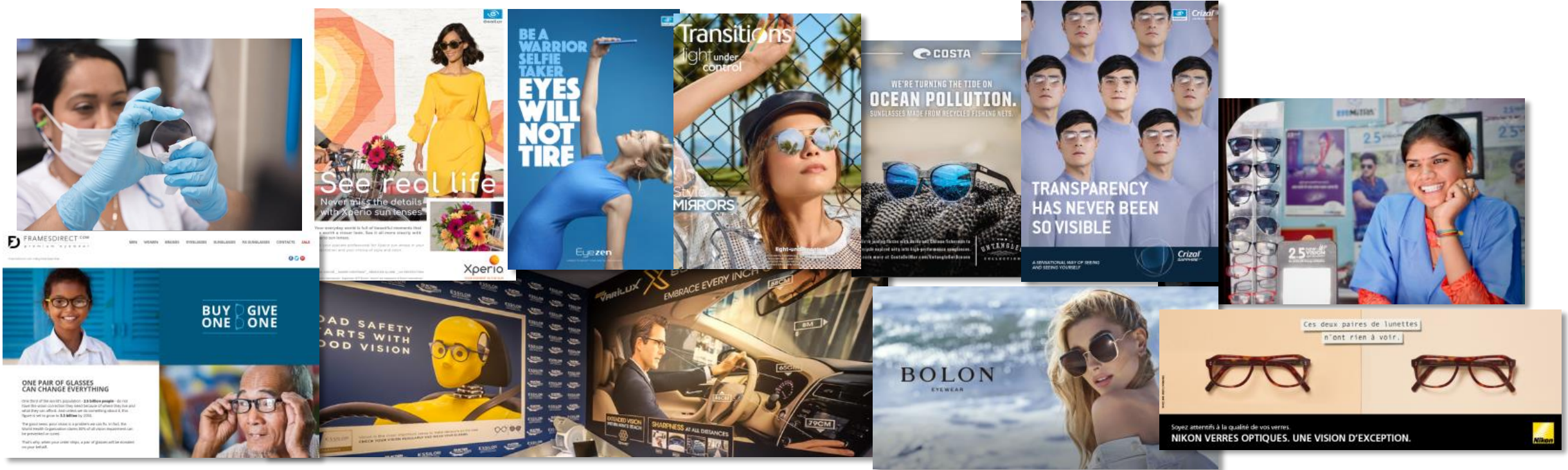


# ESSILOR

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## First-Half 2018 Results

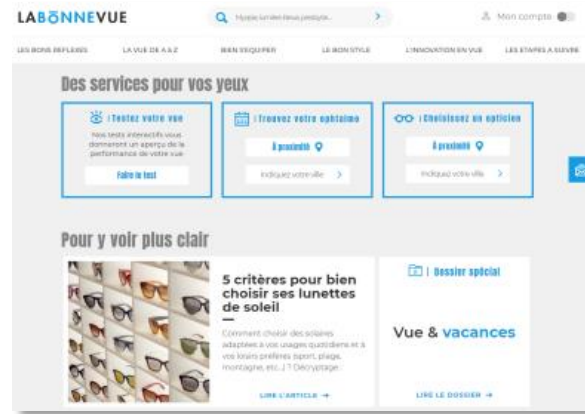
➤ July 26, 2018

# 1. Introduction

➤ Hubert Sagnières – Chairman and Chief Executive Officer

# Further Progress towards our Core Ambition: Eradicating Poor Vision Within One Generation

Leveraging 3 pillars: Awareness, Inclusive Business and Strategic Giving



## 2. First-Half 2018 Results

➤ Laurent Vacherot – President and Chief Operating Officer

# Delivering a Strong H1

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## ➤ Good sales momentum

- Key brands driving growth across all divisions
- Robust growth in the US
- Strong online sales
- China and Brazil fuel fast-growing markets<sup>(1)</sup> expansion

## ➤ Sound financial performance

- Increase in gross margin driven by innovation
- Accelerated investments in fast-growing channels, categories and consumer segments

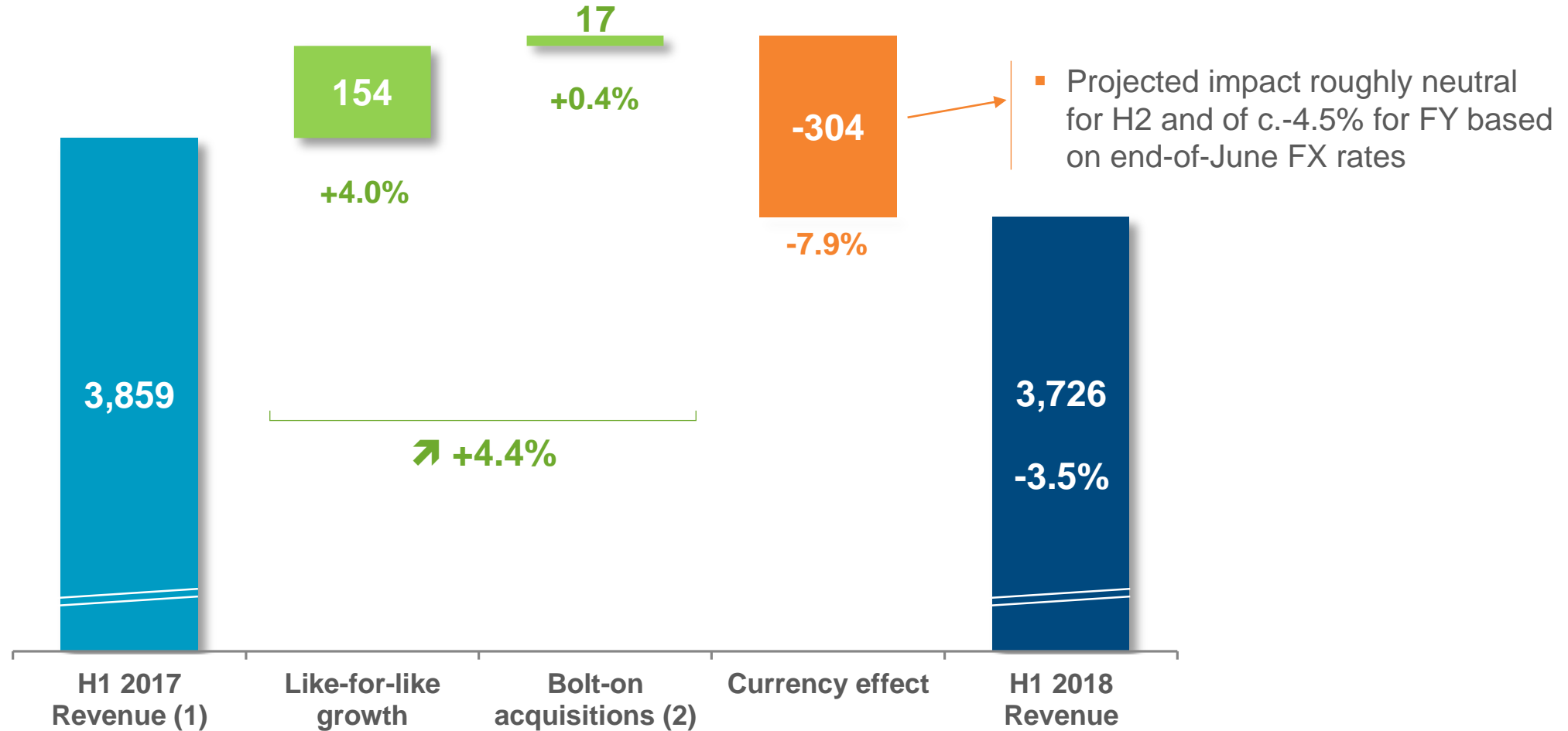
## ➤ Deleveraging

- Net debt reaching €1.96bn vs. €2.24bn in H1 2017

(1) Fast-growing countries include China, India, ASEAN, South Korea, Hong Kong, Taiwan, Africa, the Middle East, Russia and Latin America. All divisions combined

# First-Half 2018 Revenue Up 4.4% Excluding the Currency Effect

€ millions



(1) The group has applied IFRS 15 related to revenue recognition from January 1<sup>st</sup>, 2018. H1 2017 revenue has been restated accordingly, with a negative impact of €50m.  
 (2) Local acquisitions or partnerships

# All Divisions and Regions Accelerating in Q2

<i>Like-for-like revenue growth</i>	Q1 2018	Q2 2018	H1 2018
Lenses & Optical Instruments	+2.9%	+4.2%	+3.6%
<i>North America</i>	+3.4%	+4.5%	+4.0%
<i>Europe</i>	+0.7%	+1.1%	+0.9%
<i>Asia/Pacific/Middle East/Africa</i>	+6.2%	+6.9%	+6.6%
<i>Latin America</i>	+1.2%	+9.2%	+5.1%
Sunglasses & Readers	+6.6%	+9.5%	+8.1%
Equipment	-3.1%	+4.2%	+0.9%
<b>TOTAL</b>	<b>+3.2%</b>	<b>+4.8%</b>	<b>+4.0%</b>

- Robust Lens business, led by
  - Success of new products
  - Alliances and Essilor Experts in the US
  - Confirmed rebound in Brazil
  - Good momentum in China and Japan
- Sunglasses & Readers division
  - Xiamen Yarui Optical (Bolon™) back on track

# First-Half 2018 Revenue by Division

Reported revenue in € millions	H1 2018	H1 2017 <sup>(1)</sup>	% Change		
			Like-for-like	At constant exchange rates	Reported
<b>Lenses &amp; Optical Instruments</b>	<b>3,211</b>	3,333	+3.6%	+4.1%	-3.7%
North America	1,386	1,472	+4.0%	+4.7%	-5.8%
Europe	1,004	1,011	+0.9%	+1.0%	-0.6%
Asia/Pacific/Middle East/Africa	596	603	+6.6%	+6.9%	-1.3%
Latin America	225	247	+5.1%	+6.1%	-8.7%
<b>Sunglasses &amp; Readers</b>	<b>413</b>	417	+8.1%	+8.1%	-1.1%
<b>Equipment</b>	<b>102</b>	109	+0.9%	+0.9%	-6.8%
<b>TOTAL</b>	<b>3,726</b>	<b>3,859</b>	<b>+4.0%</b>	<b>+4.4%</b>	<b>-3.5%</b>
Fast-Growing Countries <sup>(2)</sup>	914	929	+8.2%	+8.5%	-1.6%
Mature Countries	2,812	2,930	+2.7%	+3.1%	-4.0%

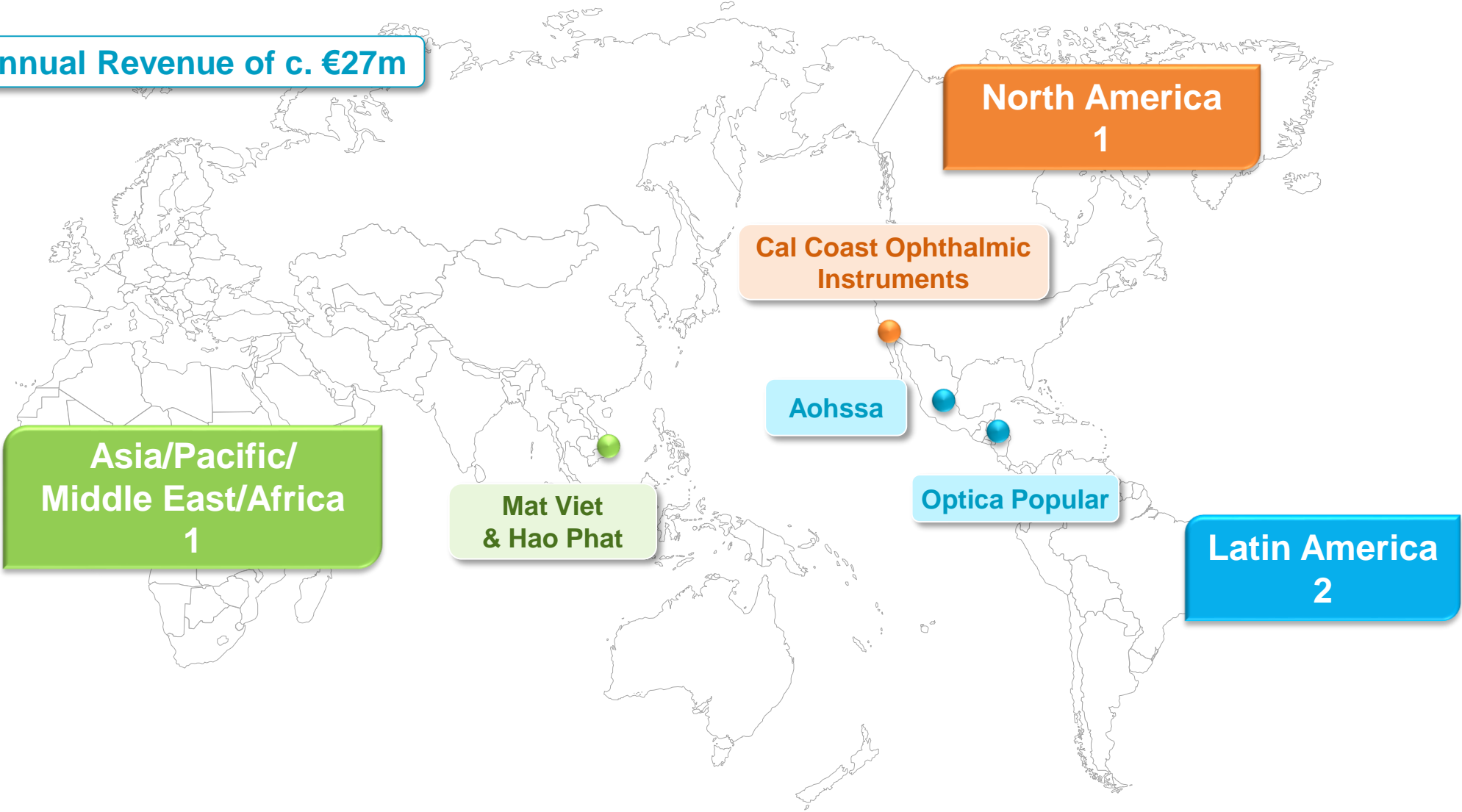
(1) The group has applied IFRS 15 related to revenue recognition from January 1<sup>st</sup>, 2018. H1 2017 revenue has been restated accordingly, with a negative impact of €50m.

(2) Fast-growing countries include China, India, ASEAN, South Korea, Hong Kong, Taiwan, Africa, the Middle East, Russia and Latin America. All divisions combined.



# Resuming the Acquisition Strategy

Combined Annual Revenue of c. €27m



# Gross Margin Expansion

€ millions		H1 2018 Adjusted <sup>(2)</sup>	H1 2017 Adjusted <sup>(2)(3)</sup>	% Change	% Change excl. currency
<b>Revenue</b>		<b>3,726</b>	<b>3,859</b>	-3.5%	<b>4.4%</b>
Gross profit		2,211	2,264	-2.4%	<b>5.0%</b>
% of revenue	<b>A</b>	59.3%	58.7%	-	
Operating expenses		(1,527)	(1,546)	-1.2%	
% of revenue	<b>B</b>	(41.0%)	(40.0%)	-	
<b>Contribution from operations<sup>(1)</sup></b>		<b>684</b>	<b>718</b>	-4.8%	<b>2.4%</b>
% of revenue		18.4%	18.6%	-	
Other income (expenses), net		(54)	(51)	-	
<b>Operating profit</b>		<b>630</b>	<b>667</b>	-5.5%	
Financial income (expense), net		(30)	(32)	-	
Income tax		(133)	(155)	-	
Effective tax rate		22.2%	24.4%	-	
Net profit		467	480	-2.6%	<b>4.6%</b>
Minority interests		(46)	(49)	-	
<b>Profit attributable to equity holders</b>		<b>421</b>	<b>431</b>	-2.4%	
<b>Earnings per share (in €)</b>	<b>C</b>	<b>1.93</b>	<b>1.99</b>	-3.0%	<b>4.5%</b>

**A**

- Innovation
- Product mix

**B**

- Accelerated investments in future growth

**C**

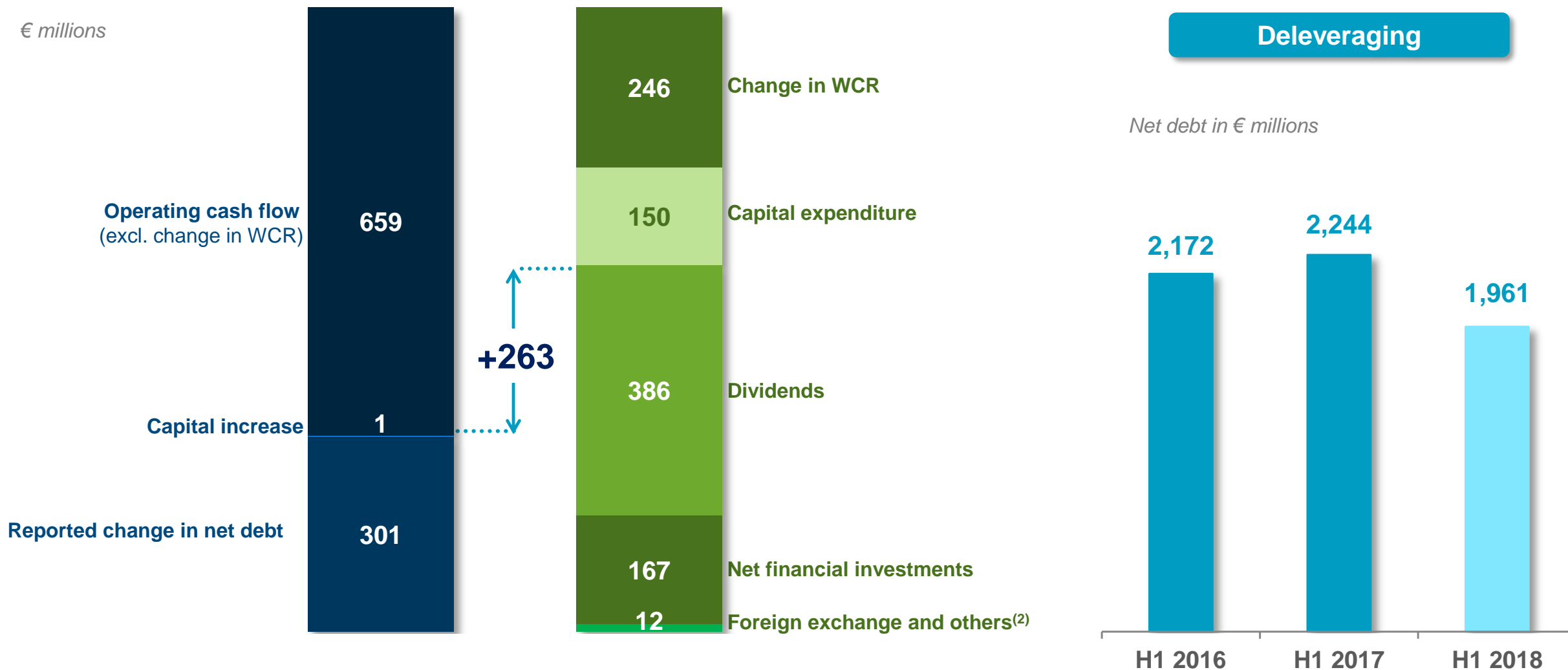
- EPS growing in line with sales

(1) Contribution from operations corresponds to revenue less cost of sales and operating expenses (research and development costs, selling and distribution costs, other operating expenses)

(2) Adjusted for expenses due to the proposed combination with Luxottica (in the amount of €47m on operating profit and €72m on group net profit in 2018 )

(3) The group has applied IFRS 15 related to revenue recognition from January 1<sup>st</sup>, 2018. H1 2017 accounts have been restated accordingly, with impacts of -50m and -3m on revenue and contribution from operations, respectively.

# Healthy Free Cash Flow<sup>(1)</sup> Generation



(1) Free cash flow = Net cash from operating activities less change in WCR and capital expenditure / (2) Including €21m of foreign exchange impact.

## 3. Outlook

➤ Laurent Vacherot – President and Chief Operating Officer

# Outlook for H2

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- Delivering on our mission: accelerating initiatives in all regions and divisions
- Sustained momentum in the Lens business
  - Innovation and Varilux<sup>®</sup>, Transitions<sup>®</sup> & Crizal<sup>®</sup> brands
  - ECP's programs in the US
  - Fast-growing markets<sup>(1)</sup>
  - E-commerce
- Targeting mid-single digit growth in Sunglasses & Readers
- Increased contribution from acquisitions to revenue
- Chief Marketing Officer and Chief R&D Officer joining the Management Committee
- Finalization of the Essilor and Luxottica proposed combination

*(1) Fast-growing countries include China, India, ASEAN, South Korea, Hong Kong, Taiwan, Africa, the Middle East, Russia and Latin America. All divisions combined*

# Outlook for 2018

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➤ Like-for-like Revenue Growth



**Around 4%**

➤ Contribution from Operations<sup>(1)</sup>  
*as a percentage of revenue*



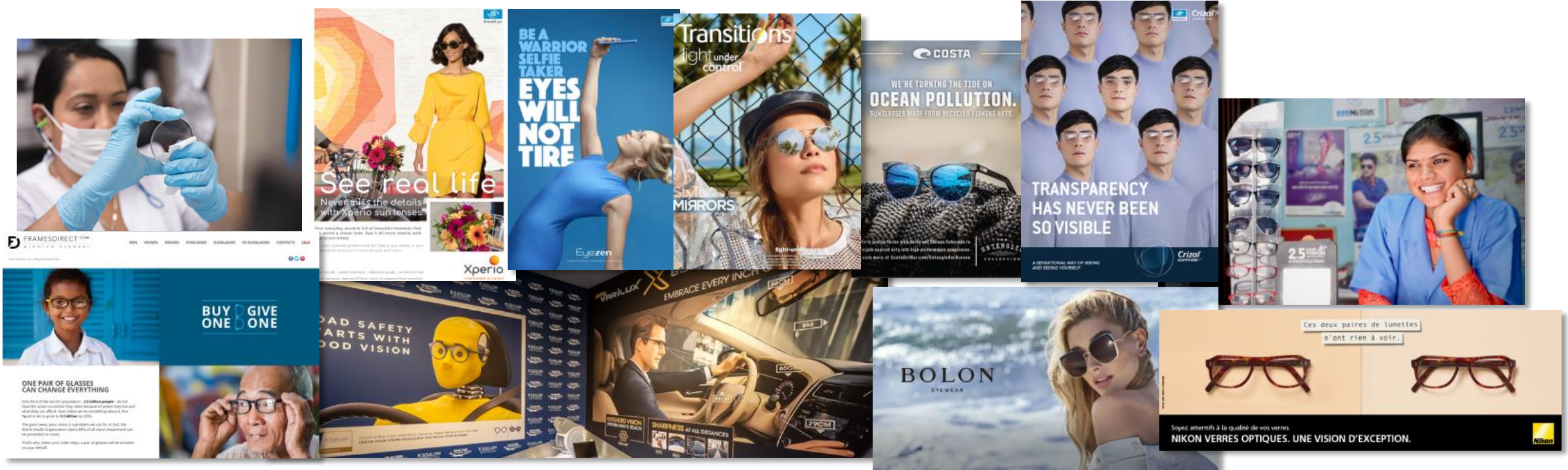
**≥ 18.3%**<sup>(2)</sup>

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

(2) Excluding any new strategic acquisition(s).

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## Questions & Answers

# 4. Appendices



# Application of IFRS 15 and H1 2018 Adjustments

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- The group has applied IFRS 15 related to revenue recognition from January 1<sup>st</sup>, 2018
  - H1 2017 accounts have been restated accordingly:
    - -€50m on revenue
    - -€3m on contribution from operations<sup>(1)</sup>
- H1 2018 accounts were adjusted for non-recurring items related to the proposed combination with Luxottica
  - Transaction costs: €14 million
  - Share based payments costs: €33 million
  - Tax impact related to the change in the future settlement of existing share plans : €28m

*(1) Contribution from operations corresponds to revenue less cost of sales and operating expenses (research and development costs, selling and distribution costs, other operating expenses)*

# Reported P&L Statement after application of IFRS 15

€ millions	H1 2018	H1 2017 <sup>(2)</sup>	% Change
Revenue	3,726	3,859	-3.5%
Gross profit	2,211	2,264	-2.4%
<i>% of revenue</i>	<b>59.3%</b>	<b>58.7%</b>	-
Contribution from operations <sup>(1)</sup>	684	717	-4.6%
<i>% of revenue</i>	<b>18.4%</b>	<b>18.6%</b>	-
Operating profit	583	608	-4.0%
Net profit	396	438	-9.6%
Net profit attributable to equity holders of Essilor International	349	389	-10.0%
<i>% of revenue</i>	<b>9.4%</b>	<b>10.1%</b>	-
Earnings per share (in €)	1.60	1.80	-10.8%

(1) Contribution from operations corresponds to revenue less cost of sales and operating expenses (research and development costs, selling and distribution costs, other operating expenses)

(2) The group has applied IFRS 15 related to revenue recognition from January 1<sup>st</sup>, 2018. H1 2017 accounts have been restated accordingly, with impacts of -50m and -3m on revenue and contribution from operations, respectively.

# Reconciliation from Adjusted to Reported Accounts

€ millions	H1 2018 Adjusted	Items adjusted	H1 2018 Reported
Revenue	3,726	-	3,726
Contribution from operations <sup>(1)</sup>	684	-	684
Other income (expense)	(54)	(47)	(101)
Operating profit	630	(47)	583
Income tax	(133)	(24)	(157)
Net profit	467	(71)	396
Net profit attributable to equity holders of Essilor International	421	(72)	349
Earnings per share	1.93	(0.33)	1.60

The H1 2018 accounts are adjusted for items related to the proposed combination with Luxottica including €47 million at the other income (expense) level, leading to an adjusted operating profit that is €47 million higher. After taking into account tax effects (€24 million), the adjusted net profit attributable to equity holders of Essilor International amounts to €421 million.

(1) Contribution from operations corresponds to revenue less cost of sales and operating expenses (research and development costs, selling and distribution costs, other operating expenses)