
REPORTED NET INCOME ATTRIBUTABLE TO LUXOTTICA STOCKHOLDERS	**530**	**562**	**9.8%**	**-5.7%**
ADJUSTED (3,4) EARNING PER SHARE	**1.14**	**1.19**		**-4.1%**
ADJUSTED (3,4) EARNING PER SHARE IN USD$	**1.38**	**1.29**		**7.2%**

Notes:

(1) 2017 Net sales and results have been restated to reflect: (i) the application from 1Q 2018 of the new accounting standard IFRS 15; (ii) the inclusion of net sales and results of the Group's e-commerce platforms in the Retail division and; (iii) the finalization of Oticas Carol purchase price allocation;

(2) Figures at constant exchange rates have been calculated using the average exchange rates in effect for the corresponding period in the previous year. For further information, please refer to the attached tables;

(3) Adjusted data, EBITDA, EBITDA margin, free cash flow and net debt are not measures in accordance with IFRS;

(4) The adjusted data for the six-month period ended June 30, 2018 excludes: (i) restructuring and reorganization costs of Euro 14.0 million (Euro 12.1 million net of the tax effect) and (ii) non-recurring expenses of Euro 4.5 million (Euro 3.2 million net of the tax effect) related to the pending combination with Essilor.
The combined effect of (i) and (ii) for the six-month period ended June 30, 2018, was extraordinary expense with an impact on operating income of approximately Euro 18.5 million and Euro 15.3 million on net income.
The adjusted data for six-month period ended June 30, 2017 excludes: (i) restructuring and reorganization costs of Euro 22.9 million (Euro 15.8 million net of the tax effect); (ii) non-recurring expenses of Euro 38.6 million (Euro 24.5 million net of the related tax effect) related to (a) the early repayment of financial liabilities of Euro 30.8 million (Euro 19.0 million net of the tax effect) and (b) the pending combination with Essilor of Euro 7.9 million (Euro 5.5 million net of the tax effect) and (iii) non-recurring income of Euro 48.7 million (Euro 34.9 million net of the tax effect), relating to the gain on the sale of a building owned by the Group. The combined effect of (i), (ii) and (iii) for the six-month period ended June 30, 2017, was extraordinary costs with an impact on operating income of approximately Euro 31 million, Euro 12.9 million on income before provision for income taxes, and Euro 5.4 million on net income.

LUXOTTICA GROUP

2017 FIGURES RESTATEMENT

In accordance with IFRS

KEY FIGURES IN THOUSANDS OF EURO	1Q 2017	2Q 2017	1H 2017	3Q 2017	4Q 2017	FY2017
NET SALES [1]	**2,391**	**2,540**	**4,932**	**2,153**	**2,099**	**9,184**
Wholesale	934	981	1,915	739	717	3,371
Retail	1,458	1,559	3,017	1,414	1,382	5,813
ADJUSTED [1,2,3] **OPERATING INCOME**			**899**			**1,443**
Wholesale			547			782
Retail			457			862

Notes:

[1] 2017 Net sales and adjusted operating income have been restated to reflect: (i) the application from 1Q 2018 of the new accounting standard IFRS 15; (ii) the inclusion of net sales and adjusted operating income of the Group's e-commerce platforms in the Retail division and; (iii) the finalization of Oticas Carol purchase price allocation;

[2] Adjusted data, EBITDA, EBITDA margin, free cash flow and net debt are not measures in accordance with IFRS. For further information, please refer to the attached tables;

[3] The adjusted data for the six-month period ended June 30, 2018 excludes: (i) restructuring and reorganization costs of Euro 14.0 million (Euro 12.1 million net of the tax effect) and (ii) non-recurring expenses of Euro 4.5 million (Euro 3.2 million net of the tax effect) related to the pending combination with Essilor. The combined effect of (i) and (ii) for the six-month period ended June 30, 2018, was extraordinary expense with an impact on operating income of approximately Euro 18.5 million and Euro 15.3 million on net income.
The adjusted data for six-month period ended June 30, 2017 excludes: (i) restructuring and reorganization costs of Euro 22.9 million (Euro 15.8 million net of the tax effect); (ii) non-recurring expenses of Euro 38.6 million (Euro 24.5 million net of the related tax effect) related to (a) the early repayment of financial liabilities of Euro 30.8 million (Euro 19.0 million net of the tax effect) and (b) the pending combination with Essilor of Euro 7.9 million (Euro 5.5 million net of the tax effect) and (iii) non-recurring income of Euro 48.7 million (Euro 34.9 million net of the tax effect), relating to the gain on the sale of a building owned by the Group. The combined effect of (i), (ii) and (iii) for the six-month period ended June 30, 2017, was extraordinary costs with an impact on operating income of approximately Euro 31 million, Euro 12.9 million on income before provision for income taxes, and Euro 5.4 million on net income.

LUXOTTICA GROUP

CONSOLIDATED INCOME STATEMENT
FOR THE SIX-MONTH PERIODS ENDED
JUNE 30, 2018 AND JUNE 30, 2017

In accordance with IFRS

KEY FIGURES IN THOUSANDS OF EURO (1)	2018	% OF SALES	2017 RESTATED (2)	% OF SALES	% CHANGE
NET SALES	4,552,547	100.0%	4,931,632	100.0%	-7.7%
Cost of Sales	(1,617,514)		(1,716,197)		
GROSS PROFIT	2,935,032	64.5%	3,215,435	65.2%	-8.7%
Operating Expenses					
Selling Expenses	(1,441,661)		(1,548,836)		
Royalties	(81,222)		(89,126)		
Advertising Expenses	(240,332)		(266,411)		
General and Administrative expenses	(409,132)		(442,523)		
TOTAL	(2,172,346)		(2,346,897)		
OPERATING INCOME	762,686	16.8%	868,538	17.6%	-12.2%
Other income (expenses)					
Interest Income	8,944		8,458		
Interest Expenses	(34,160)		(70,746)		
Other - net	(2,635)		45,524		
OTHER INCOME (EXPENSES)-NET	(27,850)		(16,763)		
INCOME BEFORE PROVISION FOR INCOME TAXES	734,836	16.1%	851,775	17.3%	-13.7%
Provision for income taxes	(203,908)		(288,275)		
NET INCOME	530,928	11.7%	563,500	11.4%	-5.8%
of which attributable to:					
- Luxottica Group stockholders	530,191	11.6%	562,041	11.4%	-5.7%
- Non-controlling interests	738	0.0%	1,459	0.0%	
BASIC EARNINGS PER SHARE (ADS):	1.11		1.18		
FULLY DILUTED EARNINGS PER SHARE (ADS):	1.11		1.18		
WEIGHTED AVERAGE NUMBER OF OUTSTANDING SHARES	478,844,569		477,671,101		
FULLY DILUTED AVERAGE NUMBER OF SHARES	478,911,077		478,130,884		

Notes:
(1) Except earnings per share (ADS), which are expressed in Euro;
(2) H1 2017 results have been restated to reflect the application from 1Q 2018 of the new accounting standard IFRS 15.

LUXOTTICA GROUP

CONSOLIDATED BALANCE SHEET
AS OF JUNE 30, 2018 AND DECEMBER 31, 2017

In accordance with IFRS

KEY FIGURES IN THOUSANDS OF EURO		JUNE 30, 2018	DECEMBER 31, 2017 RESTATED [1]
CURRENT ASSETS:			
Cash and cash equivalents		986,335	1,159,320
Account receivable - net		1,123,235	943,778
Inventories - net		832,407	831,549
Other assets		253,161	240,052
TOTAL CURRENT ASSETS		**3,195,137**	**3,174,698**
NON-CURRENT ASSETS:			
Property, Plant and equipment - net		1,889,380	1,808,834
Goodwill		3,660,127	3,608,225
Intangible assets - net		1,184,276	1,246,409
Investments		17,986	14,488
Other assets		162,949	80,911
Deferred tax assets		127,166	130,454
TOTAL NON-CURRENT ASSETS		**7,041,885**	**6,889,322**
	TOTAL	**10,237,022**	**10,064,020**
CURRENT LIABILITIES:			
Bank overdrafts		58,668	77,486
Current portion of long-term debt		704,938	150,411
Account payable		895,554	906,749
Income taxes payable		154,384	22,299
Short-term provisions for risk and other charges		155,800	171,015
Other liabilities		728,346	764,920
TOTAL CURRENT LIABILITIES		**2,697,690**	**2,092,878**
NON-CURRENT LIABILITIES:			
Long-term debt		1,122,005	1,671,281
Employee benefits		118,029	121,555
Deferred tax liabilities		158,536	157,601
Long-term provisions for risk and other charges		128,005	130,453
Other liabilities		79,774	76,516
TOTAL NON-CURRENT LIABILITIES		**1,606,349**	**2,157,407**
STOCKHOLDERS' EQUITY:			
Luxottica Group stockholders'equity		5,925,543	5,808,271
Non-controlling interests		7,440	5,463
TOTAL STOCKHOLDERS' EQUITY		**5,932,983**	**5,813,734**
	TOTAL	**10,237,022**	**10,064,020**

Notes:

[1] Consolidated balance sheet as of December 31, 2017 has been restated to reflect the application from 1Q 2018 of the new accounting standard IFRS 15 and the finalization of Oticas Carol purchase price allocation.

LUXOTTICA GROUP

CONSOLIDATED FINANCIAL HIGHLIGHTS
FOR THE SIX-MONTH PERIODS ENDED
JUNE 30, 2018 AND JUNE 30, 2017
- SEGMENTAL INFORMATION -

In accordance with IFRS

KEY FIGURES IN THOUSANDS OF EURO	MANUFACTURING AND WHOLESALE	RETAIL	INTER-SEGMENT TRANSACTIONS AND CORPORATE ADJ.	CONSOLIDATED
2018				
NET SALES	1,730,902	2,821,645		4,552,547
OPERATING INCOME	462,152	410,523	(109,989)	762,686
% OF SALES	*26.7%*	*14.5%*		*16.8%*
CAPITAL EXPENDITURES	152,101	89,436		241,537
DEPRECIATION AND AMORTIZATION	79,845	126,868	44,455	251,168
2017 RESTATED [1]				
NET SALES	1,914,516	3,017,116		4,931,632
OPERATING INCOME	532,516	448,927	(112,905)	868,538
% OF SALES	*27.8%*	*14.9%*		*17.6%*
CAPITAL EXPENDITURES	127,656	103,937		231,594
DEPRECIATION AND AMORTIZATION	89,563	142,200	45,347	277,110

Notes:
[1] H1 2017 segmental information has been restated to reflect the application from 1Q 2018 of the new accounting standard IFRS 15 and the inclusion of financial information of the Group's e-commerce platforms in the Retail division.

LUXOTTICA GROUP

NON-IFRS MEASURES: ADJUSTED MEASURES

In order to provide a supplemental comparison of current period results of operations to prior periods, we have adjusted for certain transactions or events.

We have made such adjustments to the following measures: cost of sales, operating expenses, operating income, EBITDA, other income/(expense), income before provision for income taxes, provision for income taxes, net income and earnings per share.

For comparative purposes, management has adjusted each of the foregoing measures. The adjusted data for the six-month period ended June 30, 2018 excludes: (i) restructuring and reorganization costs of Euro 14.0 million (Euro 12.1 million net of taxes and Euro 0.03 impact on EPS) and (ii) non-recurring expenses of Euro 4.5 million (Euro 3.2 million net of taxes and Euro 0.01 impact on EPS) related to the pending combination with Essilor. The combined effect of (i) and (ii) for the six-month period ended June 30, 2018, was extraordinary expense with an impact on operating income of approximately Euro 18.5 million and Euro 15.3 million on net income.
The adjusted data for the six-month period ended June 30, 2017 excludes: (i) restructuring and reorganization costs of Euro 22.9 million (Euro 15.8 million net of taxes and Euro 0.03 impact on EPS), (ii) non-recurring expenses of Euro 38.6 million (Euro 24.5 million net of taxes and Euro 0.05 impact on EPS) related to (a) the early repayment of financial liabilities for Euro 30.8 million (Euro 19.0 million net of taxes) and (b) the pending combination with Essilor for Euro 7.9 million (Euro 5.5 million net of taxes), and (iii) non-recurring income of Euro 48.7 million (Euro 34.9 net of taxes and Euro -0.07 impact on EPS) related to a gain on the sale of a building owned by the Group. The combined effect of (i), (ii) and (iii) for the six-month period ended June 30, 2017, was extraordinary costs with an impact on operating income of approximately Euro 31 million, Euro 12.9 million on income before provision for income taxes, and Euro 5.4 million on net income.

The Company believes that these adjusted measures are useful to both management and investors in evaluating the Company's operating performance compared with that of other companies in its industry because they exclude the impact of certain items that are not relevant to the Company's operating performance.

The adjusted measures referenced above are not measures of performance in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS). We include these adjusted measures in this presentation in order to provide a supplemental view of operations.

These adjusted measures are not meant to be considered in isolation or as a substitute for items appearing on our 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 operational performance of the Company. The Company cautions that these adjusted measures are not defined terms under IFRS and their definitions should be carefully reviewed and understood by investors. Investors should be aware that Luxottica Group's method of calculating these adjusted measures may differ from methods used by other companies.

The Company recognizes that there are limitations in the usefulness of adjusted measures due to the subjective nature of items excluded by management in calculating adjusted comparisons. We compensate for the foregoing limitations by using these adjusted measures as a comparative tool, together with IFRS measures, to assist in the evaluation of our operating performance.

See the tables on the following pages for a reconciliation of the adjusted measures discussed above to their most directly comparable IFRS financial measures or, in the case of adjusted EBITDA and adjusted EBITDA margin, to EBITDA and EBITDA margin, respectively, which are also non-IFRS measures. For a discussion of EBITDA and EBITDA margin and a reconciliation of EBITDA and EBITDA margin to their most directly comparable IFRS financial measures, see the tables on the pages immediately following the reconciliation of the adjusted measures.

LUXOTTICA GROUP

NON-IFRS MEASURES:
RECONCILIATION BETWEEN REPORTED AND *ADJUSTED* P&L ITEMS

Millions of Euro

GROUP	6M 2018							6M 2017 Restated (1)						
	COST OF SALES	OPERATING EXPENSES	EBITDA	OPERATING INCOME	OTHER INCOME/(EXPENSE)	NET INCOME	EPS	COST OF SALES	OPERATING EXPENSES	EBITDA	OPERATING INCOME	OTHER INCOME/(EXPENSE)	NET INCOME	EPS
REPORTED	(1,617.5)	(2,172.3)	1,013.9	762.7	(27.9)	630.2	1.11	(1,716.2)	(2,346.9)	1,145.6	868.5	(16.8)	682.0	1.18
- RESTRUCTURING AND REORGANIZATION EXPENSES	10.3	3.7	14.0	14.0	-	12.1	0.03	9.6	13.2	22.9	22.9	-	15.8	0.03
- NON-RECURRING EXPENSES	-	4.5	4.5	4.5	-	3.2	0.01	-	7.9	7.9	7.9	30.8	24.5	0.05
- NON-RECURRING INCOMES	-	-	-	-	-	-	-	-	-	-	-	(48.7)	(34.9)	(0.07)
ADJUSTED	(1,607.2)	(2,164.1)	1,032.4	781.2	(27.9)	645.5	1.14	(1,706.6)	(2,325.8)	1,176.4	899.3	(34.7)	687.5	1.19

WHOLESALE DIVISION	6M 2018							6M 2017 Restated (1)						
	COST OF SALES	OPERATING EXPENSES	EBITDA	OPERATING INCOME	OTHER INCOME/(EXPENSE)	NET INCOME	EPS	COST OF SALES	OPERATING EXPENSES	EBITDA	OPERATING INCOME	OTHER INCOME/(EXPENSE)	NET INCOME	EPS
REPORTED	(714.8)	(554.0)	542.0	482.2	n.a.	n.a.	n.a.	(777.7)	(604.3)	622.1	532.5	n.a.	n.a.	n.a.
- RESTRUCTURING AND REORGANIZATION EXPENSES	1.8	2.3	4.1	4.1	-	-	-	6.2	8.4	14.5	14.5	-	-	-
ADJUSTED	(713.0)	(551.7)	546.1	486.2	n.a.	n.a.	n.a.	(771.6)	(595.9)	636.6	547.0	n.a.	n.a.	n.a.

RETAIL DIVISION	6M 2018							6M 2017 Restated (1)						
	COST OF SALES	OPERATING EXPENSES	EBITDA	OPERATING INCOME	OTHER INCOME/(EXPENSE)	NET INCOME	EPS	COST OF SALES	OPERATING EXPENSES	EBITDA	OPERATING INCOME	OTHER INCOME/(EXPENSE)	NET INCOME	EPS
REPORTED	(902.7)	(1,608.4)	537.4	410.5	n.a.	n.a.	n.a.	(938.5)	(1,629.7)	591.1	448.9	n.a.	n.a.	n.a.
- RESTRUCTURING AND REORGANIZATION EXPENSES	8.5	0.6	9.1	9.1	-	-	-	3.5	4.4	7.8	7.8	-	-	-
ADJUSTED	(894.2)	(1,607.8)	546.5	419.6	n.a.	n.a.	n.a.	(935.0)	(1,625.3)	599.0	456.8	n.a.	n.a.	n.a.

Notes:

(1) H1 2017 Net Sales and results have been restated to reflect the application from 1Q 2018 of the new accounting standard IFRS 15 and the inclusion of net sales and results of the Group's e-commerce platforms in the Retail division.

LUXOTTICA GROUP

NON-IFRS MEASURES: EBITDA AND EBITDA MARGIN

EBITDA represents net income before non-controlling interest, taxes, other income/expense, depreciation and amortization. EBITDA margin means EBITDA divided by net sales. The Company believes that EBITDA is useful to both management and investors in evaluating the Company's operating performance compared with that of other companies in its industry. Our calculation of EBITDA allows us to compare our operating results with those of other companies without giving effect to financing, income taxes and the accounting effects of capital spending, which items may vary for different companies for reasons unrelated to the overall operating performance of a company's business.

EBITDA and EBITDA margin are not measures of performance under International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

We include them in this presentation in order to:

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

EBITDA and EBITDA margin are not meant to be considered in isolation or as a substitute for items appearing on our 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 operational performance of the Company. The Company cautions that these measures are not defined terms under IFRS and their definitions should be carefully reviewed and understood by investors. Investors should be aware that Luxottica Group's method of calculating EBITDA may differ from methods used by other companies.

The Company recognizes that the usefulness of EBITDA has certain limitations, including:

- EBITDA does not include interest expense. Because we have borrowed money in order to finance our operations, interest expense is a necessary element of our costs and ability to generate profits and cash flows. Therefore, any measure that excludes interest expense may have material limitations;
- EBITDA does not include depreciation and amortization expense. Because we use capital assets, depreciation and amortization expense is a necessary element of our costs and ability to generate profits. Therefore, any measure that excludes depreciation and expense may have material limitations;
- EBITDA does not include provision for income taxes. Because the payment of income taxes is a necessary element of our costs, any measure that excludes tax expense may have material limitations;
- EBITDA does not reflect cash expenditures or future requirements for capital expenditures or contractual commitments;
- EBITDA does not allow us to analyze the effect of certain recurring and non-recurring items that materially affect our net income or loss.

We compensate for the foregoing limitations by using EBITDA as a comparative tool, together with IFRS measures, to assist in the evaluation of our operating performance and leverage.

See the table on the following page for a reconciliation of EBITDA to net income, which is the most directly comparable IFRS financial measure, as well as the calculation of EBITDA margin.

LUXOTTICA GROUP

NON-IFRS MEASURES:
EBITDA and EBITDA margin

Millions of Euro

	JUNE 30, 2017 Restated [1]	JUNE 30, 2018	FY 2017 Restated [1]	LTM JUNE 30, 2018 [1]
NET INCOME/(LOSS) (+)	562.0	530.2	1,040.4	1,008.5
NET INCOME ATTRIBUTABLE TO NON CONTROLLING INTEREST (+)	1.5	0.7	2.0	1.2
PROVISION FOR INCOME TAXES (+)	288.3	203.9	215.0	130.6
OTHER (INCOME)/EXPENSES (+)	16.8	27.9	44.1	55.2
DEPRECIATION AND AMORTIZATION (+)	277.1	251.2	541.0	515.1
EBITDA (=)	1,145.6	1,013.9	1,842.4	1,710.6
NET SALES (/)	4,931.6	4,552.5	9,184.2	8,805.1
EBITDA MARGIN (=)	23.2%	22.3%	20.1%	19.4%

Notes:

[1] H1 and FY 2017 results have been restated to reflect the application from 1Q 2018 of the new accounting standard IFRS 15 and the finalization of Oticas Carol purchase price allocation

LUXOTTICA GROUP

NON-IFRS MEASURES:
ADJUSTED EBITDA AND *ADJUSTED* EBITDA MARGIN

Millions of Euro

	JUNE 30, 2017 RESTATED (1,2,8)	JUNE 30, 2018 (3,4)	FY 2017 RESTATED (5,6,7,8)	LTM JUNE 30, 2018 (8)
NET INCOME/(LOSS) (+)	567.5	545.5	970.6	948.5
NET INCOME ATTRIBUTABLE TO NON CONTROLLING INTEREST (+)	1.5	0.7	2.0	1.2
PROVISION FOR INCOME TAXES (+)	295.7	207.2	407.4	318.9
OTHER (INCOME)/EXPENSES (+)	34.7	27.9	63.2	56.4
DEPRECIATION AND AMORTIZATION (+)	277.1	251.2	541.0	515.1
Adjusted EBITDA (=)	1,176.4	1,032.4	1,984.2	1,840.2
NET SALES (/)	4,931.6	4,552.5	9,184.2	8,805.1
EBITDA MARGIN (=)	23.9%	22.7%	21.6%	20.9%

Notes:

(1) Exclude restructuring and reorganization expenses of Euro 22.9 million
(2) Exclude the non-recurring expenses of Euro 7.9 million related to the pending combination with Essilor
(3) Exclude restructuring and reorganization expenses of Euro 14.0 million
(4) Exclude the non-recurring expenses of Euro 4.5 million related to the pending combination with Essilor
(5) Exclude restructuring and reorganization expenses of Euro 115.7 million
(6) Exclude non-recurring expenses of Euro 55.6 million (Euro 36.6 million net of taxes)
(7) Exclude non-recurring income of Euro 48.7 million (Euro 192.3 million net of taxes) related to a gain on the sale of a building owned by the Group of Euro 48.7 million (Euro 34.9 net of taxes and Euro) and the "Patent Box" tax benefit and US fiscal reform impact of Euro 157.4 million
(8) H1 and FY 2017 results have been restated to reflect the application from 1Q 2018 of the new accounting standard IFRS 15 and the finalization of Oticas Carol purchase price allocation

LUXOTTICA GROUP

NON-IFRS MEASURES: NET DEBT TO EBITDA RATIO

Net debt to EBITDA ratio: Net debt means the sum of bank overdrafts, current portion of long-term debt and long-term debt, less cash. EBITDA represents net income before non-controlling interests, taxes, other income/expense, depreciation and amortization. The Company believes that EBITDA is useful to both management and investors in evaluating the Company's operating performance compared with that of other companies in its industry. Our calculation of EBITDA allows us to compare our operating results with those of other companies without giving effect to financing, income taxes and the accounting effects of capital spending, which items may vary for different companies for reasons unrelated to the overall operating performance of a company's business. The ratio of net debt to EBITDA is a measure used by management to assess the Company's level of leverage, which affects our ability to refinance our debt as it matures and incur additional indebtedness to invest in new business opportunities. The ratio also allows management to assess the cost of existing debt since it affects the interest rates charged by the Company's lenders.

EBITDA and ratio of net debt to EBITDA are not measures of performance under International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS). We include them in this presentation in order to:

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

EBITDA and ratio of net debt to EBITDA are not meant to be considered in isolation or as a substitute for items appearing on our 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 operational performance of the Company. The Company cautions that these measures are not defined terms under IFRS and their definitions should be carefully reviewed and understood by investors. Investors should be aware that Luxottica Group's method of calculating EBITDA and the ratio of net debt to EBITDA may differ from methods used by other companies.The Company recognizes that the usefulness of EBITDA and the ratio of net debt to EBITDA as evaluative tools may have certain limitations, including:

- EBITDA does not include interest expense. Because we have borrowed money in order to finance our operations, interest expense is a necessary element of our costs and ability to generate profits and cash flows. Therefore, any measure that excludes interest expense may have material limitations;
- EBITDA does not include depreciation and amortization expense. Because we use capital assets, depreciation and amortization expense is a necessary element of our costs and ability to generate profits. Therefore, any measure that excludes depreciation and expense may have material limitations;
- EBITDA does not include provision for income taxes. Because the payment of income taxes is a necessary element of our costs, any measure that excludes tax expense may have material limitations;
- EBITDA does not reflect cash expenditures or future requirements for capital expenditures or contractual commitments;
- EBITDA does not reflect changes in, or cash requirements for, working capital needs;
- EBITDA does not allow us to analyze the effect of certain recurring and non-recurring items that materially affect our net income or loss; and
- The ratio of net debt to EBITDA is net of cash and cash equivalents, restricted cash and short-term investments, thereby reducing our debt position.

Because we may not be able to use our cash to reduce our debt on a dollar-for-dollar basis, this measure may have material limitations. We compensate for the foregoing limitations by using EBITDA and the ratio of net debt to EBITDA as two of several comparative tools, together with IFRS measures, to assist in the evaluation of our operating performance and leverage.

See the table on the following page for a reconciliation of net debt to long-term debt, which is the most directly comparable IFRS financial measure, as well as the calculation of the ratio of net debt to EBITDA. For a reconciliation of EBITDA to net income, which is the most directly comparable IFRS financial measure, see the table on the preceding pages.

LUXOTTICA GROUP

NON-IFRS MEASURES:
NET DEBT AND NET DEBT/EBITDA

Millions of Euro

	DECEMBER 31, 2017 RESTATED [1]	JUNE 30, 2018
LONG-TERM DEBT (+)	1,671.3	1,122.0
CURRENT PORTION OF LONG TERM DEBT (+)	150.4	704.9
BANK OVERDRAFTS (+)	77.5	58.7
CASH (-)	(1,159.3)	(986.3)
NET DEBT (=)	739.9	899.3
EBITDA *(LTM and FY 2017)*	1,842.4	1,710.6
NET DEBT/EBITDA	0.4x	0.5x
NET DEBT @ AVG. EXCHANGE RATES [2]	718.9	893.8
NET DEBT @ AVG. EXCHANGE RATES [2]/EBITDA	0.4x	0.5x

Notes:
[1] FY 2017 results have been restated to reflect the application from 1Q 2018 of the new accounting standard IFRS 15
[2] Net debt figures are calculated using the average exchange rates used to calculate the EBITDA figures

LUXOTTICA GROUP

NON-IFRS MEASURES:
NET DEBT AND NET DEBT/*ADJUSTED* EBITDA

Millions of Euro

	DECEMBER 31, 2017 RESTATED [2,4]	JUNE 30, 2018 [3]
LONG-TERM DEBT (+)	1,671.3	1,122.0
CURRENT PORTION OF LONG TERM DEBT (+)	150.4	704.9
BANK OVERDRAFTS (+)	77.5	58.7
CASH (-)	(1,159.3)	(986.3)
NET DEBT (=)	739.9	899.3
ADJUSTED EBITDA *(LTM and FY 2017)*	1,984.2	1,840.2
NET DEBT/*ADJUSTED* EBITDA	0.4x	0.5x
NET DEBT @ AVG. EXCHANGE RATES [1]	718.9	893.8
NET DEBT @ AVG. EXCHANGE RATES [1]/ *ADJUSTED* EBITDA	0.4x	0.5x

Notes:
[1] Net debt figures are calculated using the average exchange rates used to calculate the EBITDA figures.
The adjusted figures:
[2] Exclude: (i) restructuring and reorganization expenses of Euro 115.7 million; (ii) Non-recurring expenses of Euro 26.1 million
[3] Exclude: (i) restructuring and reorganization expenses of Euro 14.0 million; (ii) Non-recurring expenses of Euro 4.5 million related to the pending combination with Essilor
[4] FY 2017 results have been restated to reflect the application from 1Q 2018 of the new accounting standard IFRS 15.

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NON-IFRS MEASURES: FREE CASH FLOW

Free cash flow represents net income before non-controlling interests, taxes, other income/expense, depreciation and amortization (i.e. EBITDA – see table on the earlier page) plus or minus the decrease/(increase) in working capital over the prior period, less capital expenditures, plus or minus interest income/(expense) and extraordinary items, minus taxes paid. The Company believes that free cash flow is useful to both management and investors in evaluating the Company's operating performance compared with other companies in its industry. In particular, our calculation of free cash flow provides a clearer picture of the Company's ability to generate net cash from operations, which is used for mandatory debt service requirements, for funding discretionary investments, for paying dividends or pursuing other strategic opportunities.

Free cash flow is not a measure of performance under International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

We include it in this presentation in order to:

- Improve transparency for investors;
- Assist investors in their assessment of the Company's operating performance and its ability to generate cash from operations in excess of its cash expenses;
- Ensure that this measure is fully understood in light of how the Company evaluates its operating results;
- Properly define the metrics used and confirm their calculation; and
- Share this measure with all investors at the same time.

Free cash flow is not meant to be considered in isolation or as a substitute for items appearing on our financial statements prepared in accordance with IFRS. Rather, this non-IFRS measure should be used as a supplement to IFRS results to assist the reader in better understanding the operational performance of the Company. The Company cautions that this measure is not a defined term under IFRS and its definition should be carefully reviewed and understood by investors. Investors should be aware that Luxottica Group's method of calculation of free cash flow may differ from methods used by other companies. The Company recognizes that the usefulness of free cash flow as an evaluative tool may have certain limitations, including:

- The manner in which the Company calculates free cash flow may differ from that of other companies, which limits its usefulness as a comparative measure;
- Free cash flow does not represent the total increase or decrease in the net debt balance for the period since it excludes, among other things, cash used for funding discretionary investments and to pursue strategic opportunities during the period and any impact of the exchange rate changes; and
- Free cash flow can be subject to adjustment at the Company's discretion if the Company takes steps or adopts policies that increase or diminish its current liabilities and/or changes to working capital.

Because we may not be able to use our cash to reduce our debt on a dollar-for-dollar basis, this measure may have material limitations. We compensate for the foregoing limitations by using EBITDA and the ratio of net debt to EBITDA as two of several comparative tools, together with IFRS measures, to assist in the evaluation of our operating performance and leverage.

See the table on the following page for a reconciliation of net debt to long-term debt, which is the most directly comparable IFRS financial measure, as well as the calculation of the ratio of net debt to EBITDA. For a reconciliation of EBITDA to net income, which is the most directly comparable IFRS financial measure, see the table on the preceding page.

LUXOTTICA GROUP

NON-IFRS MEASURES:
FREE CASH FLOW

Millions of Euro

	JUNE 2018
ADJUSTED EBITDA [1]	**1,032.4**
Δ WORKING CAPITAL	(312.5)
CAPEX	(241.5)
OPERATING CASH FLOW	**478.3**
FINANCIAL CHARGES [2]	(25.2)
TAXES	(50.0)
EXTRAORDINARY CHARGES [3]	(3.2)
Free cash flow	**399.9**

Notes:
[1] *Adjusted* EBITDA is not an IAS/IFRS measure; please see table on the earlier page for a reconciliation of *adjusted* EBITDA to EBITDA and EBITDA to net income
[2] Equals interest income minus interest expense
[3] Equals extraordinary income minus extraordinary expense

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Major currencies

Average exchange rates per € 1	Three months ended June 30, 2018	Six months ended June 30, 2018	Twelve months ended December 31, 2017	Three months ended June 30, 2017	Six months ended June 30, 2017
US$	1.19149	1.21035	1.12968	1.10213	1.08302
AUD	1.57441	1.56881	1.47317	1.46869	1.43642
GBP	0.87616	0.87977	0.87667	0.86112	0.86059
CNY	7.60174	7.70859	7.62900	7.55970	7.44483
JPY	130.04524	131.60571	126.71118	122.58403	121.78039
MXN	23.13281	23.08502	21.32861	20.44375	21.04407
BRL	4.29426	4.14146	3.60543	3.54413	3.44311

3.4.2 Luxottica's 2018 first quarter net sales

First quarter net sales were Euro 2,136 million, -0.8% at constant exchange rates[2]. Wholesale division's net sales were Euro 830 million, -4.2% at constant exchange rates[2]. Retail division's net sales were Euro 1,306 million, +1.3% at constant exchange rates[2].

Net sales for the first quarter 2018[1]

(Millions of Euro)	1Q 2018	1Q 2017 restated[4]	Change at constant exchange rates[2]	Change at current exchange rates
Group net sales	**2,136**	**2,391**	**-0.8%**	**-10.7%**
Wholesale division	830	934	-4.2%	-11.1%
Retail division	1,306	1,458	+1.3%	-10.4%

Luxottica closed the first quarter of 2018 with sales down by 0.8% at constant exchange rates[2] due to the temporary slowdown in Europe caused by a delayed sun season and the restructuring of the wholesale business in China.

Wholesale division's net sales, down 4.2% at constant exchange rates[2], were affected by the negative performance of Europe, where unfavorable weather led to the postponement of orders in March, a month which typically generates half of the wholesale sales for the quarter. The new commercial policies for European online operators and wholesale customers, and the completion of the restructuring of the distribution in China also affected quarterly net sales.

The Retail division grew in the quarter by 1.3% at constant exchange rates[2], with comparable store sales[3] down by 0.6%. Positive sales were driven by Sunglass Hut in North America (comparable store sales[3] up by 7.6%), retail brands in China and Australia, Target Optical and the e-commerce business worldwide, which recorded an increase[2] of 16% thanks to Ray-Ban.com and SunglassHut.com. These positive results offset the slowdown of the sun segment in Europe and negative sales of LensCrafters, which is still focused on transforming its business model.

Geographic segments: net sales and trends[1]

(Millions of Euro)	1Q 2018	%	1Q 2017 restated[4]	%	Change at constant exchange rates[2]	Change at current exchange rates
North America	1,197	56%	1,376	57%	+0.1%	-13.0%
Wholesale	239	11%	273	11%	+0.5%	-12.4%
Retail	958	45%	1,103	46%	0.0%	-13.2%
Europe	489	23%	517	22%	-4.1%	-5.5%
Asia-Pacific	279	13%	307	13%	-0.3%	-9.3%
Latin America	131	6%	145	6%	+2.6%	-9.8%
Rest of the World	40	2%	46	2%	-6.3%	-12.2%
Group total	**2,136**	**100%**	**2,391**	**100%**	**-0.8%**	**-10.7%**

North America

In the first quarter of 2018, North America recorded net sales at constant exchange rates[2] in line with those of the same period last year. The Wholesale division grew by 0.5% at constant exchange rates[2], thanks to the solid growth of Ray-Ban, especially in the sun segment, as well as the key accounts and e-commerce business. The Retail division reported unchanged sales compared to the first quarter of last year at constant exchange rates[2]. The excellent performance of Sunglass Hut, Target Optical, Pearle Vision, Group's e-commerce platforms (mainly Ray-Ban.com and SunglassHut.com) and EyeMed in Managed Vision Care, fully balanced the still negative sales of LensCrafters.

Europe
After twelve consecutive quarters of solid growth, Europe reported a decline of 4.1% at constant exchange rates[2] due to the combined effect of the standardization of commercial policies and the delay in the beginning of the sun season in March. In the quarter, the Group refined its selective distribution agreements, introduced new ways of managing online customers and invested in digitalizing communications in the wholesale channel to improve customer relationships. The unstable weather conditions in the second part of the quarter penalized the retail business, which still reported a slight increase in net sales compared to the same period of 2017.

Asia-Pacific
Net sales at constant exchange rates[2] in Asia-Pacific remained almost unchanged during the quarter. The positive contribution of Australia, Japan, India and travel retail offsets the negative performance of China, where the Group is completing the restructuring of its distribution channel in favor of a direct relationship with the final consumer. The region benefited from the excellent performance of the retail business, with the strong growth of Sunglass Hut, OPSM in Australia and LensCrafters and Ray-Ban stores in China.

Latin America
In the first quarter, Latin America reported sales up 2.6% at constant exchange rates[2]. The strong contribution of Brazil drove results, where the Group also launched a new commercial organization to improve customer proximity and service and reported an excellent performance of Óticas Carol. The Retail division benefited from the growth of Sunglass Hut sales and the promising start of the first Ray-Ban stores in the region.

Notes

1 Comparisons, including percentage changes, are between the three-month periods ended March 31, 2018 and 2017.

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

3 “Comps” or “Comparable store sales” reflect the change in sales from one period to another that, for comparison purposes, includes in the calculation only stores open in the more recent period that also were open during the comparable prior period, and applies to both periods the average exchange rate for the prior period and the same geographic area. Comparable store sales do not include e-commerce sales.

4 1Q 2017 net sales have been restated to reflect the application from 1Q 2018 of the new accounting standard IFRS 15 and the inclusion of net sales of the Group's e-commerce platforms in the Retail division net sales.

3.4.3 Luxottica’s annual consolidated financial statements for the last three fiscal years

The financial information presented hereunder have been extracted from the consolidated financial statements of Luxottica for the years ended at December 31, 2017, 2016 and 2015 prepared in accordance with the IFRS, audited by the statutory auditor (PricewaterhouseCoopers S.p.A.), and for which unqualified opinions were issued on March 27, 2018, April 5, 2017 and April 5, 2016, respectively.

The English version of Luxottica’s audited consolidated financial statements and related audit reports may be accessed on Luxottica’s website at the following addresses:

- as for the financial year ended on December 31, 2017, at http://www.luxottica.com/en/annual-report-2017;
- as for the financial year ended on December 31, 2016, at http://www.luxottica.com/en/annual-financial-report-2016-0; and
- as for the financial year ended on December 31, 2015, at http://www.luxottica.com/en/annual-financial-report-2015.

3.4.3.1 Consolidated statements of income for the years ended December 31, 2017, 2016 and 2015

Amounts in thousands of euros (*)	2017	Related parties	2016 restated (*)	Related parties	2015	Related parties
Net sales	**9,157,291**	**644**	**9,085,707**	**23,491**	**8,836,578**	**25,170**
Cost of sales	3,282,098	42,975	3,153,264	44,716	2,835,426	53,602
- *Of which non recurring*	-		*95*		*694*	
Gross profit	**5,875,194**	**(42,332)**	**5,932,443**	**(21,225)**	**6,001,152**	**(28,431)**
Selling	3,025,835	138	2,889,177	2	2,778,838	14
- *Of which non recurring*	-	-	*420*	-	*5,519*	-
Royalties	164,043	664	169,890	707	168,669	996
Advertising	501,748	241	567,895	138	589,718	118
General and administrative	882,971	12,389	960,214	8,870	1,087,484	7,531
- *Of which non recurring*	*26,105*	-	*16,861*	-	*60,149*	-
Total operating expenses	**4,574,597**	**13,432**	**4,587,176**	**9,718**	**4,624,708**	**8.658**
Income from operations	**1,300,596**	**(55,764)**	**1,345,267**	**(30,943)**	**1,376,445**	**(37,089)**
Interest income	18,199		15,469	-	11,190	-
Interest expense	(107,746)		(81,528)		(106,439)	-
Of which non recurring	*(29,540)*					
Other—net	45,441		37,099	(40)	(3,281)	(561)
Of which non recurring	*48,675*		*33,358*			
Total Other income/(expense)	**(44,106)**		**(28,960)**	**(40)**	**(98,530)**	**(561)**
Income before provision for income taxes	**1,256,490**	**(55,764)**	**1,316,307**	**(30,983)**	**1,277,914**	**(37,650)**
Provision for income taxes	(216,085)		(466,373)		(471,042)	
- *Of which non recurring*	*162,600*		*5,421*	-	*16,527*	-
Net Income	**1,040,405**		**849,934**	**-**	**806,873**	**-**
Of which attributable to:						
—Luxottica Group stockholders	**1,038,445**	**-**	**848,137**	**-**	**804,119**	**-**
—Non-controlling interests	1,960	-	1,797	-	2,753	-
Weighted average number of shares outstanding:						
Basic	478,068,696		479,225,730		479,553,693	
Diluted	478,348,377		480,025,531		482,073,361	
EPS (in euros):						
Basic	2.17		1.77		1.68	
Diluted	2.17		1.77		1.67	

(*) Except for number of earnings per share that are in euros

(**) Other—net as at December 31, 2016 was restated to include Euro 2.4 million from the Salmoiraghi & Viganò acquisition required by IFRS 3 – Business Combinations

3.4.3.2 Consolidated statements of comprehensive income for the years ended December 31, 2017, 2016 and 2015

(Amounts in thousands of euros)	2017	2016 restated (*)	2015
Net income	**1,040,405**	**849,934**	**806,873**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Fair value of Hedging instruments on interest rates	425	-	-
Related tax effect	(126)	-	-
Currency translation differences	(588,541)	154,628	267,546
Total items that may be reclassified subsequently to profit or loss:	*(588,241)*	*154,628*	*267,546*
Items that will not be reclassified to profit or loss:			
Actuarial (loss)/gain on defined benefit plans	55,188	(19,889)	14,167
Related tax effect	(48,755)	4,735	(3,994)
Of which non recurring	*(29,524)*	-	-
Total items that will not be reclassified to profit or loss	***6,432***	***(15,154)***	***10,173***
Total other comprehensive income/(loss)—net of tax	***(581,809)***	***139,473***	***277,720***
Total comprehensive income for the period	**458,569**	**989,407**	**1,084,592**
Attributable to:			
—Luxottica Group stockholders	456,589	986,385	1,080,968
—Non-controlling interests	2,007	3,022	3,624

(*) Net income and total comprehensive income for the period as at December 31, 2016 were restated to include Euro 2.4 million from the Salmoiraghi & Viganò acquisition required by IFRS 3 – Business Combinations

3.4.3.3 Consolidated statements of financial position at December 31, 2017, 2016 and 2015

(Amounts in thousands of euros)	2017	Related parties	2016 Restated (*)	Related parties	2015	Related parties
ASSETS						
CURRENT ASSETS:						
Cash and cash equivalents	1,159,320		866,864		864,852	
Accounts receivable	943,778	349	932,340	1,687	858,053	12,472
Inventories	831,549		893,472		833,272	
Other assets	232,821	5,879	287,759	5,301	272,932	11,617
Assets held for sale	-		51,284		-	
Total current assets	**3,167,467**	**6,228**	**3,031,719**	**6,988**	**2,829,109**	**24,090**
NON-CURRENT ASSETS:						
Property, plant and equipment	1,808,834	117,750	1,672,554		1,435,524	
Goodwill	3,622,396		3,864,955		3,596,983	
Intangible assets	1,225,475	29,576	1,477,316	10,296	1,442,148	
Investments	14,488	3,622	20,186	7,720	65,378	53,367
Other assets	73,756		97,300		105,574	
Deferred tax assets	130,454		133,369		174,433	
Total non-current assets	**6,875,403**	**150,948**	**7,265,680**	**18,016**	**6,820,040**	**53,367**
TOTAL ASSETS	**10,042,870**	**157,176**	**10,297,400**	**25,005**	**9,649,148**	**77,456**
LIABILITIES AND STOCKHOLDERS' EQUITY						
CURRENT LIABILITIES:						
Short-term borrowings	77,486		208,813		110,450	
Current portion of long-term debt	150,411		154,094		44,882	
Accounts payable	906,749	24,194	944,402	21,159	927,186	17,191
Income taxes payable	22,299		17,238		34,179	
Short-term provisions for risks and other charges	169,226		145,701		118,779	
Other liabilities	764,394	6	745,921		671,424	571
Total current liabilities	**2,090,564**	**24,199**	**2,216,168**	**21,159**	**1,906,900**	**17,763**
NON-CURRENT LIABILITIES:						
Long-term debt	1,671,281		1,680,951		1,715,104	
Employee benefits	121,555		159,364		136,200	
Deferred tax liabilities	147,843		257,036		277,327	
Long-term provisions for risks and other charges	130,453		122,107		104,508	
Other liabilities	74,626		79,783		91,391	
Total non-current liabilities	**2,145,758**		**2,299,241**		**2,324,529**	
STOCKHOLDERS' EQUITY:						
Capital stock	29,101		29,051		29,019	
Legal reserve	5,811		5,805		5,784	
Reserves	4,984,405		5,162,798		4,642,238	
Treasury shares	(256,678)		(269,755)		(68,636)	
Net income	1,038,445		848,137		804,119	
Luxottica Group stockholders' equity	5,801,085		5,776,036		5,412,524	
Non-controlling interests	5,463		5,954		5,196	
Total stockholders' equity	**5,806,548**		**5,781,990**		**5,417,719**	
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**10,042,870**	**24,199**	**10,297,400**	**21,159**	**9,649,148**	**17,763**

(*) Goodwill, Stockholders' equity and Other assets for the period as at December 31, 2016 were restated to include Euro 6.5 million, Euro 2.4 million and Euro 4.1 million respectively from the Salmoiraghi & Viganò acquisition required by IFRS 3 – Business Combinations.

3.4.3.4 Consolidated statements of stockholders' equity at and for the years ended December 31, 2017, 2016 and 2015

(Amounts in thousands of euros) (*)	Capital stock		Legal reserve	Additional paid-in capital	Retained earnings	Stock options reserve	Translation of foreign operations and other	Treasury shares	Stockholders' equity	Non-controlling interests
	Number of shares	Amount								
Balance as of January 1, 2015	**481,671,583**	**28,900**	**5,735**	**484,865**	**4,230,560**	**300,659**	**(55,364)**	**(73,875)**	**4,921,479**	**7,300**
Total Comprehensive Income as of December 31, 2015					**814,292**	**—**	**266,675**	**—**	**1,080,968**	**3,624**
Exercise of stock options	1,981,750	119	—	47,560	—	—	—	—	47,679	—
Non-cash stock-based compensation	—	—	—	—	—	49,692	—	—	49,692	—
Excess tax benefit on stock options	—	—	—	17,525	—	—	—	—	17,525	—
Increase in treasury shares	—	—	—	—	—	—		(6,879)	(6,879)	
Granting of treasury shares to employees	—	—	—	—	(12,118)	—	—	12,118	—	—
Contribution from Delfin S.a.r.l	—	—	—	—	7,171	—	—	—	7,171	—
Change in the consolidation perimeter	—	—	—	—	(15,397)	—	—	—	(15,397)	(3,594)
Dividends (€1.44 per ordinary share)	—	—	—	—	(689,714)	—	—	—	(689,714)	(2,135)
Allocation of legal reserve	—	—	49	—	(49)	—	—	—	—	—
Balance as of December 31, 2015	**483,653,333**	**29,019**	**5,784**	**549,950**	**4,334,745**	**350,351**	**211,311**	**(68,636)**	**5,412,524**	**5,196**
Balance as of January 1, 2016	**483,653,333**	**29,019**	**5,784**	**549,950**	**4,334,745**	**350,351**	**211,311**	**(68,636)**	**5,412,524**	**5,196**
Total Comprehensive Income as of December 31, 2016					**835,370**	**—**	**153,403**	**—**	**988,772**	**3,022**
Price adjustment S&V (**)	—	—	—	—	(2,387)	—	—	—	(2,387)	—
Total Comprehensive Income as of December 31, 2016 restated					**832,983**	**—**	**153,403**	**—**	**986,385**	**3,022**
Exercise of stock options	522,750	31	—	10,090	—	—	—	—	10,121	—
Non-cash stock-based compensation	—	—	—	—	—	9,577	—	—	9,577	—
Excess tax benefit on stock options	—	—	—	2,971	—	—	—	—	2,971	—
Increase in treasury shares	—	—	—	—	—	—	—	(217,822)	(217,822)	—
Granting of treasury shares to employees	—	—	—	—	(16,703)	—	—	16,703	—	—
Dividends (€0.89 per ordinary share)	—	—	—	—	(427,722)	—	—	—	(427,722)	(2,264)
Allocation of legal reserve	—	—	20	—	(20)	—	—	—	—	—
Balance as of December 31, 2016 restated	**484,176,083**	**29,051**	**5,805**	**563,011**	**4,723,283**	**359,928**	**364,714**	**(269,755)**	**5,776,036**	**5,954**
Balance as of January 1, 2017 restated	**484,176,083**	**29,051**	**5,805**	**563,011**	**4,723,283**	**359,928**	**364,714**	**(269,755)**	**5,776,036**	**5,954**
Total Comprehensive Income as of December 31, 2017	—	—	—	—	**1,045,177**	**—**	**(588,588)**	**—**	**456,589**	**2,007**
Exercise of stock options	839,950	50	—	17,436	—	—	—	—	17,486	—
Non-cash stock-based compensation	—	—	—	—	—	790	—	—	790	—
Excess tax benefit on stock options	—	—	—	(10,122)	—	—	—	—	(10,122)	—
Increase in treasury shares	—	—	—	—	—	—	—	—	—	—
Granting of treasury shares to employees	—	—	—	—	(13,077)	—	—	13,077	—	—
Dividends (€0.92 per ordinary share)	—	—	—	—	(439,695)	—	—	—	(439,695)	(2,498)
Allocation of legal reserve	—	—	6	—	(6)	—	—	—	—	—
Balance as of December 31, 2017	**485,016,033**	**29,101**	**5,811**	**570,325**	**5,315,681**	**360,718**	**(223,874)**	**(256,678)**	**5,801,085**	**5,463**

(*) Except for the number of shares

(**) Other—net as at December 31, 2016 was restated to include Euro 2.4 million from the Salmoiraghi & Viganò acquisition required by IFRS 3 – Business Combinations

3.4.3.5 Consolidated statements of cash flows for the years ended December 31, 2017, 2016 and 2015

(Amounts in thousands of euros)	**2017**	**2016 Restated (*)**	**2015**
Income before provision for income taxes	**1,256,490**	**1,316,307**	**1,277,914**
Stock-based compensation	790	9,577	49,692
Depreciation, amortization and impairment	540,420	512,842	476,888
Write-down of property, plant and equipment and intangible assets	26,375	23,037	22,877
Financial expenses	107,746	81,528	106,439
Other non-cash items (**)	(1,086)	(42,064)	(4,770)
Gain from the disposal of assets	(48,675)	—	—
Changes in accounts receivable	(80,379)	(28,812)	(108,648)
Changes in inventories	24,316	(7,236)	(85,217)
Changes in accounts payable	31,879	(28,776)	115,635
Changes in other assets/liabilities/provisions for risks/employee benefits	166,247	29,984	(7,827)
Total adjustments	**767,632**	**550,081**	***565,069***
Cash provided by operating activities	**2,024,122**	**1,866,387**	**1,842,983**
Interest paid	(100,948)	(79,720)	(79,752)
Taxes paid	(319,934)	(475,398)	(565,940)
Net Cash provided by operating activities	**1,603,240**	**1,311,269**	**1,197,291**
Of which to related parties	*(45,214)*	*(14,820)*	*(54,580)*
Additions of property, plant and equipment	(601,770)	(546,214)	(319,817)
Disposals of property plant and equipment	100,000	19,258	—
Purchases of businesses—net of cash acquired(***)	(136,302)	(127,516)	(21,017)
Investments in equity investees	1,689	2,588	1,502
Additions to intangible assets	(63,821)	(111,827)	(143,987)
Cash used in investing activities	**(700,204)**	**(763,711)**	**(483,319)**
Of which to related parties	*(139,681)*	*(6,329)*	—
Long-term debt:			
—Proceeds	500,000	901	4,082
—Repayments	(469,302)	(12,696)	(649,310)
Increase/(Decrease) in short-term lines of credit	(136,716)	92,439	(39,022)
Exercise of stock options	17,518	10,121	47,678
Purchase of non-controlling interest (****)	—	(13,456)	(18,990)
Purchase of treasury shares	—	(219,748)	(6,879)
Dividends	(442,193)	(429,985)	(691,849)
Cash used in financing activities	**(530,694)**	**(572,415)**	**(1,354,291)**
Increase/(Decrease) in cash and cash equivalents	**372,342**	**(24,857)**	**(640,319)**
Cash and cash equivalents, beginning of the period	**866,864**	**864,852**	**1,453,587**
Effect of exchange rate changes on cash and cash equivalents (*****)	(79,886)	26,869	51,582
Cash and cash equivalents, end of the period	**1,159,320**	**866,864**	**864,852**

(*) The balance of other non-cash items as of December 31, 2016 was retrospectively restated by Euro 2.4 million to reflect the effects of the Salmoiraghi & Viganò acquisition required by IFRS 3 – Business Combinations.

(**) Other non-cash items in 2016 included the measurement at its fair value of the previous interests in Salmoiraghi & Viganò SpA following acquisition of the remaining majority stake.

(***) Purchases of business-net of cash acquired in 2017 included the purchase of (i) Óticas Caros for approximately €(98) million; (ii) Exciton for approximately €(11) million; (iii) Buyback of franchised stores for approximately €(8) million; (iv) adjustment of the price paid for the purchase of 63.2% of Salmoiraghi & Viganò for approximately Euro 4 million.

Purchases of business-net of cash acquired in 2016 included the purchase of Salmoiraghi & Viganò S.p.A. for approximately €(127) million.

Purchases of businesses—net of cash acquired in 2015 included the purchase of SunGlasses Warehouse for €(21.0) million.

(****) The purchases of non-controlling interest in 2016 relate to the acquisition of remaining shareholding of Sunglass Hut de Mexico from Opticas Devlyn. The purchases of non-controlling interest in 2015 relate to the acquisition of the remaining 49% of Luxottica Netherland.

(*****) The effect of exchange rate changes on cash and cash equivalents related to financing activities is equal to €62.3 million as of December 31, 2017, €27.2 million as of December 31, 2016, and €75.2 million as of December 31, 2015.

3.4.3.6 Audit reports from the independent auditors

Please refer to the English version of the audited consolidated financial statements of Luxottica for (i) the financial years ended December 31, 2017, 2016 and 2015 and (ii) interim financial results as of June 30, 2018 and related audit reports available on Luxottica's website, http://www.luxottica.com/en/investors/annual-reports-and-publications.

3.4.4 Significant excerpts from the notes to consolidated financial statements necessary to properly assess the financial information for years ended December 31, 2017, 2016 and 2015

2017

The income tax provision is as follows:

INCOME TAX PROVISION (Amounts in thousands of euros)	**2017**	**2016**
Current taxes	(361,668)	(482,379)
Deferred taxes	145,583	16,007
Total income tax provision	**(216,085)**	**(466,373)**

On November 24, 2017, Luxottica Group S.p.A. executed a prior agreement with the Italian Revenue Agency for access to the tax benefit of the Patent Box for certain trademarks in its portfolio. In the case of trademark applications, the legislation provides for a five-year benefit, from 2015 to 2019, calculated by excluding from the taxable base an increasing portion of the income attributable to the use of the relevant intangible assets, equal to 30% and 40% in 2015 and 2016, respectively, and 50% in the following three financial years. The tax benefit related to the Luxottica for the three-year period from 2015 to 2017, amounting to Euro 102.8 million, was recognized in 2017. Part of this amount is recorded under non-recurring income.

On December 22, 2017, the President of the United States signed law H.R.1. The new law signed represents the most important tax reform in the United States over the past thirty years. The law includes substantial changes in corporate taxation; more specifically, the law provides for a permanent reduction to 21% in the rate applied to companies. This reduction in the tax rate led to a Euro 97.4 million decrease in income taxes in 2017.

The reconciliation between the Italian statutory tax rate and the effective rate is shown below:

	As of December 31, 2017	As of December 31, 2016
Italian statutory tax rate	27.9%	31.4%
of which IRAP rate	*3.9%*	*3.9%*
US tax reform	(7.8)%	-
Patent Box tax benefit of the Company	(8.2)%	-
Aggregate effect of different tax rates in foreign jurisdictions	5.3%	4.1%
Adjustment for restructuring and reorganization expenses and non-recurring income/expenses	(0.0)%	(0.1)%
Aggregate other effects	-	-
Effective rate	**17.2%**	**35.4%**

2016

PROVISION FOR INCOME TAXES

The income tax provision is as follows:

INCOME TAX PROVISION (Amounts in thousands of euros)	2016	2015
Current taxes	(482,379)	(484,652)
Deferred taxes	16,007	13,610
Total income tax provision	**(466,373)**	**(471,042)**

The reconciliation between the Italian statutory tax rate and the effective rate is shown below:

	As of December 31, 2016	As of December 31, 2015
Italian statutory tax rate	31.4%	31.4 %
Aggregate effect of different tax rates in foreign jurisdictions	4.1%	4.1 %
Adjustment for restructuring and reorganization expenses and non-recurring income/expenses	(0.1)%	0.6 %
Aggregate other effects	-	0.8 %
Effective rate	35.4%	**36.9 %**

2015

PROVISION FOR INCOME TAXES

The income tax provision is as follows

INCOME TAX PROVISION (Amounts in thousands of euros)	2015	2014
Current taxes	(484,652)	(424,966)
Deferred taxes	13,610	10,900
Total income tax provision	**(471,042)**	**(414,066)**

The reconciliation between the Italian statutory tax rate and the effective rate is shown below:

	As of December 31,	
	2015	**2014**
Italian statutory tax rate	31.4 %	31.4 %
Aggregate effect of different tax rates in foreign jurisdictions	4.1 %	4.8 %
Accrual for tax audit of Luxottica S.r.l. (€30.3 million) for fiscal year 2007 and subsequent periods	—	2.9 %
Tax effect of the Oakley reorganization and other minor projects	0.6 %	—
Aggregate other effects	0.8 %	—
Effective rate	**36.9 %**	**39.1 %**

3.4.5 Operating performance for the year ended December 31, 2017

Luxottica Group's growth continued throughout 2017. Despite the generally more challenging global macroeconomic environment, net sales increased by 0.8% (2.2% at constant exchange rates) reaching €9,157.3 million, compared to € 9,085.7 million in the same period of 2016.

The trend of the main performance indicators is summarized below.

EBITDA decreased by 0.9% to €1,841.0 million, down from €1,858.1 million in 2016. Adjusted EBITDA increased by €37.8 million, equal to 1.9%, from €1,945.0 million to €1,982.8 million in 2017.

Income from operations decreased by 3.3%, reaching €1,300.6 million, down from €1,345.3 million in the previous year, while the operating margin for 2017 was equal to 14.2%, down from 14.8% in the previous year. Adjusted income from operations increased by 0.7% to Euro 1,442.4 million compared to Euro 1,432.1 million in 2016, while adjusted operating margin remained unchanged at 15.8% as in 2016.

Net income attributable to Luxottica Group stockholders increased by 22.4% to €1,038.4 million from €848.1 million in 2016. Adjusted net income attributable to Luxottica Group stockholders increased by 10.0% from €881.7 million to €970.1 million.

Earnings per share (EPS) came in at €2.17 and €1.77 in 2017 and 2016, respectively. EPS expressed in USD was USD 2.45 in 2017 and USD 1.96 in 2016. Adjusted EPS was equal to €2.03 and €1.84 in 2017 and 2016, respectively. Adjusted EPS expressed in USD was USD 2.29 in 2017 and USD 2.04 in 2016 (at an average rate of Euro/USD of 1.1297 in 2017 and 1.1069 in 2016).

In 2017, careful control of Luxottica's working capital created strong free cash flow which was equal to €1,028 million. Net debt as of December 31, 2017 was €739.9 million (€1,177.0 million at the end of 2016), with a ratio of net debt to EBITDA of 0.4x (0.6x as of December 31, 2016).

3.4.6 2018 outlook

The Luxottica Group operates in an industry with significant opportunity for growth. Over the past few years, by capitalizing on available opportunities and maintaining its strong competitive position, the Luxottica Group has laid the foundation for long-term sustainable growth. The Luxottica Group expects to benefit from continued development across its various businesses in new and established markets, with notable contributions from Ray-Ban, Oakley and Sunglass Hut.

Looking forward, the Luxottica Group will continue to drive innovation and develop new competencies and innovation. Long-term drivers include the Luxottica Group's strong brand portfolio and service levels, further penetration of premium sunglasses, global expansion of new sales channels and the Luxottica Group's presence in emerging markets.

4. UPDATE RELATING TO ESSILOR

This Update to the 2017 Registration Document incorporates by reference Essilor's 2018 Interim Financial Report published on July 26, 2018 (save for the Statement by the Person Responsible for the 2018 Interim Financial Report that is not incorporated by reference) which includes the First-Half 2018 Report, First-Half 2018 Condensed Consolidated Financial Statements and the Statutory Auditor's Review Report on the First-Half 2018 Financial Statements.

Copies of Essilor's 2018 Interim Financial Report may be obtained free of charge at Essilor's registered office at 147, rue de Paris – 94220 Charenton-le-Pont, France, as well as on Essilor's website (www.essilor.com).

This Update to the 2017 Registration Document and the 2017 Registration Document shall be read and interpreted together with Essilor's 2018 Interim Financial Report.

4.1 First-Half 2018 Financial Results

<u>Press release published by the Company on July 26, 2018</u>

Strong Second Quarter Delivering on the Growth Strategy

- **On track with objectives: First-half like-for-like growth[1] of 4.0%, including 4.8% in Q2, and contribution from operations[2] at 18.4% of revenue**
- **Major brands and new products driving growth**
- **Gross margin expansion fueling continued investments in future growth**

The Board of Directors of Essilor met on July 25, 2018 to approve the financial statements for the six months ended June 30, 2018. The auditors have performed a limited review of the consolidated financial statements.

Financial Highlights

€ millions	**June 30, 2018** ***Adjusted*[6]**	**June 30, 2017[8]** ***Adjusted*[6]**	**Change %**		**June 30, 2018** ***Reported***
			At constant currencies	**At real currencies**	
Revenue	**3,726**	**3,859**	+4.4%	-3.5%	3,726
Contribution from operations[2] *(% of revenue)*	**684** **18.4%**	**718** **18.6%**	+2.4%	-4.8%	684 18.4%
Operating profit	**630**	**667**	+1.9%	-5.5%	583
Profit attributable to equity holders	**421**	**431**	+4.8%	-2.4%	349
Earnings per share (*in €*)	**1.93**	**1.99**	+4.5%	-3.0%	1.60

(6) The income statements as of June 30, 2018 and June 30, 2017 are adjusted for expenses accounted for in the financial statements due to the proposed combination with Luxottica.
(8) The group has applied IFRS 15 related to revenue recognition since January 1st, 2018. The H1 2017 statement of income has been restated accordingly, with an impact of -€50m on revenue and of -€3m on contribution from operations[2].

A reconciliation table comparing adjusted to reported results is available in the following pages.

Commenting on these results, Hubert Sagnières, Chairman and Chief Executive Officer of Essilor, said: *"Essilor delivered solid results in all regions and divisions in the first half of 2018, while at the same time preparing for its proposed combination with Luxottica. This performance reflects the mobilization of our teams around a powerful and unique mission: "Improving lives by improving sight". This translates into a clear growth strategy with an aim to improve and protect the vision of more than 7 billion people around the world with solutions for consumers with any level of means. Our innovations are particularly appreciated in many countries where needs remain significant, from the United States and China to Brazil and elsewhere. This allows us to continue investing more in the future well-being of populations, and increases our confidence in the future."*

First-half operating highlights

Consolidated revenue reached €3,726 million in the first half of 2018, an increase of 4.4% at constant exchange rates including 4.0% in like-for-like[1] terms. Contribution from operations[2] amounted to 18.4% of revenue. Excluding currency effects, adjusted[6] earnings per share rose by 4.5%. Free cash flow[5] reached €263 million.

Other highlights of the first half were:

- Revenue growth of 4.1% in constant currency at the Lenses & Optical Instruments division, of which 3.6% like-for-like[1], including:
  - An improved product mix driven by the success of new branded lenses, notably Varilux® X series™ in the United States, Crizal® Sapphire™ 360° in the United States and in Europe and Eyezen™ around the world;
  - Close to 6% volume growth for Transitions® sales through the Company's own distribution networks. Concurrently, the decline in sales volumes to third-party lens makers slowed markedly;
  - Strong momentum in the US and in e-commerce;
  - Very promising trends in fast-growing markets[9], including a sales rebound in Brazil.

- Robust performance at the Sunglasses & Readers division, which delivered 8.1% like-for-like[1] growth;

- Delivering on the Company's ambition to eradicate poor vision by providing vision solutions to some 4 million new wearers, notably through the extension of inclusive business models in new countries;

- Good profitability after additional investments in the most attractive distribution channels and market segments;

- A gradual resumption of the acquisitions and partnerships strategy, leading to the acquisition of majority stakes in four companies representing combined full-year revenue of around €27 million.

Outlook

Encouraged by strong results for the first six months and the many sales initiatives planned for the second half, Essilor confirms its full-year 2018 targets, calling for like-for-like[1] revenue growth of around 4% and a contribution from operations[2] greater than or equal to 18.3%[7] of revenue.

Proposed combination of Essilor and Luxottica

Efforts continued in the first half of 2018 to complete the proposed combination of Essilor and Luxottica. On March 1st, the proposed combination was approved without conditions by the European Commission and the US Federal Trade Commission. On June 29, Essilor and Luxottica announced the extension to July 31, 2018 of the deadline of both the Combination Agreement and Contribution Agreement signed between Essilor and Delfin, Luxottica's majority shareholder. Essilor and Luxottica are finalizing discussions with the Chinese competition authority and are confident to obtain its approval by the end of July. In parallel, the two companies are progressing in their discussions with the Turkish antitrust authority and evaluating the timing for the closing of the transaction.

NOTES

1. **Like-for-like growth**: Growth at constant scope and exchange rates. See definition provided in Note 2.4 to the consolidated financial statements in the 2017 Registration Document.

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

3. **Bolt-on acquisitions**: Local acquisitions or partnerships.

4. **Operating cash flow**: Net cash from operating activities before working capital requirement.

5. **Free cash flow**: Net cash from operating activities less purchases of property, plant and equipment and intangible assets, according to the IFRS consolidated cash flow statement.

6. **Adjusted** for expenses accounted for in the financial statements in the context of the proposed combination with Luxottica.

7. Excluding any new strategic acquisitions.

8. The group has applied **IFRS 15** related to revenue recognition since January 1st, 2018. The 2017 statement of income has been restated accordingly.

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

MANAGEMENT REPORT

FIRST-HALF 2018 CONSOLIDATED REVENUE

€ millions	**June 30, 2018**	**June 30, 2017[8]**	**Change (reported)**	**Change (like-for-like[1])**	**Change in the scope of consolidation**	**Currency effect**
Lenses & Optical Instruments	**3,211**	3,333	-3.7%	+3.6%	+0.5%	-7.7%
North America	***1,386***	*1,472*	*-5.8%*	*+4.0%*	*+0.7%*	*-10.5%*
Europe	***1,004***	*1,011*	*-0.6%*	*+0.9%*	*+0.1%*	*-1.7%*
Asia/Pacific/Middle East/Africa	***596***	*603*	*-1.3%*	*+6.6%*	*+0.3%*	*-8.2%*
Latin America	***225***	*247*	*-8.7%*	*+5.1%*	*+1.0%*	*-14.8%*
Sunglasses & Readers	**413**	417	-1.1%	+8.1%	0%	-9.2%
Equipment	**102**	109	-6.8%	+0.9%	0%	-7.7%
TOTAL	**3,726**	**3,859**	**-3.5%**	**+4.0%**	**+0.4%**	**-7.9%**

(8) The group has applied IFRS 15 related to revenue recognition from January 1st, 2018. H1 2017 revenue has been restated accordingly, with a negative impact of €50m.

In the first six months of 2018, revenue amounted to €3,726 million, up 4.4% excluding currency effects.

- Like-for-like[1] growth reached 4.0%, reflecting:
  - Solid growth at the Lenses & Optical Instruments division (+3.6% like-for-like[1]) fueled by good overall results in fast-growing markets[9], the United States and the e-commerce businesses.
  - A strong performance at the Sunglasses & Readers division (+8.1% like-for-like[1]), where all brands contributed to the rebound.
  - Flat revenue at the Equipment division, which was working against a very demanding comparison base.

- Changes in the scope of consolidation (+0.4%) were driven by acquisitions completed in 2017.

- The currency effect (-7.9%) reflected the depreciation of several currencies against the euro, including the US dollar, the Brazilian real, the Indian rupee, the Canadian dollar, the Turkish lira and the Chinese yuan.

HIGHLIGHTS BY BUSINESS AND BY REGION

Lenses & Optical Instruments

The Lenses & Optical Instruments division posted like-for-like[1] revenue growth of 3.6% in the first-half 2018.

Revenue increased by 4.0% like-for-like[1] in **North America** during the first half. The core US lens business grew at a quicker pace than the overall region with regional performance further boosted by e-commerce, in particular online sales of prescription eyeglasses.

In the **United States**, growth in the first half was driven by Essilor's initiatives to support independent eyecare professionals. This was exemplified by the ongoing rollout of new products and robust demand for the Company's flagship lens brands, most notably the "Ultimate Lens Package" offer, a premium solution tailored to progressive and single-vision lens wearers. Growth was particularly strong with independent eyecare professionals affiliated with Essilor's alliance network and stronger among those alliance members leveraging the Essilor Experts program, which expanded significantly during the first half.

Essilor's key account business remained buoyant through exposure to faster-growing retail groups, key accounts utilizing integrated supply chain offerings and demand for higher value lens offerings in select accounts. Contact lens distribution activities also contributed to growth during the half.

In **Europe**, where the ophthalmic optics market was subdued, revenue growth (+0.9% like-for-like[1]) was driven primarily by new products and targeted marketing initiatives. Online sales, notably in the prescription eyeglasses segment, also contributed to growth.

In addition to the ongoing rollout of the Varilux® X series™ progressive lens, the launch of the new Crizal® Sapphire™ antireflective lens in the second quarter helped improve the product mix.
Though market conditions in **France** were unfavorable, revenue grew slightly thanks to good execution of the multi-network strategy, as evidenced by a sharp rise in sales of Nikon® lenses distributed by the BBGR network.

Strong growth in **Eastern Europe**, particularly Poland and Romania, reflected the gains recorded in the main value added categories of ophthalmic lenses, penetration of which remains low even today. Sales in **Scandinavian markets** benefited from an enhanced agreement with a key account to promote high-value vision correction solutions. Revenue was flat in the **German-speaking countries** and slightly declined in **Southern Europe**.

Strong momentum in most markets in the region drove revenue in **Asia-Pacific/Middle East/Africa** up by 6.6% on a like-for-like[1] basis, with fast-growing markets[9] delivering domestic growth of close to 10%. The rollout of the Varilux® X series™ lens during the first half was very well received. In **China**, domestic sales continued to power ahead thanks to a consumer-centric strategy, a number of innovative products (Varilux® X series™, EssiJunior™, myopia control and blue-light-filtering lenses) and active coverage of the mid-range segment. In **Korea**, sales continued to be buoyed by improved penetration of progressive and photochromic lenses. **Southeast Asian markets** showed outstanding results, with growth picking up between the first and second quarters. The Group expanded its footprint in Vietnam with a new partnership (see Acquisitions section). Solid gains in **Turkey** were fueled by low penetration of progressive and photochromic lenses in the country. Business trends in **India** were still mixed, but efforts to develop the market continued. The Company notably entered into a partnership with the government of Odisha to implement the Eye Mitra™ inclusive business model, a program through which 300 young entrepreneurs will be trained to provide affordable vision care to local communities. Within the developed countries in the region, a decline in sales in **Australia** was largely offset by a good performance in **Japan**.

In **Latin America**, revenue was up 5.1% like-for-like[1], driven by a strong rebound in **Brazil** (+6.6%). Achieved in a market that remained sluggish and was disrupted by a truck drivers' strike late in the period, this performance was underpinned by successful launches during the first half of the Varilux® X series™ progressive lens and the Crizal® Sapphire™ antireflective lens. Double-digit volume growth for Varilux® lenses together with solid gains for Transitions® lenses helped to improve the product mix and the Company's positioning. Strong results from Kodak® lenses and the instruments business also supported growth.

Other countries in the region posted more modest gains. While momentum was once again robust in **Colombia** and **Argentina**, results were more mixed in **Mexico**, where the Company was nonetheless able to strengthen its presence via a new partnership with a distributor of ophthalmic and contact lenses targeting independent opticians and prescription laboratories. Lastly, the Company entered the **Honduran** market through a new partnership with an integrated optical chain (see Acquisitions section).

Sunglasses & Readers

The **Sunglasses & Readers** division delivered strong results in the first half, with revenue up by 8.1% like-for-like[1].

In North America, **FGX International** continued to see good sell-through demand for sunglasses and readers in stores. Results were boosted by a good season for sunglasses during the second quarter that also benefited **Costa®,** which delivered the best performance of the Sunwear brands in the American market. Costa® continued its expansion in optical stores, in the prescription frames and lenses category, and also geographically, with a newly established presence in California.

In China, **Xiamen Yarui Optical** (Bolon™) returned to solid growth in both sunglasses and optical frames, notably thanks to successful 2018 collections and a rapid increase in online sales. **MJS** continued to expand its store network and promote higher-end products.

Equipment

Revenue at the **Equipment** division rose 0.9% like-for-like[1] despite a demanding 2017 comparison base, particularly in Asia.

Growth in North America and Europe was driven by sales of VFT-Orbit 2™ digital generators, Multi-FLEX™ polishers and non-alloy ART blockers, addressing both needs for new capacity and upgrades to existing production lines. In Latin America, the conversion of smaller prescription laboratories to digital surfacing technology boosted sales of low- and medium-capacity digital generators such as the VFT-Orbit 2™ and VFT-Macro™. The division's order book remains strong.

MAIN HIGHLIGHTS ABOUT THE COMPANY'S MISSION

The Company's mission, "Improving lives by improving sight", drives the activity in all regions and divisions. During the first half, it provided vision solutions to some 4 million new wearers. In April, Essilor formed a partnership with the Vision Catalyst Fund, a $1 billion fund recently launched by the Queen Elizabeth Diamond Jubilee Trust that brings together actors from the public and private sectors to deliver eye health solutions to populations in Commonwealth countries and around the world. A commitment was made to put a sustainable infrastructure into place in order to provide ophthalmic lenses to 200 million people living below the poverty line by 2030. Essilor also continued to roll out its Eye Mitra™ inclusive business model in India (new partnership with the government of Odisha) and Bangladesh, and in new countries like Indonesia ("Mitra Mata") and Kenya ("Eye Rafiki"). Through a new program launched on five of the Company's main online stores, one pair of glasses will be donated to a person in need every time a pair is ordered through the sites. This program is being implemented in close cooperation with several social impact organizations: the Vision For Life™ fund, the Essilor Vision Foundation and Our Children's Vision. In France, the Company launched www.labonnevue.fr, an awareness website to better inform consumers about visual health. Various initiatives taken by the Sunglasses & Readers division also supported Essilor's mission. For instance, the Costa® brand launched the "Untangled" collection, a new line of sunglasses made from recycled fishing nets to help fight plastic pollution in the world's oceans.

SECOND-QUARTER 2018 CONSOLIDATED REVENUE

€ millions	Q2 2018	Q2 2017[8]	Change (reported)	Change (like-for-like[1])	Change in the scope of consolidation	Currency effect
Lenses & Optical Instruments	**1,619**	1,645	-1.6%	+4.2%	+0.3%	-6.1%
North America	***694***	*711*	*-2.4%*	*+4.5%*	*+0.5%*	*-7.4%*
Europe	***513***	*516*	*-0.5%*	*+1.1%*	*+0.1%*	*-1.7%*
Asia/Pacific/ Middle East/Africa	***299***	*297*	*+0.2%*	*+6.9%*	*0%*	*-6.8%*
Latin America	***113***	*121*	*-5.9%*	*+9.2%*	*0%*	*-15.1%*
Sunglasses & Readers	**223**	218	+2.5%	+9.5%	0%	-7.0%
Equipment	**59**	59	-2.1%	+4.2%	0%	-6.3%
TOTAL	**1,901**	**1,922**	**-1.1%**	**+4.8%**	**+0.2%**	**-6.1%**

(8) The group has applied IFRS 15 related to revenue recognition from January 1st, 2018. Q2 2017 revenue has been restated accordingly, with a negative impact of €25m.

Revenue reached €1,901 million in the second quarter of 2018, up 5.0% at constant exchange rates. Like-for-like[1] growth accelerated to 4.8%. Changes in the scope of consolidation added 0.2%, while currency translation had a negative impact of 6.1%, mostly linked to the depreciation of the US dollar and the Brazilian real against the euro.

Key highlights of the second quarter were:

- Robust like-for-like[1] growth in the United States (+5.0%), China (+9.6%) and Brazil (+12.4%) for the Lenses & Optical Instruments division;
- A strong contribution to the growth of the Sunglasses & Readers division from Xiamen Yarui Optical (Bolon™);
- Very solid business trends at the Equipment division, given that it was working against a demanding comparison base.

ACQUISITIONS AND PARTNERSHIPS

During the first half, Essilor gradually resumed its policy of targeted acquisitions and local partnerships, acquiring majority stakes in four companies representing combined full-year revenue of close to €27 million.

North America

- In the **United States,** the Company acquired a majority stake in **Cal Coast Ophthalmic Instruments, Inc.**, a distributor of optometry equipment covering the western part of the country. Cal Coast, which generates annual revenue of around USD12 million, will allow the Instruments business to expand its geographical coverage and accelerate the marketing of its products.

Asia/Pacific/Middle East/Africa

- In **Vietnam**, Essilor expanded its business footprint through **Hao Phat Group LLC.** and **Mat Viet Group LLC.***, a distributor of optical products and one of the country's leading optical retail chains, generating combined full-year revenue of around €4 million. Mat Viet Group operates some 25 stores primarily located in the capital, Ho Chi Minh City, and the provinces of Hanoi and Da Nang. This will contribute to the Company's growth in a country where getting access to vision care is a real challenge and only 20% of those who need it have proper vision correction. Vietnam has one of the lowest vision care access rates in the world with just one optical store per 90,000 residents.

Latin America

- In **Mexico**, Essilor acquired a majority stake in **Artículos Ópticos de Higiene y Seguridad, S.A. de C.V. (Aohssa)***, one of the country's leading distributors of ophthalmic and contact lenses targeting independent opticians and laboratories. Based in Mexico City, Aohssa generates annual revenue of close to €6 million.
- The Company moved into the **Honduran** market by acquiring a majority stake in **Optica Popular SRL***, an integrated prescription laboratory operating 14 optical stores. Optica Popular generates full-year revenue of around €7 million. This partnership will boost Essilor's presence in Central America, a region that holds considerable potential both for volume and value growth.

**These partnerships will be consolidated as of July 1st, 2018.*

CONDENSED STATEMENT OF INCOME

RECONCILIATION OF REPORTED TO ADJUSTED[6] ACCOUNTS

€ millions	**June 30, 2018 Adjusted[6]**	Items adjusted	**June 30, 2018 Reported**	**June 30, 2017[8] Adjusted[6]**
Revenue	3,726		3,726	3,859
Gross Profit	2,211		2,211	2,264
Contribution from operations[2]	684		684	718
Other income (expense)	(54)	(47)	(101)	(51)
Operating profit	630	(47)	583	667
Net profit	467	(71)	396	480
Attributable to equity holders of Essilor International	421	(72)	349	431
Earnings per share (*in €*)	1.93		1.60	1.99

(8) The group has applied IFRS 15 related to revenue recognition since January 1st, 2018. The H1 2017 statement of income has been restated accordingly, with an impact of €-50m on revenue and of on €-3m contribution from operations[2].

The 2018 results are adjusted[6] for items related to the combination with Luxottica. These adjustments amounted to €47m at the Other Income and Expense and Operating Profit level, representing €14m of transaction costs related to the proposed combination with Luxottica and €33m of additional costs related to share-based payments. After taking into account tax effects (€24 million), the adjusted Net profit attributable to equity holders of Essilor International amounts to € 421 million.

CONDENSED ADJUSTED[6] STATEMENT OF INCOME

€ millions	June 30, 2018 Adjusted[6]	June 30, 2017[8] Adjusted[6]	Change %	
			At real currencies	At constant currencies
Revenue	3,726	3,859	-3.5%	+4.4%
Gross profit *(% of revenue)*	*2,211* *59.3%*	*2,264* *58.7%*	-2.4%	+5.0%
Operating expenses	(1,527)	(1,546)	-1.2%	+6.2%
Contribution from operations[2] *(% of revenue)*	*684* *18.4%*	*718* *18.6%*	-4.8%	+2.4%
Other income (expense)	(54)	(51)		
Operating profit *(% of revenue)*	*630* *16.9%*	*667* *17.3%*	-5.5%	+1.9%
Financial income (expense), net	(30)	(32)		
Income tax *Effective tax rate*	*(133)* *22.2%*	*(155)* *24.4%*		
Net profit Attributable to equity holders of Essilor International *(% of revenue)*	*467* *421* *11.3%*	*480* *431* *11.2%*	-2.6% -2.4%	+4.6% +4.8%
Earnings per share (*in €*)	1.93	1.99	-3.0%	+4.5%

(8) The group has applied IFRS 15 related to revenue recognition since January 1st, 2018. The H1 2017 statement of income has been restated accordingly, with an impact of €-50m on revenue and of on €-3m contribution from operations[2].

CONTRIBUTION FROM OPERATIONS[2]: 18.4% OF REVENUE

Gross profit: +5.0% excluding currency effects

Gross profit (revenue - cost of sales) ended the first half of 2018 at €2,211 million, representing 59.3% of revenue compared with 58.7% in 2017 in first-half 2017.

This increase was fueled by an improved product mix resulting from steady growth delivered by Group brands, both in prescription lenses and sunwear, and by ongoing industrial efficiency gains. Together, these effects more than offset dilution stemming from a channel mix headwind that includes fast-growing e-commerce activities.

Operating expenses: +6.2% excluding currency effects

Operating expenses amounted to €1,527 million, or 41.0% of revenue compared with 40.0% in the first half of 2017.

This trend mainly reflected:

- Selling and distribution costs rose to €941 million, representing 25.3% of revenue versus 24.5% in the first half of 2017. These expenses represent investments to strengthen Essilor's positions and drive growth in several areas including the myopia segment, digital activities including consumer engagement and e-commerce, brand development, and to support the development of programs for independent eyecare professionals;
- R&D and engineering costs, which totaled €106 million;
- Structure and support costs of €480 million, that grew at a slower rate than total operating expenses.

Contribution from operations[2]

Contribution from operations[2] thus ended the period at €684 million (+2.4% excluding currency effects). This represented 18.4% of revenue, compared with 18.6% in the first half of 2017.

"Other income and expenses from operations" represented a net adjusted[6] expense of €54 million versus €51 million in the first half of 2017. These items mainly included:

- Restructuring provisions totaling €14 million;
- Compensation costs for share-based payments amounting to €35 million.

Adjusted[6] operating income consequently ended the period at €630 million, which corresponded to an increase of 1.9% excluding currency effects and 16.9% of revenue.

Finance costs and other financial income and expenses, net

The Net Financial Results represented a net cost of €30 million versus €32 million in the first-half of 2017. This reflects a slightly favorable development of the Company's financing costs.

Adjusted[6] profit attributable to equity holders: +4.8% excluding currency effects

This item includes:

- €133 million in adjusted[6] income tax expense, for an effective tax rate of 22.2% (versus 24.5% at June 30, 2017).This improvement mainly reflects the cancellation of the tax on dividends in France as well as favorable tax rates elsewhere, including the US;
- €46 million in non-controlling interests, or €50m excluding currency effects, versus €49m in the first half of 2017.

Adjusted[6] earnings per share reached €1.93 for an increase of 4.5% excluding currency effects, in line with revenue growth at constant currency.

BALANCE SHEET AND CASH FLOW STATEMENT

FREE CASH FLOW[5] AT €263 MILLION

Operating cash flow[4]

Operating cash flow[4] stood at €659 million vs. €669 million in first-half 2017. This represents an increase of 10% excluding the currency impact.

Capital expenditure and investments

Purchases of property, plant and equipment and intangible assets amounted to €150 million over the six months to June 30, 2018, mostly linked to industrial investment, supporting the Company's growth as well as the expansion of the Mujosh and Aojo banners in China.

Change in working capital requirement

The working capital requirement rose by €246 million over the six months ending June 30, 2018, principally due to the usual seasonality of the Lenses & Optical Instruments division.

As a result, the **free cash flow**[5] amounted to €263 million in the first-half 2018.

Net debt

At June 30 2018, Essilor's net debt stood at €1,961 million, versus €2,244 million at the end of first-half 2017.

CASH FLOW STATEMENT

€ millions			
Net cash from operations (before change in WCR[(a)])	659	Change in WCR[(a)]	246
Proceeds from share issues	1	Capital expenditure	150
Change in net debt	301	Dividends	386
		Acquisition of investments, net of disposals[(b)]	167
		Forex & others	12

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

PROPOSED COMBINATION OF ESSILOR AND LUXOTTICA

On January 16, 2017, Essilor International (Compagnie Générale d'Optique) ("**Essilor**") and Delfin S.à r.l. ("**Delfin**"), the majority shareholder of Luxottica Group S.p.A. ("**Luxottica**"), announced that they signed an agreement on January 15, 2017 (the "**Combination Agreement**") to create an integrated global player in the eyewear industry with the proposed combination of Essilor and Luxottica. The completion of the proposed transaction is subject to the satisfaction of several conditions precedent.

In March 2017, employee representative bodies at Essilor issued favorable opinions on the proposed combination.

On April 12, 2017, the French market authority (AMF) issued a waiver to Delfin's obligation to file a mandatory tender offer for Essilor's shares that would have resulted from the contemplated closing of the contribution to Essilor by Delfin of its entire stake in Luxottica pursuant to the terms of a contribution agreement entered into Essilor and Delfin on March 22, 2017 (the "**Contribution Agreement**").

On May 11, 2017, shareholders at the General Meeting approved the proposed combination and double voting rights holders at the Special Meeting approved the cancellation of the double voting rights.

On November 1, 2017, Essilor completed the contribution by Essilor of substantially all of its activities (subject to the *apport-scission* regime) into one of its wholly-owned subsidiary that was renamed "Essilor International" (hive-down of its activities). Essilor will be renamed "EssilorLuxottica" once the other conditions precedent to the completion of the contribution to Essilor by Delfin of its entire stake in Luxottica have been satisfied, and will become the holding company at the top of the combined group comprising Essilor International and Luxottica.

Concurrently, Essilor and Luxottica have also jointly filed notices with the antitrust authorities in several countries, notably in five jurisdictions (Brazil, Canada, China, the European Union and the United States) whose respective approval is a condition to complete the proposed combination. To date, the proposed transaction has been unconditionally approved in Brazil, Canada, the European Union and the United States as well as in fourteen other countries: Australia, Chile, Colombia, India, Israel, Japan, Mexico, Morocco, New Zealand, Russia, Singapore, South Africa, South Korea and Taiwan.

On June 29, 2018, Essilor and Luxottica announced the extension to July 31, 2018 of the deadline of both the Combination Agreement and Contribution Agreement signed between Essilor and Delfin, Luxottica's majority shareholder. Essilor and Luxottica are finalizing discussions with the Chinese competition authority and are confident to obtain its approval by the end of July. In parallel, the two companies are progressing in their discussions with the Turkish antitrust authority and evaluating the timing for the closing of the transaction.

SUBSEQUENT EVENTS

No significant events have occurred since the end of the first-half 2018.

APPOINTMENTS TO THE MANAGEMENT COMMITTEE

Innovation and the development of its consumer brands and product categories are cornerstones of Essilor's strategy. To boost their impact on the Company's growth, Research & Development and Marketing functions will be represented on the Management Committee by two new members as of August, 28: Norbert Gorny and Grita Loebsack.

Norbert Gorny (54, a German national) has been **Chief Research & Development Officer** since 2015. He joined Essilor in 2011 and has held positions of increasing responsibility within the Company. He brings close to 20 years of optical industry experience to the Management Committee.
Grita Loebsack (47, a German national) joined Essilor in July 2018 as **Chief Marketing Officer,** bringing extensive experience in marketing, brand and product category development built over several years with multinational firms spanning the consumer goods, cosmetic and luxury goods industries.

The Management Committee, which decides the Company's strategic direction, will comprise 12 members from seven nationalities.

APPENDIX 1

ESSILOR INTERNATIONAL REPORTED STATEMENT OF INCOME

€ millions	**June 30, 2018**	**June 30, 2017***	**Change**
Revenue	3,726	3,859	-3.5%
Gross profit *(% of revenue)*	*2,211* *59.3%*	*2,264* *58.7%*	-2.4%
Operating expenses	(1,527)	(1,547)	-1.3%
Contribution from operations[2] *(% of revenue)*	*684* *18.4%*	*717* *18.6%*	-4.6%
Other income (expense)	(101)	(109)	
Operating profit *(% of revenue)*	*583* *15.7%*	*608* *15.8%*	-4.0%
Financial income (expense), net	(30)	(32)	
Income tax *Effective tax rate*	*(157)* *28.4%*	*(138)* *24.0%*	
Net profit Attributable to equity holders of Essilor International *(% of revenue)*	*396* *349* *9.4%*	*438* *389* *10.1%*	-9.6% -10.0%
Earnings per share (*in €*)	1.60	1.80	-10.8%

**The group has applied IFRS 15 related to revenue recognition since January 1st, 2018. The H1 2017 statement of income has been restated accordingly, with an impact of €-50m on revenue and of on €-3m contribution from operations[2].*

APPENDIX 2

CONSOLIDATED REVENUE BY QUARTER

€ millions	2018	2017*
First Quarter		
Lenses & Optical Instruments	**1,592**	1,688
➢ *North America*	***692***	*761*
➢ *Europe*	***491***	*495*
➢ *Asia/Pacific/Middle East/Africa*	***297***	*306*
➢ *Latin America*	***112***	*126*
Sunglasses & Readers	**190**	199
Equipment	**43**	50
TOTAL First Quarter	**1,825**	**1,937**
Second Quarter		
Lenses & Optical Instruments	**1,619**	1,645
➢ *North America*	***694***	*711*
➢ *Europe*	***513***	*516*
➢ *Asia/Pacific/Middle East/Africa*	***299***	*297*
➢ *Latin America*	***113***	*121*
Sunglasses & Readers	**223**	218
Equipment	**59**	59
TOTAL Second Quarter	**1,901**	**1,922**
Third Quarter		
Lenses & Optical Instruments		1,541
➢ *North America*		*655*
➢ *Europe*		*476*
➢ *Asia/Pacific/Middle East/Africa*		*289*
➢ *Latin America*		*121*
Sunglasses & Readers		148
Equipment		45
TOTAL Third Quarter		**1,734**
Fourth Quarter		
Lenses & Optical Instruments		1,536
➢ *North America*		*661*
➢ *Europe*		*480*
➢ *Asia/Pacific/Middle East/Africa*		*279*
➢ *Latin America*		*116*
Sunglasses & Readers		202
Equipment		71
TOTAL Fourth Quarter		**1,809**

** The group has applied IFRS 15 related to revenue recognition from January 1st, 2018. 2017 revenue on a quarterly basis has been restated accordingly.*

RISK FACTORS

Risk factors are similar to those presented in section 1.7 (pages 33 to 50) of the 2017 Registration Document and did not change significantly during the first half of 2018. Litigation risks are described in note 14 to the first-half condensed consolidated financial statements.

NOTES

1. **Like-for-like growth**: Growth at constant scope and exchange rates. See definition provided in Note 2.4 to the consolidated financial statements in the 2017 Registration Document.

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

3. **Bolt-on acquisitions**: Local acquisitions or partnerships.

4. **Operating cash flow**: Net cash from operating activities before working capital requirement.

5. **Free cash flow**: Net cash from operating activities less purchases of property, plant and equipment and intangible assets, according to the IFRS consolidated cash flow statement.

6. **Adjusted** for expenses accounted for in the financial statements in the context of the proposed combination with Luxottica.

7. Excluding any new strategic acquisitions.

8. The group has applied **IFRS 15** related to revenue recognition since January 1st, 2018. The 2017 statement of income has been restated accordingly.

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

4.2 First Quarter 2018 Report

The consolidated revenue for the first quarter of 2018 totaled €1,825 million, representing an increase of 3.8% in constant currency.

First-quarter 2018 consolidated revenue*

€ millions	Q1 2018	Q1 2017	% Change (reported)	% Change (like-for-like[a])	Change in scope of consolidation	Currency effect
Lenses & Optical Instruments	**1,592**	1,688	-5.7%	+2.9%	+0.7%	-9.4%
North America	***692***	*761*	*-9.1%*	*+3.4%*	*+0.9%*	*-13.4%*
Europe	***491***	*495*	*-0.7%*	*+0.7%*	*+0.2%*	*-1.6%*
Asia/Pacific/Middle East/Africa	***297***	*306*	*-2.8%*	*+6.2%*	*+0.6%*	*-9.6%*
Latin America	***112***	*126*	*-11.3%*	*+1.2%*	*+1.9%*	*-14.4%*
Sunglasses & Readers	**190**	199	-4.9%	+6.6%	0%	-11.5%
Equipment	**43**	50	-12.4%	-3.1%	0%	-9.4%
TOTAL	**1,825**	**1,937**	**-5.8%**	**+3.2%**	**+0.6%**	**-9.6%**

** The group has applied IFRS 15 related to revenue recognition since January 1st, 2018. Q1 2017 Revenue has been restated accordingly, with a negative impact of around €25m. As is customary, quarterly figures are unaudited.*

First-Quarter Revenue

Q1 like-for-like[(a)] sales growth of 3.2% reflected:

- A 2.9% rise in sales at the Lenses & Optical Instruments division, driven by new products, instruments and e-commerce, though poor weather took a toll in Europe and North America;
- An excellent first three months for Sunglasses & Readers, where sales were up 6.6%;
- A demanding comparison base at the Equipment division (-3.1%), while customer demand and the order book remained solid.

The 0.6% consolidation **scope effect** reflected contributions from acquisitions completed in 2017.

A negative **currency effect** of 9.6% primarily reflected euro appreciation against the US dollar as well as against the Brazilian real, Canadian dollar and Chinese yuan.

Revenue by Region and Division

<u>Lenses & Optical Instruments</u>

The Lenses & Optical Instruments division posted like-for-like[(a)] revenue growth of 2.9% in the first quarter, which included growth of 11.4% for the e-commerce businesses.

Like-for-like[(a)] revenue growth was 3.4% in **North America**. The core US lens business grew faster than the overall region while sales in Canada declined slightly.

In the United States, despite a temporary slowdown in areas affected by adverse weather, demand for the flagship corrective lens brands was strong throughout the quarter. This notably benefited the “Ultimate Lens Package”, a premium solution tailored to progressive and single-vision lens wearers, launched during the latter part of 2017. Growth in the first quarter was again supported by the ongoing rollout of strategic initiatives focused on independent eyecare professionals, including alliances (Vision Source, PERC/IVA and Optiport) and business solutions (Essilor Experts). Essilor's key account business continued to experience strong demand for innovative lens offerings, such as blue-light-filtering technology, and integrated supply chain solutions while benefitting from exposure to faster growing retail groups. Contact lens distribution activities also contributed to growth during the quarter. Lastly, the Company increased its efforts to eradicate poor vision by screening more disadvantaged children thanks to strong support from employee volunteers.

Sales growth in **Europe** (0.7% like-for- like[(a)]) was fueled chiefly by new products and the Company's brands, as well as by a solid rise in online sales. Gains were offset in part by lower footfall in stores resulting from two temporary factors: generally inclement weather and an unfavorable calendar effect.

Most countries in the region continued to benefit from the growth momentum of the new Varilux® X series™ progressive lens, which created a positive mix effect and lifted sales of Crizal® lenses. In France, sales were resilient in a soft market thanks to offers including a second pair of quality lenses and to strong gains for Nikon® lenses distributed through the BBGR network.

High-potential markets in Eastern Europe, chief among them Russia, Hungary and Romania, delivered robust growth over the period. Strong online sales contributed to revenue growth in the United Kingdom. Sales were flat in German-speaking and Nordic countries and declined in Southern Europe. Meanwhile, the Company continued to advance its philanthropic initiatives to eradicate poor vision across the region with the help of strategic public and private sector partners.

Sales growth in **Asia/Pacific/Middle East/Africa** (6.2% like-for-like[(a)]) was powered by virtually all the countries in the region. Like-for-like[(a)] growth was around 8% in fast-growing markets.

Gains were notably driven by China, where all networks saw robust growth, and sales were boosted in the high-end range by myopia control solutions.

Results were very strong elsewhere in Asia as well. Business in Korea benefited from accelerated penetration of progressive lenses and strong sales of "Perfect-UV" lenses. ASEAN countries delivered double-digit growth, as did the Africa-Middle East-Turkey region, where an overall improvement in the product mix lifted sales. Despite an acceleration in domestic sales, the situation in India was again mixed. It is worth noting that the State of Telangana has committed to screen its 35 million citizens and selected 2.5 New Vision Generation, Essilor's inclusive business arm, to provide 2.2 million pairs of glasses in 2018.

Lastly, though momentum was very positive in Japan, a decline in sales in Australia depressed results in developed markets.

Sales growth in **Latin America** was much stronger (1.2% like-for-like[(a)]) than in the last three months of 2017 despite a very unfavorable calendar effect. The drivers were a return to growth in Brazil and good performances in the majority of Spanish-speaking countries.

In Brazil, targeted marketing initiatives designed to boost sales of the Company's flagship brands (Varilux®, Crizal®, Transitions®) translated into stronger momentum with independent eye care professionals, notably through the network of partner labs. Kodak® lenses, positioned in the mid-range, and instrument sales also contributed to the rebound. Lastly, the "Ótica Cidadã" program continues to address the unmet vision needs of the underserved population by partnering with eyecare professionals.

Elsewhere in the region, Argentina once again delivered double-digit growth and Colombia continued to reap the benefits of the partnership with Servi Optica, which aims to boost penetration of Varilux®, Crizal® and Transitions® lenses and increase market share with key accounts.

Sunglasses & Readers

Sunglasses & Readers division sales rose 6.6% like-for-like[a] in the first quarter.

In North America, revenue increased at **FGX International** on the back of the new contracts won in 2017 and good sell-through demand for sunglasses and readers in stores. **Costa** also had a good quarter, with positive momentum in the independent optician channel both for sun and optical lines, prescription lens sales and brand expansion more than offsetting lackluster results in sports stores. The 2018 collection launched by **Xiamen Yarui Optical** (Bolon™) in China has been very well received by consumers. **MJS** continued to deliver growth and open new points of sale under its different brands, ensuring that its store model keeps up with the rapidly-changing demands of Chinese consumers for quality products as well as improving access to good vision. Lastly, **Merve** had a good quarter in Turkey both for sunglasses and optical frames.

Equipment

Sales at the Equipment Division contracted by 3.1% like-for-like[a] from a particularly demanding comparison base, which included two large orders in Asia in the first quarter of 2017. Business continued to be buoyed in North America and Europe by sales of the VFT-Orbit 2™ digital generator and Multi-FLEX™ polisher, and by strong interest in the design of complete prescription laboratories. Smaller prescription labs in Latin America continued to switch to digital surfacing technology. The deployment of this technology generates the necessary efficiency gains to support improved access to vision correction for the greatest number of consumers. The division's order book remains solid.

Outlook

The ongoing rollout over the coming months of new products, including launches of the Varilux® X series™ and Crizal® Sapphire™ 360° lenses in many new geographic markets, should allow the Company to build momentum and meet its full-year targets. In addition, the Company has resumed its bolt-on acquisition activity as part of its overall growth strategy.

It should be recalled that Essilor is targeting, in 2018, like-for-like[a] revenue growth of around 4% and a contribution from operations[b] greater than or equal to 18.3%[c] of revenue.

The finalization of the proposed Essilor and Luxottica combination is planned for the first part of 2018 after obtaining all necessary authorizations.

Notes

a. Like-for-like growth: Growth at constant scope and exchange rates. See definition provided in Note 2.4 to the consolidated financial statements of the 2017 Registration Document.

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

c. Excluding any new strategic acquisition.

5. APPENDICES

5.1 Cross-reference table

The cross-reference table identifies the main information required by Regulation No. 809/2004 of the European Commission dated April 29, 2004 (the “**Regulation**”). The table indicates the section of this Update to the 2017 Reference Document and, if applicable, of the 2017 Reference Document where is presented the information related to each item.

N°	Sections of Annex I of the Regulation	Pages in the Update to the 2017 Registration Document	Pages in the 2018 Interim Financial Report	Pages in the 2017 Registration Document
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6.2	Principal Markets		6	11
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6.4	Dependency on patents or licenses, industrial, commercial or financial contracts or new manufacturing processes			25
6.5	Basis for any statements made by the Issuer regarding its competitive position			11
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N°	Sections of Annex I of the Regulation	Pages in the Update to the 2017 Registration Document	Pages in the 2018 Interim Financial Report	Pages in the 2017 Registration Document
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10.	**Capital Resources**			
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12.2	Known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Issuer's prospects	133	7	135
13.	**Profit Forecasts or Estimates**			
13.1	Statement setting out the principal assumptions upon which the Issuer has based its forecast or estimate			
13.2	Report prepared by independent accountants or auditors			
13.3	Preparation of the forecast or estimate			
13.4	Statement setting out whether or not a forecast previously published in a prospectus is still correct			
14.	**Administrative, Management, and Supervisory Bodies and Senior Management**			
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14.2	Potential conflicts of interests			66
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N°	Sections of Annex I of the Regulation	Pages in the Update to the 2017 Registration Document	Pages in the 2018 Interim Financial Report	Pages in the 2017 Registration Document
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