ANNUAL REPORT 2016

LUXOTTICA®

ANNUAL REPORT 2016

Corporate bodies

BOARD OF DIRECTORS

In office until the approval of the financial statements as of and for the year ending December 31, 2017

Executive Chairman
Leonardo Del Vecchio

Deputy Chairman
Luigi Francavilla

Deputy Chairman
Francesco Milleri

Chief Executive Officer
Product & Operations
Massimo Vian

Directors
Marina Brogi* (Lead Independent Director)
Luigi Feola*
Elisabetta Magistretti*
Mario Notari
Karl Heinz Salzburger*
Maria Pierdicchi*
Luciano Santel*
Cristina Scocchia*
Sandro Veronesi*
Andrea Zappia*

* Independent directors

OFFICE RESPONSIBLE FOR PREPARING THE COMPANY'S FINANCIAL REPORTS

Stefano Grassi

INDEPENDENT AUDITORS

In office until the approval of the financial statements as of and for the year ending December 31, 2020

PricewaterhouseCoopers S.p.A.

HUMAN RESOURCES COMMITTEE

Andrea Zappia (Chairman)
Marina Brogi
Mario Notari

INTERNAL CONTROL COMMITTEE

Elisabetta Magistretti (Chairman)
Luciano Santel
Cristina Scocchia

BOARD OF STATUTORY AUDITORS

In office until the approval of the financial statements as of and for the year ending December 31, 2017

Regular Auditors
Francesco Vella (Chairman)
Alberto Giussani
Barbara Tadolini

Alternate Auditors
Maria Venturini
Roberto Miccù

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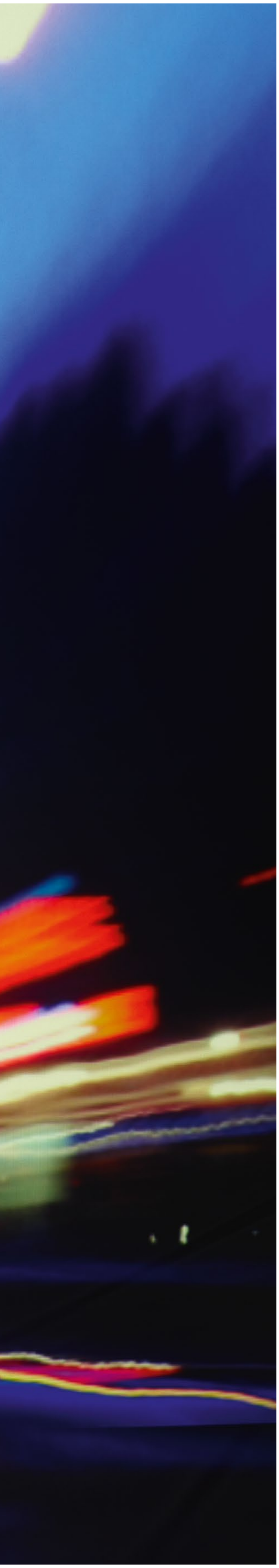

1 Management report

1. Operating performance for the year ended December 31, 2016

The Group's growth continued throughout 2016. In a challenging economic environment net sales increased from Euro 8,836.6 million in 2015 to Euro 9,085.7 million in 2016 (+2.8 percent at current exchange rates and +3.9 percent at constant exchange rates[1]).

Adjusted net sales[2] increased from Euro 9,010.8 million in 2015 to Euro 9,085.7 million in 2016 (+0.8 percent at current exchange rates and +1.9 percent at constant exchange rates[2]). Adjusted net sales in 2015 were impacted by the modification of an EyeMed reinsurance agreement with an existing underwriter whereby the Company assumed less reinsurance revenues and less claims expense. The impact of this new contract for the twelve month period ended December 31, 2015 was Euro 174.3 million (the "EyeMed Adjustment").

Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA")[3] in 2016 increased by 0.3 percent to Euro 1,858.1 million from Euro 1,853.3 in 2015. Additionally, adjusted EBITDA[3] increased by 1.3 percent to Euro 1,945.0 million from Euro 1,919.7 million in 2015.

Operating income for 2016 decreased by 2.3 percent to Euro 1,345.3 million from Euro 1,376.4 million during the same period of the previous year. The Group's operating margin has reduced its growth from 15.6 percent in 2015 to 14.8 percent in 2016.

Additionally, adjusted operating income[4] in 2016 decreased by 0.7 percent to 1,432.1 million from Euro 1,442.8 million in 2015. The Group's adjusted operating margin[5] decresed from 16.0 percent in 2015 to 15.8 percent in 2016.

In 2016 net income attributable to Luxottica Stockholders increased by 5.8 percent to Euro 850.5 million from Euro 804.1 million in the same period of 2015.

Adjusted net income[6] attributable to Luxottica stockholders increased by 3.3 percent to Euro 881.7 million in 2016 from Euro 854.0 million in 2015. Earnings per share ("EPS") was Euro 1.77 and EPS expressed in USD was 1.96 (at an average rate of Euro/USD of 1.10690). Adjusted earnings per share[7] ("EPS") was Euro 1.84 and adjusted EPS expressed in USD was 2.04 (at an average rate of Euro/USD of 1.10690).

Careful control of our working capital as well as a significant improvement in our operating results, created strong free cash flow[8] equal to Euro 664.2 million. Net debt as of December 31, 2016 was Euro 1,177 million (Euro 1,005.6 million at the end of 2015), with a ratio of net debt to EBITDA[9] of 0.6x (0.5x as of December 31, 2015).

1. We calculate constant exchange rates by applying to the current period the average exchange rates between the Euro and the relevant currencies of the various markets in which we operated during the year ended December 31, 2016. Please refer to Attachment 1 for further details on exchange rates.
2. For a further discussion of adjusted net sales, see the "Non-IFRS Measures" section of this Report
3. For a further discussion of EBITDA and adjusted EBITDA, see the "Non-IFRS Measures" section of this Report
4. For a further discussion of adjusted operating income, see the "Non-IFRS Measures" section of this Report
5. For a further discussion of adjusted operating margin, see the "Non-IFRS Measures" section of this Report
6. For a further discussion of adjusted net income, see the "Non-IFRS Measures" section of this Report
7. For a further discussion of adjusted earnings per share, see the "Non-IFRS Measures" section of this Report
8. For a further discussion of free cash flow, see the "Non-IFRS Measures" section of this Report
9. For a further discussion of net debt and net debt to EBITDA, see the "Non-IFRS Measures" section of this Report

2. Significant events during 2016

JANUARY

On January 29, 2016, Mr. Adil Mehboob Khan ceased as a Director of the Company and as the Group's CEO for Markets. At the same time, the Board of Directors approved a modification to the governance structure by assigning responsibility for Markets to Mr. Leonardo Del Vecchio, the Company's Chairman of the Board of Directors and majority shareholder, as Executive Chairman. Massimo Vian continues in his role as CEO for Product and Operations.

FEBRUARY

On February 11, 2016, the Company and Galeries Lafayette, the French market leader in department stores for fashion and event shopping, signed an agreement to roll out the Sunglass Hut retail concept in 57 Galeries Lafayette and BHV MARAIS department stores across France. The first locations opened in February 2016.

On February 23, 2016, the Company and Maison Valentino signed a new and exclusive eyewear license agreement for the design, manufacture and worldwide distribution of Valentino eyewear. The ten year agreement is effective from January 2017. The first collection presented under the agreement will be available in the beginning of 2017.

APRIL

At the Stockholders' Meeting on April 29, 2016, Group's stockholders approved the Statutory Financial Statements as of December 31, 2015 as proposed by the Board of Directors and the distribution of a cash dividend of Euro 0.89 per ordinary share. The aggregate dividend amount of Euro 427.7 million was fully paid in May 2016.

MAY

On May 12, 2016 Luxottica Group announced it would launch a share buyback program and the repurchase up to 1 million ordinary shares. To buyback shares, the Company appointed an intermediary that operated until June 30, 2016.

On May 24, 2016 the Company announced both the conclusion of the share buyback program up to 1 million ordinary shares and a new share buyback, under which it may repurchase up to 4 million ordinary shares. To buyback shares, the Company appointed an intermediary that operated until December 31, 2016.

Both the announced programs, approved during the Shareholders' meeting held on April 29, 2016, complied with the market practices allowed by CONSOB according to resolution no. 16839 adopted on March 19, 2009 and aimed at setting up a reserve of shares and supporting liquidity.

JULY

On July 7th, 2016 Luxottica Group announces a sponsorship agreement with Ferrari S.p.A. Ray-Ban signed a high-profile agreement as sponsor of Scuderia Ferrari. As part of the sponsorship, the Ray-Ban logo will appear on SF16-H Ferrari's Formula One car livery.

OCTOBER

On October 3, 2016 Luxottica Group and Intel Corporation announced the launch of Radar Pace™, smart eyewear featuring a real-time voice activated coaching system. Radar Pace is the result of significant research and development between Luxottica's Oakley brand and Intel: Radar Pace is a revolutionary device which creates dynamic and personalized training programs, tracks performance, coaches in real-time and responds naturally to questions asked by the user.

NOVEMBER

On November 7, 2016 the Group announced the conclusion of the share buyback program up to 4 million ordinary shares.

On November 25, 2016 Luxottica Group announced that it has exercised the option to acquire the remaining 63.2% of the shares in Salmoiraghi & Viganò, On December 28, 2016 Luxottica Group closed this acquisition.

DECEMBER

On December 22, 2016 Luxottica Group announced the renewal of an exclusive license agreement with Ralph Lauren Corporation for the development, production and worldwide distribution of sunglasses and prescription frames under certain Ralph Lauren brands, including Polo and Ralph Lauren.

3. Financial results

We are a global leader in the design, manufacture and distribution of fashion, luxury and sport eyewear, with net sales reaching Euro 9.1 billion in 2016, approximately 82,282 employees and a strong global presence. We operate in two industry segments: (i) manufacturing and wholesale distribution; and (ii) retail distribution. See Note 5 of the Notes to the Consolidated Financial Statements as of December 31, 2016 for additional disclosures about our operating segments.

Through our manufacturing and wholesale distribution segment, we are engaged in the design, manufacture, wholesale distribution and marketing of proprietary and designer lines of mid to premium priced prescription frames and sunglasses. We operate our retail distribution segment principally through our retail brands, which include, among others, LensCrafters, Sunglass Hut, OPSM, Laubman & Pank, Oakley "O" Stores, David Clulow, GMO and our Licensed Brands (Sears Optical and Target Optical).

As a result of our numerous acquisitions and the subsequent expansion of our business activities in the United States through these acquisitions, our results of operations, which are reported in Euro, are susceptible to currency rate fluctuations between the Euro and the U.S. dollar. The Euro/U.S. dollar exchange rate has fluctuated to an average exchange rate of Euro 1.00 = U.S. $ 1.1069 in 2016 from Euro 1.00 = U.S. $1.1095 in 2015. Our results of operations are also susceptible to currency fluctuations between the Euro and the Australian Dollar due to the Australian subsidiary OPSM group. Additionally, we incur part of our manufacturing costs in Chinese Yuan; therefore, the fluctuation of the Chinese Yuan could impact the demand of our products or our consolidated profitability. Although we engage in certain foreign currency hedging activities to mitigate the impact of these fluctuations, they have impacted our reported revenues and expenses during the periods discussed herein. The Group does not engage in long-term hedging activities to mitigate translation risk.

RESULTS OF OPERATIONS

Consolidated statement of income (Euro/000)	2016	% Net sales	2015	% Net sales	% Variance
Net Sales	**9,085,707**	**100.0%**	**8,836,578**	**100.0%**	**2.8%**
Cost of sales	3,153,264	34.7%	2,835,426	32.1%	11.2%
Gross Profit	**5,932,443**	**65.3%**	**6,001,152**	**67.9%**	**(1.1%)**
Selling	2,889,177	31.8%	2,778,837	31.4%	4.0%
Royalties	169,890	1.9%	168,669	1.9%	0.7%
Advertising	567,895	6.3%	589,718	6.7%	(3.7%)
General & Administrative	960,214	10.6%	1,087,484	12.3%	(11.7%)
Total Opereting expenses	**4,587,176**	**50.5%**	**4,624,708**	**52.3%**	**(0.8%)**
Income from operations	**1,345,267**	**14.8%**	**1,376,445**	**15.6%**	**(2.3%)**
Interest income	15,469	0.2%	11,190	0.1%	38.2%
Interest expense	(81,528)	(0.9%)	(106,439)	1.2%	(23.4%)
Other net	39,486	0.4%	(3,281)	(0.0%)	(100%)
Total other Income (Expense)	**(26,573)**	**(0.3%)**	**(98,530)**	**(1.1%)**	**(73.0%)**
Income before provision for income taxes	**1,318,693**	**14.5%**	**1,277,914**	**14.5%**	**3.2%**
Provision for Income taxes	(466,373)	(5.1%)	(471,042)	(5.3%)	(1.0%)
Net income	**852,321**	**9.4%**	**806,873**	**9.1%**	**5.6%**
Of which attribuible to					
- Luxottica Group stockholders	*850,524*	*9.4%*	*804,119*	*9.1%*	*5.8%*
- Non controlling interests	*1,797*	*0.0%*	*2,753*	*0.0%*	*(34.7%)*

(*) In 2015 the retail distribution segment subsidiaries of the Group that did not previously report on a calendar-year basis modified their respective reporting calendars in order to align with those of the Company and other subsidiaries in the consolidated Group that report on a calendar-year basis without significant impact. In 2016 all the subsidiaries of the Group reported on a calendar-year basis.

In order to represent the Group's operating performance on a consistent basis in this Management Report, certain information as represented in the Group's Consolidated Financial Statements have been adjusted to take into account the following events.

During the 2016 the Group incurred into:

- Cost related to the Company restruction and reorganization for Euro 69.5 million, Euro 55.0 million net of taxes

- Non-recurring expenses for 17.4 million, Euro 12.0 million net of taxes, mainly related to the departure of Adil Mehboob-Khan as CEO for Market and to the Oakley integration

- Non-recurring Incomes for Euro 35.7 million related to the Salmoiraghi & Viganò acquisition

Regarding year 2015, the Non-recurring Costs were:

- Euro 66.4 million (Euro 49.8 million net of taxes) related to the organization of Oakley and other minor projects

- EyeMed Adjustment (as defined above) which is equal 174.3 million

The Group's income from operations, EBITDA and net income attributable to Luxottica Group stockholders adjusted for items set forth above are as follows:

Adjusted measures					
(Euro mn)	2016	% Net sales	2015	% Net sales	% Variance
Adjusted net sales	9,085.7	100%	9,010.8	100%	0.8%
Adjusted cost of sales	3,134.6	34.5%	3,009.0	33.4%	4.2%
Adjusted income from operations	1,432.1	15.8%	1,442.8	16.0%	(0.7%)
Adjusted EBITDA	1,945.0	21.4%	1,919.7	21.3%	1.3%
Adjusted net Income attributable to Group's Stockholders	881.7	9.7%	854.0	9.5%	3.3%

Net Sales - Net sales increased by Euro 249.1 million, or 2.8%, to Euro 9,085.7 million in 2016 from Euro 8,836.6 million in 2015. This increase represents increased sales of Euro 314.0 million in the retail distribution segment during 2016 as compared to 2015, which was partially offset by decreased sales of Euro 64.9 million in the manufacturing and wholesale distribution segment during 2016 as compared to 2015. Adjusted net sales in 2015, which include the EyeMed Adjustment of 174.3 million, were Euro 9,010.8 million.

A reconciliation of adjusted net sales[2], a non IFRS measure, to net sales, the most directly comparable IFRS measure, is presented in the table below.

(Euro mn)	2016	2015
Net Sales	**9,085.7**	**8,836.6**
EyeMed Adjustment	-	174.3
Adjusted net sales	**9,085.7**	**9,010.8**

Net sales for the retail distribution segment increased by Euro 314.0 million, or 6.0%, to Euro 5,558.0 million in 2016 from Euro 5,244.0 million in 2015. The increase in net sales for the period was partially attributable to a 0.6% increase in comparable store sales.

The effects from currency fluctuations between the Euro, which is our reporting currency, and other currencies in which we conduct business, in particular the strengthening of the U.S. dollar and the Australian dollar compared to the Euro, did not generate any significant change on the net sales in the retail distribution segment.

Adjusted net sales[2] for the retail distribution segment in 2015, which included the EyeMed Adjustment of 174.3 million, were Euro 5,418.3 million and adjusted net sales for the retail distribution segment in 2016 increased to Euro 5,558.0 million. A reconciliation of adjusted net sales[2] for the retail distribution segment, a non IFRS measure, to net sales of the retail distribution segment, the most directly comparable IFRS measure, is presented in the table below.

(Euro mn)	2016	2015
Net Sales Retail	**5,558.0**	**5,244.0**
EyeMed Adjustment	-	174.3
Adjusted net sales Retail	**5,558.0**	**5,418.3**

Net sales to third parties in the manufacturing and wholesale distribution segment decreased by Euro 64.9 million, or 1.8%, to Euro 3,527.7 million in 2016 from Euro 3,592,6 million in 2015. This decrease was mainly attributable to a revision of our trade policies through the following actions: (i) a review of prices in certain markets in order to avoid inequality and arbitrage in different geographical areas, (ii) a review of clients portfolios and the implementation of a new Minimum Advertising Price (MAP) policy.

In 2016, net sales in the retail distribution segment accounted for approximately 61.2% of total net sales, as compared to approximately 59.3% of total net sales in 2015. This increase in sales for the retail distribution segment as a percentage of total net sales was primarily attributable to a 6.0% increase in net sales for the retail distribution segment, which was partially offset by a 1.8% decrease in net sales for the manufacturing and wholesale distribution segment for 2016.

In 2016 net sales in our retail distribution segment in the United States and Canada increased to approximately 78.2 percent from of our total net sales in this segment from 78.1 percent in 2015. In U.S. dollars, retail net sales in the United States and Canada increased by 6.0% to U.S. $ 4,819.5 million in 2016 from U.S. $4,546.0 million in 2015, due to sales volume increases. Net sales in the retail distribution segment in the rest of the world (excluding the United States and Canada) were 21.8% and 21.9% of total net sales in the retail distribution segment in 2016 and 2015 respectively. During 2016, net sales increased by 5.8% to Euro 1,212.9 million from Euro 1,146.8 million in 2015.

In 2016, net sales in our manufacturing and wholesale distribution segment in Europe were Euro 1,382.2 million, comprising 39.2% of our total net sales in this segment, compared to Euro 1,366.4 million, or 38.0% of total net sales in this segment, in 2015, increasing by Euro 15.8 million or 1.2% in 2016 as compared to 2015. The increase in net sales in Europe in 2016 compared to 2015 was primarily due to a general increase in consumer demand. Net sales to third parties in our manufacturing and wholesale distribution segment in the United States and Canada were U.S. $ 1,138.5 million and comprised 29.0% of our total net sales in this segment in 2016, compared to U.S. $1,169.3 million, or 29.3% of total net sales in this segment, in 2015. The decrease in net sales in the United States and Canada in 2016 compared to 2015 was primarily due to the implementation of our MAP policy. In 2016, net sales to third parties in our manufacturing and wholesale distribution segment in the rest of the world were Euro 1,120.9 million, comprising 31.8% of our total net sales in this segment, compared to Euro 1,172.2 million, or 32.6% of our net sales in this segment, in 2015.

Cost of Sales - Cost of sales increased by Euro 317.8 million, or 11.2%, to Euro 3,153.3 million in 2016 from Euro 2,835.4 million in 2015. As a percentage of net sales, cost of sales increased to 34.7% in 2016 from 32.1% in 2015.

The average number of frames produced daily in our facilities in 2016 was approximately 349,488 and 346,991 in 2016 and 2015, respectively.

Adjusted cost of sales[10], excludes Restructuring and Reorganization Expenses and non-recurring Expenses of Euro 18.7 million, was Euro 3,134.6 in 2016.

A reconciliation of adjusted cost of sales[10], a non IFRS measure, to cost of sales, the most directly comparable IFRS measure, is presented in the table below.

(Euro mn)	2016	2015
Cost of sales	**3,153.3**	**2,835.4**
EyeMed Adjustment	-	174.3
Restructuring and Reorganization Expenses	(18.6)	0
Non-recurring Expenses	(0.1)	(0.7)
Adjusted cost of sales	**3,134.6**	**3,009.0**

Gross Profit - Our gross profit decreased by Euro 68.7 million, or 1.1%, to Euro 5,932.4 million in 2016 from Euro 6,001.2 million in 2015. As a percentage of net sales, gross profit decreased to 65.3% in 2016 from 67.9% in 2015.

Adjusted gross profit[11] for 2016, excluding Restructuring and reorganization expenses of Euro 18.6 million and non-recurring Expenses of Euro 0.1 million, was Euro 5,951.1 million, or 65.5% as percentage of net sales. Adjusted gross profit for 2016, excluding non-recurring expenses of Euro 0.7 million, was Euro 6,001.8, or 66.6% as percentage of net sales.

Please find the reconciliation between adjusted gross profit[11] and gross profit in the following table:

(Euro mn)	2016	2015
Gross profit	**5,932.4**	**6,001.2**
Restructuring and Reorganization Expenses	18.6	-
Non-recurring Expenses	0.1	0.7
Adjusted gross profit	**5,951.1**	**6,001.8**

Operating Expenses - Total operating expenses decreased by Euro 37.5 million, or -0.8%, to Euro 4,587.2 million in 2016 from Euro 4,624.7 million in 2015. As a percentage of net sales, operating expenses were 50.5% in 2016 compared to 52.3% in 2015.

Total adjusted operating expenses[12] decreased by Euro 40.0 million, or 0.9%, to Euro 4,519.0 million in 2016 from Euro 4,559.0 million in 2015, excluding, for 2016, restructuring and reorganization expenses of Euro 50.9 million and Non-recurring Expenses of Euro 17.3 million. As a percentage of net sales, adjusted operating expenses decreased to 49.7% in 2016 from 50.6% in 2015. A reconciliation of adjusted operating expenses[12], a non IFRS measure, to operating expenses, the most directly comparable IFRS measure, is presented in the table below.

10. For a further discussion of adjusted cost of sales, see the "Non-IFRS Measures" section of this Report
11. For a further discussion of adjusted gross profit, see the "Non-IFRS Measures" section of this Report

(Euro mn)	2016	2015
Operating expenses	**4,587.2**	**4,624.7**
Restructuring and Reorganization Expenses	(50.9)	-
Non-recurring Expenses	(17.3)	(65.7)
Adjusted operating expenses	**4,519.0**	**4,559.0**

Selling and advertising expenses (including royalty expenses) increased by Euro 89.7 million, or 2.5%, to Euro 3,627.0 million in 2016 from Euro 3,537.2 million in 2015. Selling expenses increased by Euro 110.3 million, or 4.0% to Euro 2,889.2 million in 2016 from Euro 2,778.8 million in 2015. As a percentage of net sales, selling expenses were 31.8% and 31.4% in 2016 and 2015, respectively. Advertising expenses decreased by Euro 21.82 million, or -3.7%. As a percentage of net sales, advertising expenses were 6.3% in 2016 and 6.7% in 2015. Royalties increased by Euro 1.2 million, or 0.7%. As a percentage of net sales, royalty expenses were 1.9% in each of 2016 and 2015.

Adjusted selling expenses[13], excluding Restructuring and Reorganization Expenses of Euro 10.1 million and non-recurring expenses of Euro 0.4 million for 2016, were Euro 2,878.7 million as compared to adjusted selling expenses of Euro 2,773.3 million in 2015. As a percentage of net sales adjusted selling expenses were 31.7% in 2016.

A reconciliation of adjusted selling expenses[13], a non IFRS measure, to selling expenses, the most directly comparable IFRS measure, is presented in the table below.

(Euro mn)	2016	2015
Selling expenses	**2,889.2**	**2,778.8**
Restructuring and Reorganization Expenses	(10.1)	-
Non-recurring Expenses	(0.4)	(5.5)
Adjusted selling expenses	**2,878.7**	**2,773.3**

General and administrative expenses, including intangible asset amortization, decreased by Euro 127.3 million, or -11.7%, to Euro 960.2 million in 2016, as compared to Euro 1,087.5 million in 2015. As a percentage of net sales, general and administrative expenses were 10.6% and 12.3% in 2016 and 2015.

Adjusted general and administrative expenses[14] decreased by Euro 124.8 million, or -12.1%, to Euro 902.6 million in 2016 as compared to Euro 1,027.4 million in 2015. This amount excludes in 2016 Restructuring and Reorganization Expenses of Euro 40.8 million and non-recurring expenses of Euro 16.9 million. As a percentage of net sales, adjusted general and administrative expenses decreased to 9.9% in 2016 from 11.4% in 2015.

A reconciliation of adjusted general and administrative expenses[14], a non-IFRS measure, to general and administrative expenses, the most directly comparable IFRS measure, is presented in the table below.

12. For a further discussion of adjusted operating expenses, see the "Non-IFRS Measures" section of this Report
13. For a further discussion of adjusted selling expenses, see the "Non-IFRS Measures" section of this Report
14. For a further discussion of adjusted G&A expenses, see the "Non-IFRS Measures" section of this Report

(Euro mn)	2016	2015
General and administrative expenses	**960.2**	**1,087.5**
Restructuring and Reorganization Expenses	(40.8)	-
Non-recurring Expenses	(16.9)	(60.1)
Adjusted general and administrative expenses	**902.6**	**1,027.4**

Income from Operations - For the reasons described above, income from operations decreased by Euro 31.2 million, or -2.3%, to Euro 1,345.3 million in 2016 from Euro 1,376.4 million in 2015. As a percentage of net sales, income from operations decreased to 14.8% in 2016 from 15.6% in 2015.

Adjusted income from operations[4] for 2016 excludes restructuring and reorganization expenses of Euro 69.5 million and non-recurring expenses of Euro 17.4 million decreased by Euro 10.7 million, or -0.7%, to Euro 1,432.1 million in 2016 from Euro 1,442.8 million in 2015. Adjusted income from operations for 2015 excludes non-recurring expenses of Euro 66.4 million. As a percentage of net sales, adjusted income from operations decreased to 15.8% in 2016 from 16.0% in 2015.

A reconciliation of adjusted income from operations[4], a non-IFRS measure, to income from operations, the most directly comparable IFRS measure, is presented in the table below. For a further discussion of such non-IFRS measures, please refer to the "Non-IFRS Measures: Adjusted Measures" discussion following the year-over-year comparisons.

(Euro mn)	2016	2015
Income from operations	**1,345.3**	**1,376.4**
Restructuring and Reorganization Expenses	69.5	-
Non-recurring Expenses	17.4	66.4
Adjusted income from operations	**1,432.1**	**1,442.8**

Other Income (Expense) - Net - Other income net was Euro 26.6 million in 2016 as compared to Euro 98.5 million in 2015. Net interest expense was Euro 66.1 million in 2016 as compared to Euro 95.2 million in 2015. Other income in 2016, which totalled 39.5 million, was mainly related to the capital gain of Euro 35.7 million that was generated with the acquisition of Salmoiraghi & Viganò.

Net Income - Income before taxes increased by Euro 40.8 million, or 3.2%, to Euro 1,318.7 million in 2016 from Euro 1,277.9 million in 2015. As a percentage of net sales, income before taxes was 14.5% in each of 2016 and 2015. Adjusted income before taxes[15] increased by Euro 25.6 million, or 1.9%, to Euro 1,369.8 million in 2016 from Euro 1,344.3 million in 2015. As a percentage of net sales, adjusted income before taxes increased to 15.1% in 2016 from 14.9% in 2015.

A reconciliation of adjusted net income before taxes[15], a non-IFRS measure, to net income before taxes, the most directly comparable IFRS measure, is presented in the table below.

(Euro mn)	2016	2015
Net income before taxes	**1,318.7**	**1,277.9**
Restructuring and Reorganization Expenses	69.5	-
Non-recurring Expenses	17.4	66.4
Non-recurring Income	(35.7)	-
Adjusted net income before taxes	**1,369.8**	**1,344.3**

15. For a further discussion of adjusted income before taxes, see the "Non-IFRS Measures" section of this Report

Our effective tax rate was 35.4% and 36.9% in 2016 and 2015, respectively. Our adjusted tax rate, which excludes in 2016 the tax effect of the integration of Oakley Japan and the tax effect of the above mentioned adjustments, was 35.5% and 36.3%, in 2016 and 2015 respectively.

A reconciliation of the adjusted tax rate[16], a non-IFRS measure, to the tax rate, the most directly comparable IFRS measure, is presented in the table below:

2016 (Euro mn except for percentages)	Income before taxes	Taxes	Net Income	Tax Rate	Reconciliation tax rate adjusted*
Reported	**1,318.7**	**(466.4)**	**852.3**	**35.4%**	**34.0%**
Restructuring and Reorganization Expenses	69.5	(14.5)	55.0	20.9%	1.1%
Non-recurring Expenses	17.4	(5.4)	12.0	31.2%	0.4%
Non-recurring Income	(35.7)	-	(35.7)	0.0%	0.0%
Adjusted	**1,369.8**	**(486.3)**	**883.5**	**35.5%**	**35.5%**

(*) Amount of reported taxes and taxes related to adjustment in percentage terms.

2015 (Euro mn except for percentages)	Income before taxes	Taxes	Net Income	Tax Rate	Reconciliation tax rate adjusted*
Reported	**1,277.9**	**(471.0)**	**806.9**	**36.9%**	**35.0%**
Restructuring and Reorganization Expenses	66.4	(16.5)	49.8	24.9%	1.2%
Adjusted	**1,344.3**	**(487.6)**	**856.7**	**36.3%**	**36.3%**

(*) Amount of reported taxes and taxes related to adjustment in percentage terms.

Net income attributable to non-controlling interests was equal to Euro 1.8 million and Euro 2.8 million in 2016 and 2015, respectively.

Net income attributable to Luxottica Group stockholders increased by Euro 46.4 million, or 5.8%, to Euro 850.5 million in 2016 from Euro 804.1 million in 2015. Net income attributable to Luxottica Group stockholders as a percentage of net sales increased to 9.4% in 2016 from 9.1% in 2015.

Adjusted net income attributable to Luxottica Group stockholders[17] increased by Euro 27.8 million, or 3.3%, to Euro 881.7 million in 2016 from Euro 854.0 million in 2015. Adjusted net income attributable to Luxottica Group stockholders[17] as a percentage of net sales increased to 9.7% in 2016 from 9.5% in 2015.

A reconciliation of adjusted net income attributable to Luxottica Group stockholders[17], a non-IFRS measure, to net income attributable to Luxottica Group stockholders, the most directly comparable IFRS measure, is presented in the table below. For a further discussion of such non-IFRS measures, please refer to the "Non-IFRS Measures: Adjusted Measures" discussion following the year-over-year comparisons.

16. For a further discussion of adjusted tax rate, see the "Non-IFRS Measures" section of this Report
17. For a further discussion of adjusted net income attributable to Luxottica Group stockholders, see the "Non-IFRS Measures" section of this Report

(Euro mn)	2016	2015
Net income attributable to Luxottica Group stockholders	**850.5**	**804.1**
Restructuring and Reorganization Expenses	69.5	-
of which tax effect	*(14.5)*	-
Non-recurring Expenses	17.4	66.4
of which tax effect	*(5.4)*	*(16.6)*
Non-recurring Incomes	(35.7)	-
of which tax effect	-	-
Adjusted net income attributable to Luxottica Group stockholders	**881.7**	**854.0**

Basic earnings per share were Euro 1.77 in 2016 and Euro 1.68 in 2015. Diluted earnings per share were Euro 1.77 in 2016 and Euro 1.67 in 2015.

Adjusted basic earnings per share[18] were Euro 1.84 in 2016 and Euro 1.78 in 2015. Adjusted diluted earnings per share were Euro 1.84 in 2016 and Euro 1.77 in 2015.

CASH FLOW

The following table sets forth certain items included in our statements of consolidated cash flows included in Item 2 of this report for the periods indicated.

Consolidated statements of cash flows		
(Euro/000)	December 31, 2016	December 31, 2015
A. Cash and cash equivalent at the beginning of the period	**864,852**	**1,453,587**
B. Net cash provided by operating activities	1,311,270	1,197,291
C. Cash provided/(used) in investing activities	(763,712)	(483,319)
D. Cash provided/(used) in financing activities	(572,415)	(1,354,291)
E. Effect of exchange rate charges on cash and cash equivalents	26,869	51,582
F. Net change in cash and cash equivalents	2,011	(588,735)
G. Cash and cash equivalent at the end of the period	**866,864**	**864,852**

Operating Activities - The Company's net cash provided by operating activities in 2016 and 2015 was Euro 1,311.3 million and Euro 1,197.3 million, respectively.

Depreciation and amortization were Euro 512.8 million in 2016 as compared to Euro 476.9 million in 2015. The increase in depreciation and amortization in 2016 as compared to 2015 is mainly due to the strengthening of Euro towards the major currencies in which the Group operates.

Non-cash stock based compensation expense was equal to Euro 9.6 million in 2016 as compared to Euro 49.7 million in 2015. The decrease in 2016 as compared to 2015 is mainly due to the exhaustion of the employees' stock options plans.

The change in accounts receivable was equal to Euro 28.8 million in 2016 as compared to Euro (108.6) million in 2015. The variation is mainly due to the combined effect of a lower sales in some geographic area and strict credit management.

18. For a further discussion of adjusted basic earnings per share and adjusted diluted earning per share, see the "Non-IFRS Measures" section of this Report

The inventory change was Euro Euro (7.2) million in 2016 compared to (85.2) million in 2015. The variation is mainly due to a strict and efficient management for the inventory.

The change in accounts payable was equal to Euro (28.8) million in 2016 compared to 115.6 million in 2015. This change is mainly due to the review of contractual terms with certain strategic suppliers.

The Cash generation from the other assets and liabilities was equal to Euro 30.0 million and Euro (7.8) million respectively for 2016 and 2015. The change in 2016 is primarily driven by the increase in the liability to employees in the retail division North America due to the timing in payment of salaries to store personnel whereas in 2015 amounts were impacted by the change in the reporting calendar for certain subsidiaries in the Retail segment.

Taxes paid during 2016 were equal to Euro 475.4 million and in 2015 were equal to Euro 565.9 million.

The interest paid was equal to 79.7 million and 79.8 million, for 2016 and 2015 respectively.

Investing Activities - The Company's net cash used in investing activities was Euro 763.7 million and Euro 483.3 million in 2016 and 2015, respectively. The investment activities in 2016 were related primarily to (i) the acquisition of tangible assets for Euro 546.2 million, (ii) the acquisition of intangible assets for Euro 111.8 million and (iii) the acquisition of 63.2% of Salmoiraghi & Viganò for an amount, net of the cash acquired, for Euro 127.5 million.

The primary investment activities in 2015 were related to (i) the acquisition of tangible assets for Euro 319.8 million, (ii) the acquisition of intangible assets for Euro 144.0 million, primarily related to IT infrastructure, and (iii) the acquisition of Sunglass Warehouse for Euro 21.0 million.

Financing Activities - The Company's net cash used in financing activities was Euro 572.4 million in 2016 and Euro 1,354.3 million in 2015. Cash used by financing activities in 2016 consisted primarily of (i) Euro 427.7 million used to pay dividends to the shareholders of the Company, (ii) Euro 92.4 million related to the increase in bank overdrafts, and (iii) Euro 219.7 million related the acquisition of own shares. These amounts are offset by the exercise of stock options equal to Euro 10.1 million.

Cash used by financing activities in 2015 consisted primarily of (i) Euro 649.3 million related to the payment of existing debt, (ii) Euro 689.7 million used to pay dividends to the shareholders of the Company; (iii) Euro 39.0 million related to the decrease in bank overdrafts, and (iv) Euro 19.0 million related the acquisition of the remaining 49% of Luxottica Netherlands. These amounts are offset by the exercise of stock options equal to Euro 47.7 million.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Asset (Euro/000)	December 31, 2016	December 31, 2015	Variance %
Current assets:			
Cash and cash equivalents	866,864	864,852	0%
Accounts receivable	932,340	858,053	9%
Invenory	893,472	833,272	7%
Other current Assets	283,659	272,932	4%
Assets for sales	51,284	-	0%
Total Current Asset	**3,027,618**	**2,829,109**	**7%**
Non-current assets:			
Property, plant and equivalent	1,672,554	1,435,524	17%
Goodwill	3,871,442	3,596,983	8%
Intangible assets	1,477,316	1,442,148	2%
Investiments	20,186	65,378	-69%
Other not current assets	97,300	105,574	-8%
Deferred tax assets	133,369	174,433	-24%
Total non-current assets	**7,272,168**	**6,820,040**	**7%**
Total assets	**10,299,787**	**9,649,148**	**7%**

Liabilities and Stockholders' Equity (Euro/000)	December 31, 2016	December 31, 2015	Variance %
Current liabilities:			
Short-term borrowing	208,813	110,450	89%
Current portion of long-term debt	154,094	44,882	100%
Accounts payable	944,402	927,186	2%
Income taxes payable	17,238	34,179	-50%
Short-term provisions for risks and other charges	145,701	118,779	23%
Other current liabilities	745,921	671,424	11%
Total current liabilities	**2,216,168**	**1,906,900**	**16%**
Non-current liabilities:			
Long-term debt	1,680,951	1,715,104	-2%
Employee benefits	159,364	136,200	17%
Deferred tax liabilities	257,036	277,327	-7%
Long-term provisions for risks and other charges	122,107	104,508	17%
Other non-current liabilities	79,783	91,391	-13%
Total non-current liabilities	**2,299,241**	**2,324,529**	**-1%**
Stockholders' Equity:			
Luxottica group stockholders' equity	5,778,423	5,412,524	6%
Non-controlling interests	5,954	5,169	15%
Total stockholders' Equity	**5,784,378**	**5,417,719**	**7%**
Total liabilities and Stockholders' Equity	**10,299,787**	**9,649,148**	**7%**

As of December 31, 2016 total assets increased by Euro 650.6 million to Euro 10,299.8 million, compared to Euro 9,649.1 million as of December 31, 2015 as a result of an increase in non-current assets of Euro 452.1 million and in current assets of Euro 198.5 million.

The increase in current assets of Euro 198.5 million was due to the following: (i) increase in cash equivalents of Euro 2.0 million mainly due to the net financial position as described in following paragraph; (ii) increase in trade payables (Euro 74.3 million) mainly due to the increase in sales during 2016; (iii) increase in inventory (Euro 60.2 million) aimed at improving the quality of the customer experience by having inventory levels in line with customer demand; (iv) increase in other assets (Euro 62.0 million) mainly due to the reclassification of assets available for sale of property held by the Group sold in March 2017.

The increase on non-current assets in the amount of Euro 452.1 million is due to the increase in the tangible assets (Euro 237 million), in goodwill (Euro 274.5 million and intangible assets (Euro 35.2 million). This increase is partially offset by the following: (i) decrease in investiments (Euro 45.2 million) impacted by the change to the consolidation methodology applied to Salmoiraghi & Viganò following the acquisition of control on the entity by the Group; (ii) decrease in other non current assets (Euro 8.3 million); and (iii) decrease in the deferred tax assets (Euro 41.1 million). The change to the deferred tax assets should be analyzed in conjunction with deferred tax liabilities. The net balance on the deferred tax liabilities increased by Euro 20.8 million.

The increase in net tangible assets is attributable to the acquisition in the period equal to Euro 548.6 million and the acquisition of Salmoiraghi & Viganò equal to Euro 20.2 million. This effect is partially offset by the negative effect of the fluctuation of exchange rates during 2016 (Euro 21.4 million), from the depreciation in the period equal to Euro 288.9 million and from the decreases in the period equal to Euro 21.5 million. The increase in the intangible assets is attributable to the acquisition in the period equal to Euro 103.0 million, to the positive effect on the currency rate changes for Euro 118.3 million, to the Salmoitaghi & Viganò business combination equal to Euro 313.6 million and partially offset by the depreciation if the period equal to Euro 223.9 million. The increase in goodwill is due to the positive effect of the currency rate changes for Euro 84.5 million and from the Salmoiraghi & Viganò business combination equal to Euro 190.0 million.

The increase of Euro 650.6 million in liabilities is attributable to the increase in equity (Euro 366.7 million) and from the current liabilities (Euro 309.3 million). These changes are partially offset by the decrease in non-current liabilities (Euro 25.3 million).

The increase in current liabilities was mainly due to: (i) a decrease in financial liabilities (Euro 207.6 million) as described in the following paragraph; (ii) an increase in short-term provision for risks and other charges of Euro 26.9 million, mainly due to tax provision and to returns provision (Euro 23.8 million); (iii) an increase in trade payables (Euro 17.2 million) mainly due payments procedures, to the growth of sales volumes and to the strengthening of foreign currencies in which the Group operates compared to the Euro; (iv) an increase in other liabilities (Euro 74.5 million) mainly due to changes in liabilities related to employee wages and salaries, payroll and commercial taxes; (v) a decrease in liabilities for current taxation (Euro 16.9 million) due to major anticipated payment done by Luxottica Group S.p.A.

The change in non-current liabilities was mainly due to the following factors: (i) decrease in long term financial payables (Euro 34.2 million) previously described in the paragraph relayed to the net financial position; (ii) increase in employee benefits for Euro 23.2 million; (iii) decrease in the deferred tax liabilities for Euro 20.3 million; (iv) increase in long term risk funds for Euro 17.6 million; and (v) decrease in other liabilities for Euro 11.6 million.

Our net financial position as of December 31, 2016 and December 31, 2015 was as follows:

Net financial position (Euro/000)	**December 31, 2016**	**December 31, 2015**
Cash and cash equivalent	866,864	864,852
Bank overdrafts	(208,813)	(110,450)
Current portion of long term debt	(154,094)	(44,882)
Total non Current Liabilities	(1,680,951)	(1,715,104)
Total net debt	**(1,176,993)**	**(1,005,584)**

Bank overdrafts consist of the utilized portion of short term uncommitted revolving credit lines borrowed by various subsidiaries of the Group, the rate applied is related to the currency of the loan and, normally, it is floating. As of December 31, 2016, Luxottica together with our wholly owned Italian subsidiaries, had credit lines aggregating Euro 349.4 million. The interest rate is a floating rate. As of December 31, 2016 these credit lines were utilized for Euro 100 million.

As of December 31, 2016, our wholly owned subsidiary Luxottica U.S. Holdings Corp. maintained unsecured lines of credit of Euro 118.5 million (US $ 124.9 million converted at applicable exchange rate for the period ended December 31, 2016). The interest rate is a floating rate. As of December 31, 2016 these credit lines were not utilized. At December 31, 2016 there was Euro 50.8 million in aggregate face amount of stand-by letters of credit outstanding.

As of December 31, 2016 the aggregate of current and non-current long-term debt compared to December 31, 2015 increased by Euro 75.1 million mainly due to the Salmoiraghi & Viganò acquisition and capital leases increase.

4. Capital expenditures

Capital expenditures amounted to Euro 651.6 million in 2016 and Euro 513.6 million in 2015, analyzed as follows (in millions of Euro):

(Euro mn)	December 31, 2016	December 31, 2015
Manufacturing and wholesale distribution and Corporate	310,1	211,0
Retail distribution	341,5	302,6
Group Total	**651,6**	**513,6**

Capital expenditures in the manufacturing and wholesale distribution segment were primarily in Italy (Euro 128.1 million in 2016 and Euro 86.9 million in 2015), in North America (Euro 105.7 million in 2016 and Euro 53.8 million in 2015 and, in China (Euro 56.5 million in 2016 and Euro 51.0 million in 2015). The overall increase in capital expenditures in 2016 as compared to 2015 is related to routine technology upgrades and expansion of the manufacturing structure and to the continued roll-out of the IT platform.

Capital expenditures in the retail distribution segment were primarily in North America (Euro 280.9 million in 2016 and Euro 236.4 million in 2015) and Australia and China (Euro 26.0 million in 2016 and Euro 29.2 million in 2015) and related, for both 2016 and 2015, to the opening of new stores, the remodeling of older stores, and to projects for upgrading the management information system.

Intangible assets of Euro 5,348.7 million primarily reflect the Group's investment in goodwill and trademarks as a result of acquisitions over the years.

Amortization recognized in the statement of consolidated income was Euro 512.8 million in 2016 as compared to Euro 476.9 million in 2015.

5. Human Resources

GROUP WORKFORCE

As of December 31, 2016, Luxottica Group had 82,282 employees, of which 58.3% were dedicated to the retail business, 11.4% to the wholesale business and 29.6% to production and distribution activities. Central corporate services based in Milan represent 0.7% of the total Group workforce.

In terms of geographical distribution, 50.7% of the total Luxottica workforce operates in North America, 17.5% in Europe, 24.3% in Asia-Pacific, 6.7% in Latin America and 0.8% in the Middle East and South Africa.

The table below summarizes the workforce split by business and geographical area as December 31, 2016.

Business Area	N. Employee 2016	2016%
Retail	47.961	58.3%
Operations	24.402	29.6%
Wholesale	9.354	11.4%
Corporate	565	0.7%
Total Group	**82.282**	**100%**

Geographic Area	N. Employee 2016	2016%
North America	41,734	50.7%
Asia Pacific	19,980	24.3%
Europe	14,423	17.5%
Latin America	5,460	6.7%
Middle East & South Africa	685	0.8%
Total Group	**82,282**	**100%**

The success of Luxottica and its Human Resource management strategy in 2016 was based on the following elements: dedicated focus on employee development of key skill sets, realization of career potential and a merit-based work environment free of discrimination. The strategic pillars set forth above are detailed in the initiatives and activities described below.

DEVELOPMENT AND ORGANIZATIONAL WELLNESS INITIATIVES

PERSONAL AND PROFESSIONAL DEVELOPMENT

In 2016, Luxottica further developed its initiatives supporting Professional Requirements Planning and Technical and Managerial Career Development. It also consolidated strategies at regional levels, allowing greater focus to the specific needs of management and teams in different markets. New initiatives where launched to support functional and organizational development, such as the International Finance Academy, which was held in April 2016 and it was addressed to an international group of Finance and Control professionals.

A desire for strong leadership at every organizational level resulted in the launch of several regional initiatives coordinated by the Corporate Learning and Development Team. The Group concluded the Personal Excellence program which started in 2015, and targeted the most talented leaders in the organization.

This nine-month program offered three training modules where senior managers, in order to continue to develop in their role, focused on their own leadership style and acquired additional managerial skills. At the regional level, two other initiatives where further promoted: the Leadership Lab, which helps managers from different businesses across Europe create their own authentic leadership style by developing self-awareness, personal vision and their ability to enhance team performance, and the Coaching Academy, which focuses on strengthening coaching skills in our middle managers to support a culture of feedback within the different regions. In 2016, two editions of the Coaching Academy took place, one in North America and one in Greater China.

THE CULTURE OF FEEDBACK AND PULSE SURVEY

Given the results achieved in organizational effectiveness and the positive impact on employee engagement, in 2016 the Group decided to continue the Pulse Survey, the tool Luxottica uses to measure the feedback culture within the Company. All managers, in partnership with local HR teams in each geography and business unit, have continued to hold regular "Meaningful Conversations" with their staff. On average, as measured in the four quarters of 2016, as many as 85% of respondents indicated that they had had a meaningful conversation with their managers in the previous three months. These results were aided by training activities as well as a new a global community open to all Luxottica employees called "IMPACT," aimed at providing personal and professional growth opportunities to increase one's personal impact in the company.

THE CODE OF ETHICS

In 2016, all Group geographies were involved in a global effort to promote the Luxottica Code of Ethics throughout the organization. Starting in March 2016, all Luxotticans were invited to a series of training initiatives, designed and delivered by local HR teams. These initiatives ranged from face to face training to online courses and all training was reinforced by completion of a final Questionnaire designed to test the effectiveness of the training modules. More than 80% of Luxotticans successfully completed this training and the Questionnaire showing great awareness regarding the contents and principles of our Code of Ethics.

In 2016, 1100 Luxotticans from EMEA's wholesale team were involved in anti-trust on-line training initiatives. In 2017, the Company will continue to conduct training on a global basis with respect to anti-curruption, privacy and contract management.

6. Corporate governance

Information about ownership structure and corporate governance is contained in the corporate governance report which is an integral part of the annual financial report. For additional details please refer to *Report on Corporate Governance*.

7. Related party transactions

Our related party transactions are neither atypical nor unusual and occur in the ordinary course of our business. Management believes that these transactions are fair to the Company. For further details regarding related party transactions, please refer to Note 30 of the Notes to the Consolidated Financial Statements as of December 31, 2016.

8. Risk factors

Our future operating results and financial condition may be affected by various factors, including those set forthbelow.

RISKS RELATING TO OUR INDUSTRY AND GENERAL ECONOMIC CONDITIONS

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

Our operations and performance depend significantly on worldwide economic conditions. Uncertainty about global economic conditions poses a risk to our 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 our products and services. Discretionary spending is 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 our 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, our 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, the credit crisis could continue to have material adverse effects on our business, including the inability of customers of our wholesale distribution business to obtain credit to finance purchases of our products, restructurings, bankruptcies, liquidations and other unfavorable events for our consumers, customers, vendors, suppliers, logistics providers, other service providers and the financial institutions that are counterparties to our credit facilities and other derivative transactions. The likelihood that such third parties will be unable to overcome such unfavorable financial difficulties may increase. If the third parties on which we rely for goods and services or our wholesale customers are unable to overcome financial difficulties resulting from the deterioration of worldwide economic conditions or if the counterparties to our credit facilities or our derivative transactions do not perform their obligations as intended, our business, results of operations, financial condition and cash flows could be materially adversely affected.

b. If our business suffers due to changing local conditions, our profitability and future growth may be affected

We currently operate worldwide and have our operations in many countries, including certain developing countries in Asia, South America and Africa. Therefore, we are subject to various risks inherent in conducting business internationally, including the following:

- Exposure to local economic and political conditions
- Export and import restrictions
- Currency exchange rate fluctuations and currency controls
- Cash repatriation restrictions
- Application of the Foreign Corrupt Practices Act and similar laws
- Difficulty in enforcing intellectual property and contract rights
- Disruptions of capital and trading markets
- Accounts receivable collection and longer payment cycles
- Potential hostilities and changes in diplomatic and trade relationships
- Legal or regulatory requirements
- Withholding and other taxes on remittances and other payments by subsidiaries
- Local antitrust and other market abuse provisions
- Investment restrictions or requirements
- Local content laws requiring that certain products contain a specified minimum percentage of domestically produced components.

The likelihood of such occurrences and their potential effect on us 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.

c. *Recent political changes in certain countries in which we do significant business have resulted in global regulatory uncertainty with respect to international trade may and could materially adversely affect our business, financial condition and results of operations by increasing costs and slowing distribution processes.*

On June 23, 2016, the United Kingdom held a referendum in which voters approved an exit from the European Union, commonly referred to as "Brexit." As a result of the referendum, the British government has indicated that it will formally notify the European Union of the United Kingdom's intent to withdraw on March 29th, 2017 in order to begin negotiating the terms of the United Kingdom's future relationship with the European Union. Although it is unknown what those terms will be, it is possible that there will be greater restrictions on imports and exports between the United Kingdom and European Union countries and increased regulatory complexities. These changes may adversely affect our operations and financial results.

In addition, in the United States, the new leadership has expressed a desire to reevaluate and potentially modify existing trade agreements, such as the North America Free Trade Agreement, to restrict free trade, including significant increases in tariffs on goods imported into the United States. Any future changes in U.S. political, regulatory or economic conditions or in laws or policies governing foreign trade, manufacturing, development and investment in the territories and countries where we currently develop and sell products could adversely affect our business.

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

Our 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 our prescription eyewear products, including a reduction of sales of lenses and accessories sold in our retail outlets, which could have a material adverse impact on our business, results of operations, financial condition and prospects.

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

For certain risks, we do not maintain insurance coverage because of cost and/or availability. Because we retain some portion of our insurable risks, and in some cases self insure completely, unforeseen or catastrophic losses in excess of insured limits could materially adversely affect our results of operations and financial condition.

RISKS RELATING TO THE COMBINATION WITH THE ESSILOR

f. The completion of the Combination is subject to a number of conditions precedent, any of which may prevent or delay the Combination if it is not satisfied or waived

The Contribution to Essilor of the Luxottica shares held by Delfin, and by extension the Combination, is subject to a number of conditions precedent, including approval by the shareholders of Essilor and clearance from the relevant anti-trust authorities. There can be no guarantee that these conditions will be satisfied or waived in a timely fashion or at all. Any failure or delay in respect thereof could prevent the completion of the Contribution or delay the completion of the Combination, which could reduce the synergies and benefits that are expected as a result of the Combination.

g. The integration of the operations of Luxottica and Essilor may not be successful and may disrupt operations or generate unanticipated expenses

The anticipated benefits of the contemplated Combination will depend in part on the successful integration of the activities of Luxottica and Essilor, which are two complex groups of considerable size that currently operate independently. The companies could encounter significant difficulties in implementing an integration plan, some of which may be unforeseen or beyond the control of Luxottica and Essilor. There is no certainty that all anticipated synergies and benefits will be realized as envisaged. In addition, the process of integration will be complex and time-consuming, and management will have to devote significant time and resources to the effort. These efforts could divert management's focus and resources from other strategic opportunities and from day-to-day operational matters during the integration process. Integration efforts also may generate significant unanticipated costs, which could adversely affect the Company's or the combined company's financial condition and results of operations.

h. The Combination may trigger change of control provisions in certain of Luxottica's financing and operating agreements

The Combination could potentially trigger certain change of control provisions (including requirements to obtain approval from a counterparty or, in the case of certain financing documents, that Luxottica redeem securities from investors), which could result in a range of adverse consequences, including termination of the contracts, rendering amounts owed by Luxottica immediately payable or requiring amendments to the contracts. Luxottica may be unable to obtain the required consent of a counterparty or may be required to renegotiate contracts on terms that are less favorable to Luxottica in connection with obtaining such consent.

i. The Combination contemplates a mandatory tender offer for all of the shares of Luxottica that are outstanding subsequent to the Contribution, which could diminish the liquidity of the Luxottica shares that are held by shareholders that do not tender their shares

The Combination contemplates that, after the Contribution, Essilor will launch a mandatory exchange tender offer for all outstanding shares of Luxottica, pursuant to articles 102 and 106 of the Italian Financial Act, at the same exchange ratio that is applicable to the Contribution. The tender offer would be conducted with a view toward the delisting of the Luxottica shares from the Borsa Italiana [and its ADRs from the New York Stock Exchange]. Nevertheless, Luxottica's ability to delist will depend on the acceptance level of Luxottica shareholders in the tender offer. If, following the tender offer, Essilor's squeeze out right under article 111 of the Italian Financial Act is not triggered but the Luxottica shares are delisted for lack of sufficient free float, or the free float is significantly reduced, Luxottica shareholders who did not tender their shares will hold shares that are less liquid and, consequently, could encounter difficulties in disposing of them.

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 our products. Changes in fashion could also affect the popularity and, therefore, the value of the fashion licenses granted to us by designers. Any event or circumstance resulting in reduced market acceptance of one or more of these designers could reduce our sales and the value of our models from that designer. Unanticipated shifts in consumer preferences may also result in excess inventory and underutilized manufacturing capacity. In addition, our success depends, in large part, on our 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 our business, results of operations and financial condition and may result in the write down of excess inventory and idle manufacturing facilities.

RISKS RELATING TO OUR BUSINESS AND OPERATIONS

j. If we are unable to successfully introduce new products and develop and defend our brands, our future sales and operating performance may suffer.

The mid and premium price categories of the prescription frame and sunglasses markets in which we compete are particularly vulnerable to changes in fashion trends and consumer preferences. Our historical success is attributable, in part, to our introduction of innovative products which are perceived to represent an improvement over products otherwise available in the market and our ability to develop and defend our brands, especially our Ray Ban and Oakley proprietary brands. Our future success will depend on our continued ability to develop and introduce such innovative products and continued success in building our brands. If we are unable to continue to do so, our 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 our results of operations.

k. If we are not successful in completing and integrating strategic acquisitions to expand or complement our business, our future profitability and growth could be at risk.

As part of our growth strategy, we have made, and may continue to make, strategic business acquisitions to expand or complement our business. Our acquisition activities, however, can be disrupted by overtures from competitors for the targeted candidates, governmental regulation and rapid developments in our industry. We 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 our operations, (vi) difficulty integrating human resources systems, operating systems, inventory management systems and assortment planning systems of the acquired business with our systems, (vii) the cultural differences between our 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 we fail to timely recognize or address these matters or to devote adequate resources to them, we may fail to achieve our growth strategy or otherwise realize the intended benefits of any acquisition. Even if we are able to integrate our 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.

l. *If we are unable to achieve our business objectives and manage growth, operating margins may be reduced as a result of decreased efficiency of distribution.*

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

m. *If we do not correctly predict future economic conditions and changes in consumer preferences, our sales of premium products and profitability could suffer.*

The fashion and consumer products industries in which we operate 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 our 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 our business, results of operations and financial condition, including sales of our 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 our products. Changes in fashion could also affect the popularity and, therefore, the value of the fashion licenses granted to us by designers. Any event or circumstance resulting in reduced market acceptance of one or more of these designers could reduce our sales and the value of our models from that designer. Unanticipated shifts in consumer preferences may also result in excess inventory and underutilized manufacturing capacity. In addition, our success depends, in large part, on our 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 our business, results of operations and financial condition and may result in the write down of excess inventory and idle manufacturing facilities.

n. *If we do not continue to negotiate and maintain favorable license arrangements, our sales or cost of sales could suffer.*

We have entered into license agreements that enable us to manufacture and distribute prescription frames and sunglasses under certain designer names, including Chanel, Prada, Miu Miu, Dolce & Gabbana, Bvlgari, Tiffany & Co., Versace, Burberry, Ralph Lauren, DKNY, Paul Smith, Brooks Brothers, Stella McCartney, Tory Burch, Coach, Armani, Michael Kors and Starck Eyes. These license agreements typically have terms of between three and ten years and may contain options for renewal for additional periods and require us to make guaranteed and contingent royalty payments to the licensor. We believe that our ability to maintain and negotiate favorable license agreements with leading designers in the fashion and luxury goods industries is essential to the branding of our products and, therefore, material to the success of our business. Accordingly, if we are unable to negotiate and maintain satisfactory license arrangements with leading designers, our growth prospects and financial results could materially suffer from a reduction in sales or an increase in advertising costs and royalty payments to designers. For the years ended December 31, 2016 and 2015, no single license agreement represented greater than 5.0% of total sales.

o. *As we operate 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 our operations, our ability to compete or our future financial results.*

Compliance with international laws and regulations that apply to our international operations increases our 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, our manufacturing activities and services provided to us by third parties within our supply chain, which are subject to numerous workplace health and safety laws, environmental laws, labor 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. In addition, effective in 2016, the European Union has put in place new rules and regulations regarding privacy concerns, which impose fines and penalties for non-compliance that are calculated as a percentage of net sales. In certain circumstances, even if no fine or penalty is imposed for our failure to comply with an applicable law or regulation, we may suffer reputational harm if we fail to comply with applicable laws and regulations. We have implemented policies and procedures designed to facilitate our compliance with these laws and regulations, but there can be no assurance that our employees, contractors or agents will not violate such laws and regulations or our policies. Any such violations could individually, or in the aggregate, materially adversely affect our financial condition or operating results.

Additionally, our Oakley, Eye Safety Systems and EyeMed subsidiaries are U.S. government contractors or subcontractors and, as a result, we must comply with, and are 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 our business. For example, Oakley and Eye Safety Systems are required to obtain applicable governmental approvals, clearances and certain export licenses. We also may become subject to audits, reviews and investigations of our compliance with these laws and regulations.

p. *If we are unable to protect our proprietary rights, our sales might suffer, and we may incur significant additional costs to defend such rights.*

We rely on trade secret, fair competition, trade dress, trademark, patent and copyright laws to protect our rights to certain aspects of our products and services, including product designs, brand names, proprietary manufacturing processes and technologies, product research and concepts and goodwill, all of which we believe are important to the success of our products and services and our 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 we take to protect our proprietary rights may be inadequate to prevent imitation of our products and services. Our proprietary information could become known to competitors, and we may not be able to meaningfully protect our rights to proprietary information. Furthermore, other companies may independently develop substantially equivalent or better products or services that do not infringe on our intellectual property rights or could assert rights in, and ownership of, our 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 our strategy of vigorously defending our intellectual property rights, we devote substantial resources to the enforcement of patents issued and trademarks granted to us, to the protection of our 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 us. However, if the level of potentially infringing activities by others were to increase substantially, we might have to significantly increase the resources we devote to protecting our rights. From time to time, third parties may assert patent, copyright, trademark or similar rights against intellectual property that is important to our 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 our management. We may not prevail in any such litigation or other legal process or we 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 our proprietary rights could, among other things, (i) require us to coexist in the market with competitors utilizing the same or similar intellectual property, (ii) require us to grant licenses to, or obtain licenses from, third parties, (iii) prevent us from manufacturing or selling our products, (iv) require us to discontinue the use of a particular patent, trademark, copyright or trade secret or (v) subject us to substantial liability. Any of these possibilities could have a material adverse effect on our business by reducing our future sales or causing us to incur significant costs to defend our rights.

q. *If we are unable to maintain our current operating relationship with host stores including of our retail licensed brands and other host relationships, we could suffer a loss in sales and possible impairment of certain intangible assets.*

Our sales depend in part on our relationships with the host stores that allow us to operate our retail licensed brands, including Sears Optical and Target Optica land other host relationships, including Macy's. Our leases and licenses with Sears Optical are terminable upon short notice. If our relationship with Sears Optical, Target Optical or Macy's were to end, we would suffer a loss of sales and the possible impairment of certain intangible assets. This could have a material adverse effect on our business, results of operations, financial condition and prospects.

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

The mid and premium price categories of the prescription frame and sunglasses markets in which we operate are highly competitive. We believe that, in addition to successfully introducing new products, responding to changes in the market environment and maintaining superior production capabilities, our ability to remain competitive is highly dependent on our success in maintaining an efficient distribution network. If we are unable to maintain an efficient and resilient distribution and production network or a significant disruption thereto should occur, our sales may decline due to the inability to timely deliver products to customers and our profitability may decline due to an increase in our per unit distribution costs in the affected regions, which may have a material adverse impact on our business, results of operations and financial condition.

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

We are currently a party to certain legal proceedings. In addition, in the ordinary course of our business, we become 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 us to change the way we do business or use substantial resources in adhering to the settlements and could have a material adverse effect on our business, including, among other consequences, by significantly increasing the costs required to operate our business. Ineffective communications, during or after these proceedings, could amplify the negative effects, if any, of these proceedings on our reputation and may result in a negative market impact on the price of our securities.

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

We are subject to taxes in Italy, the United States and numerous other jurisdictions. Our 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 our profitability. We also are regularly subject to the examination of our 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 we operate. We routinely assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for tax risks. Currently, some of our 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 our business, results of operations, financial condition and prospects.

u. If there is any material failure, inadequacy, interruption, security failure or breach of our information technology systems, whether owned by us 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 our business.

We rely on information technology systems both managed internally and outsourced to third parties across our operations, including for management of our supply chain, point of sale processing in our stores and various other processes and transactions. Our ability to effectively manage our business and coordinate the production, distribution and sale of our products depends on, among other things, the reliability and capacity of these systems. The failure of these 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 our operations, unintentional disclosure of customer or other confidential information of the Company leading to additional costs and possible fines or penalties, legal defense and settlement costs, or damage to our reputation, and potentially significant capital investments and other costs could be required to remediate the problem, which could have a material adverse effect on our results of operations.

v. If we record 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 our results of operations.

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

w. Leonardo Del Vecchio, our chairman and principal stockholder, controls 62.55% of our voting power and is in a position to affect our ongoing operations, corporate transactions and any matters submitted to a vote of our stockholders, including the election of directors and a change in corporate control.

As of December 31, 2016, Mr. Leonardo Del Vecchio, the Chairman of our Board of Directors, through the company Delfin S.à r.l., has voting rights over 302,846,957 Ordinary Shares, or 62.55% of the issued share capital. As a result, Mr. Del Vecchio has the ability to exert significant influence over our corporate affairs and to control the outcome of virtually all matters submitted to a vote of our stockholders, including the election of our directors, the amendment of our Articles of Association or 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 our other stockholders. In situations involving a conflict of interest between Mr. Del Vecchio and our other stockholders, Mr. Del Vecchio may exercise his control in a manner that would benefit him to the potential detriment of other stockholders. Mr. Del Vecchio's significant ownership interest could delay, prevent or cause a change in control of our company, any of which may be adverse to the interests of our other stockholders.

x. If we are not successful in transitioning our leadership structure as currently intended, our future growth and profitability may suffer.

In October 2014, we announced the introduction of a management structure based on a co CEO model, pursuant to which two co chief executive officers are appointed to manage the principal executive officer responsibilities of the Group, with one chief executive officer focused on Markets and the other focused on Product and Operations. The co CEO leadership structure allocates distinct yet complementary responsibilities between the two co chief executive officers and is designed to promote stronger management of the Group, which has rapidly increased in size, complexity and global presence in recent years. In January 29, 2016, our Board of Directors approved a modification to our governance structure by assigning executive responsibility for Markets, a role formerly held by Mr. Adil Mehboob-Khan, to Mr. Leonardo Del Vecchio, the Company's Chairman of the Board and majority shareholder, as Executive Chairman. Mr. Massimo Vian continues in his role of CEO for Product and Operations and assists the Executive Chairman. If the new model proves ineffective, there may be delays in the implementation of the Group's strategic plans and reductions or slowdowns of our future growth and profitability.

y. If our procedures designed to comply with Section 404 of the Sarbanes Oxley Act of 2002 cause us to identify material weaknesses in our internal control over financial reporting, the trading price of our securities may be adversely impacted.

Our annual report on Form 20 F includes a report from our management relating to its evaluation of our internal control over financial reporting, as required under Section 404 of the U.S. Sarbanes Oxley Act of 2002, as amended. There are inherent limitations on the effectiveness of internal controls, including collusion, management override and failure of human judgment. In addition, control procedures are designed to reduce, rather than eliminate, business risks. Notwithstanding the systems and procedures we have implemented to comply with these requirements, we may uncover circumstances that we determine to be material weaknesses, or that otherwise result in disclosable conditions. Any identified material weaknesses in our internal control structure may involve significant effort and expense to remediate, and any disclosure of such material weaknesses or other conditions requiring disclosure may result in a negative market reaction to our securities.

FINANCIAL RISKS

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

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

- we incur most of our manufacturing costs in Euro and in Chinese Yuan, and receive a significant part of our 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 our consolidated results of operations; and

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

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

aa. *If economic conditions around the world worsen, we may experience an increase in our exposure to credit risk on our accounts receivable which may result in a higher risk that we are unable to collect payments from our customers and, potentially, increased costs due to reserves for doubtful accounts and a reduction in sales to customers experiencing credit related issues.*

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

9. 2017 Outlook

We operate in an industry with significant opportunity for growth. Over the past few years, by capitalizing on available opportunities and maintaining its strong competitive position, we have laid the foundation for long-term sustainable growth. The 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, we will continue to drive innovation and develop new competencies. Long-term drivers include Luxottica's strong brand portfolio and service levels, further penetration of premium sunglasses, global expansion of new sales channels and the Group's presence in emerging markets.

10. Subsequent events

For a description of significant events after December 31, 2016 please refer to Note 38 of the footnotes of consolidated financial statements as of December 31, 2016.

11. Adaptation to the Articles 36-39 of the Regulated Market

Articles 36 - 39 of the regulated markets applies to 45 entities based on the financial statements as of December 31, 2016, in particular the Group:

- Applies to all the Extra European Union subsidiaries, internal procedures under which it is requested that all Group companies release a quarterly representation letter that contains a self-certification of the completeness of the accounting information and controls in place, necessary for the preparation of the consolidated financial statements of the parent

- Ensures that subsidiaries outside of Europe also declare in these representation letters their commitment to provide auditors of the Company with the information necessary to conduct their monitoring of the parent's annual and interim period financial statements

- As set out in Part III, Title II, Chapter II, Section V of Regulation No. 11971/1999 and subsequent amendments, makes available the balance sheet and income statement of the aforementioned subsidiaries established in states outside the European Union, used to prepare the consolidated financial statements.

12. Other information

As required by Section 2428 of the Italian Civil Code, it is reported that:

1. The Group carries out research and development activities in relation to production processes in order to improve their quality and increase their efficiency. The costs incurred for research and development are immaterial

2. No atypical and/or unusual transactions, as defined by CONSOB Communication 6064293 dated July 28, 2006, were undertaken during 2016

3. The information required by Section 123-*bis* par.1 of Italian Legislative Decree 58 dated February 29, 1998, is disclosed in the corporate governance report forming an integral part of the annual financial report

4. The Company is not subject to direction and coordination by others, as discussed in more detail in the corporate governance report

5. The Company has made a national group tax election (sections 117-129 of the Italian Tax Code). Under this election, Luxottica Group S.p.A., as the head of the tax group for the Group's principal Italian companies, calculates a single taxable base by offsetting taxable income against tax losses reported by participating companies in the same year

On January 29, 2013 the Company elected to avail itself of the options provided by Article 70, Section 8, and Article 71, Section 1 *bis*, of CONSOB Issuers' Regulations and, consequently, will no longer comply with the obligation to make available to the public an information memorandum in connection with transactions involving significant mergers, spin offs, increases in capital through contributions in kind, acquisitions and disposals.

Appendix

RECONCILIATION BETWEEN PARENT COMPANY NET INCOME AND STOCKHOLDERS' EQUITY AND CONSOLIDATED NET INCOME AND STOCKHOLDERS' EQUITY.

(Euro/000)	Net income	Equity
As of December 31, 2016		
Parent company financial statements	**454.386**	**2.652.272**
Elimination of intragroup dividends	(100.221)	-
Trademarks and other intangible assets*	(41.319)	(1.177.375)
Elimination of internal profits on inventory*	(43.450)	(304.781)
Difference between value of investments in consolidated companies and related share of stockholders'equity	-	4.614.262
Net income of consolidated companies	582.925	-
Minority interest	(1.797)	(5.954)
Consolidated financila statements	**850.524**	**5.778.423**

(*) Net of tax effect

NON-IFRS MEASURES

ADJUSTED MEASURES

In this Management Report we discuss certain performance measures that are not in accordance with IFRS. Such non-IFRS 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 our operational performance.

Such measures are not defined terms under IFRS and their definitions should be carefully reviewed and understood by investors. Such non-IFRS measures are explained in detail and reconciled to their most comparable IFRS measures below.

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

In 2016, we made adjustments to the following measures: cost of sales, selling expenses, general and administrative expenses, operating income and operating margin, EBITDA, Income before taxes, taxes, tax rate, net income and earnings share. We adjusted the above items by (i) excluding the costs relating to the restruction and the reorganization activities across the Group which had a Euro 69.5 million impact on Group income (Euro 55.0 million net of tax effect), (ii) excluding the non-recurring expenses non current for Euro 17.4 million on Group income (Euro 12.0 million net of tax effect) related to the termination of Adil Mehboob-Khan as CEO for Market and to the Oakley Integration; (iii) excluding the non-recurring income for Euro 35.7 million related to the Salmoiraghi & Viganò acquisition.

In 2015, we made adjustments to the following measures: net sales, cost of sales, operating income, operating margin, EBITDA and EBITDA margin. We have also made adjustments to net income, earnings per share, operating expenses, selling expenses and general, administrative and expenses and income taxes. We adjusted the above items by (i) excluding Non-recurring costs (Euro 66.4 million, Euro 49.8

million net of taxes) related to the organization of Oakley and the other minor projects; and (ii) including sales of the EyeMed division of Euro 174.3 million, related to the EyeMed Adjustment.

The adjusted measures referenced above are not measures of performance in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board and endorsed by the European Union. The Group believes that these adjusted measures are useful to both management and investors in evaluating the Group's operating performance compared with that of other companies in its industry in order to provide a supplemental view of operations that exclude items that are unusual, infrequent or unrelated to our ongoing operations.

Non-IFRS measures such as EBITDA, EBITDA margin, free cash flows and the ratio of net debt to EBITDA are included in this Management Report in order to:

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

See the tables below for a reconciliation of the adjusted measures discussed above to their most directly comparable IFRS financial measures or, in the case of adjusted EBITDA, to EBITDA, which is also a non-IFRS measure. For a reconciliation of EBITDA to its most directly comparable IFRS measure, see the pages following the tables below:

Non IAS/IFRS Measure: Reconciliation between reported and adjusted P&L items

Misure adjusted	2016					
(Euro/000)	Net sales	Cost of sales	EBITDA	Operating Income	Net income	Base EPS
Reported	**9,085.7**	**3,153.3**	**1,858.1**	**1,345.3**	**850.5**	**1.77**
Restructuring and Reorganization Expenses	-	(18.6)	69.5	69.5	55.0	0.11
Non-recurring Expenses	-	(0.1)	17.4	17.4	12.0	0.02
Non-recurring Incomes	-	-	-	-	(35.7)	(0.07)
Adjusted	**9,085.7**	**3,134.6**	**1,945.0**	**1,432.1**	**881.7**	**1.84**

Misure adjusted	2015					
(Euro/000)	Net sales	Cost of sales	EBITDA	Operating Income	Net income	Base EPS
Reported	**8,836.6**	**(2,835.4)**	**1,853.3**	**1,376.4**	**804.1**	**1.68**
EyeMed Adjustment	174.3	(174.3)	-	-	-	-
Non-recurring Expenses	-	0.7	66.4	66.4	49.8	0.10
Adjusted	**9,010.9**	**(3,009.0)**	**1,919.7**	**1,442.8**	**854.0**	**1.78**

EBITDA AND EBITDA MARGIN

EBITDA represents net income attributable to Luxottica Group stockholders, before non controlling interest, provision for income taxes, other income/expense, depreciation and amortization. EBITDA margin means EBITDA divided by net sales. We believe that EBITDA is useful to both management and investors in evaluating our operating performance compared to that of other companies in our 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. For additional information on Group's non-IFRS measures used in this report, see "NON-IFRS MEASURES - Adjusted Measures" set forth above.

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 Group.

The Group 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 our method of calculating EBITDA may differ from methods used by other companies. We recognize 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 amortization 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.

We compensate for the foregoing limitations by using EBITDA as a comparative tool, together with IFRS measurements, to assist in the evaluation of our operating performance and leverage.

The following table provides a reconciliation of EBITDA to net income, which is the most directly comparable IFRS financial measure, as well as the calculation of EBITDA margin on net sales:

EBITDA e EBITDA margin (Euro mn)	2016	2015
Net Income (+)	850.5	804.1
Net Income attributable to non controlling interest (+)	1.8	2.8
Provision for income taxes (+)	466.4	471.0
Other (income)/expenses (+)	26.6	98.5
Depretation and amortization (+)	512.8	476.9
EBITDA (=)	**1,858.1**	**1,853.3**
Net Sales (/)	9,085.7	8,836.6
EBITDA margin (=)	**20.5%**	**21.0%**

Non-IAS/IFRS Measure: *Adjusted* EBITDA and *Adjusted* EBITDA margin:

EBITDA adjusted e EBITDA margin adjusted (Euro mn)	2016 (3,4)	2015 (1,2)
Net Income (+)	881.7	854.0
Net Income attributable to non controlling interest (+)	1.8	2.8
Provision for income taxes (+)	486.3	487.6
Other (income)/expenses (+)	62.3	98.5
Depretation and amortization (+)	512.8	476.9
Adjusted EBITDA (=)	**1,945.0**	**1,919.7**
Net Sales (/)	9,085.7	9,010.8
EBITDA margin adjusted (=)	**21.4%**	**21.3%**

(1) Include the EyeMed adjustment. Starting from third quarter 2014 and until the December 31, 2015 the net sales adjusted reflected the modification of an EyeMed reinsurance agreement with an existing underwriter, the Group assumes less reinsurance revenues and less claims expense. The impact of the new contract was Euro 174.3 million

(2) Exclude the restructuring and reorganization costs related to the Oakley integration and othe minot project for Euro 66.4 million (Euro 49.8 million net to the related fiscal effect)

(3) Exclude the restructuring and reorganization cost for Euro 69.5 million

(4) Exclude the non recurring costs of Euro 17.4 million, related to the termination of the former Group's CEOs Adil-Mehboob-Khan, to the Oakley integration exclude the non-recurring income for Euro 35.7 million related to the Salmoiraghi & Viganò acquisition.

FREE CASH FLOW

Free cash flow represents EBITDA, as defined above, plus or minus the decrease/(increase) in working capital over the period, less capital expenditures, plus or minus interest income/(expense) and extraordinary items, minus taxes paid. The Group believes that free cash flow is useful to both management and investors in evaluating the Group's operating performance compared with that of other companies in its industry. Our calculation of free cash flow provides a clearer picture of our ability to generate net cash from operations, which is used for mandatory debt service requirements, to fund discretionary investments, pay dividends or pursue other strategic opportunities.

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 Group. For additional information on Group's non-IFRS measures used in this report, see "NON-IFRS MEASURES - Adjusted Measures" set forth above.

The Group 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 our method of calculation of free cash flow may differ from methods used by other companies. We recognize that the usefulness of free cash flow as an evaluative tool may have certain limitations, including:

- The manner in which we calculate 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

- Free cash flow can be subject to adjustment at our discretion if we take steps or adopt policies that increase or diminish our current liabilities and/or changes to working capital

We compensate for the foregoing limitations by using free cash flow as one of several comparative tools, together with IFRS measurements, to assist in the evaluation of our operating performance.

The following table provides a reconciliation of free cash flow to EBITDA and the table above provides a reconciliation of EBITDA to net income, which is the most directly comparable IFRS financial measure:

Non IFRS Measure: Free cash flow

Free cash flow	
(Euro mn)	2016
Adjusted EBITDA[1]	**1,945.0**
Δ Working capital	(82.8)
Capex	(651.6)
Opereting cash flow	**1,210.6**
Financial charges[2]	(66.1)
Taxes	(475.4)
Extraordinary charges[3]	(5.0)
Free cash flow	**664.2**

(1) Adjusted EBITDA is not an IFRS measure; please see table on the earlier page for a reconciliation of Adjusted EBITDA to EBIDTDA and EBITDA to net income.
(2) Equals interest income minus interest expense.
(3) Equals extraordinary income minus extraordinary expense.

NET DEBT TO EBITDA RATIO

Net debt represents the sum of bank overdrafts, the current portion of long-term debt and long term debt, less cash. The ratio of net debt to EBITDA is a measure used by management to assess the Group'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 the 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 Group. For additional information on Group's non-IFRS measures used in this report, see "NON-IFRS MEASURES - *Adjusted Measures*" set forth above.

The Group 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 Group recognizes that the usefulness of EBITDA and the ratio of net debt to EBITDA as evaluative tools may have certain limitations. Apart from the limitations stated above on EBITDA, 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, 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 measurements, to assist in the evaluation of our operating performance and leverage.

See the table below 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 its most directly comparable IFRS measure, see the table on the earlier page.

Non IFRS Measure: Net debt and Net debt/EBITDA

Net debt and net debt/EBITDA (Euro mn)	December 31, 2016	December 31, 2015
Long - Term debt (+)	1,681.0	1,715.1
Current portion of long term debt (+)	154.1	44.9
Bank overdrafts (+)	208.8	110.5
Cash (-)	(866.9)	(864.9)
Net debt (=)	1,177.0	1,005.6
EBITDA	1,858.1	1,853.3
Net Debt / EBITDA	**0.6x**	**0.5x**
Net debt at avg exchange rates[1]	1,172.2	991.9
Net debt at avg exchange rates[1] / EBITDA	**0.6x**	**0.5x**

(1) Net debt figures are calculated using the average exchange rates used to calculate the EBITDA figures.

See the table below 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 Adjusted EBITDA. For a reconciliation of EBITDA to Adjusted EBITDA, see the table on the previous page.

Net debt and net debt/EBITDA adjusted (Euro mn)	December 31, 2016 [1,2]	December 31, 2015 [1,3]
Long - Term debt (+)	1,681.0	1,715.1
Current Portion of long term debt (+)	154.1	44.9
Bank Overdrafts (+)	208.8	110.5
Cash (-)	(866.9)	(864.9)
Net debt (=)	1,177.0	1,005.6
EBITDA adjusted	1,945.0	1,919.7
Net Debt / EBITDA adjusted	**0.6x**	**0.5x**
Net Debt at avg exchange rates	1,172.2	991.9
Net Debt at avg exchange rates / EBITDA adjusted	**0.6x**	**0.5x**

(1) Net debt figures are calculated using the same exchange rates used to calculate the EBITDA figures
(2) Adjusted figures exclude: (i) costs related to the restructuring and reorganization for Euro 69.5 million; (ii) non recurring expenses for Euro 17.4 million related to the termination of the former Group's CEOs Adil-Mehboob-Khan and to the Oakley integration
(3) Adjusted figures exclude the non-recurring costs related to the Oakley integration and other minor project for Euro 66.4 million.

FORWARD LOOKING INFORMATION

Throughout this report, management has made certain "forward looking statements" as defined in the Private Securities Litigation Reform Act of 1995 which are considered prospective. These statements are made based on management's current expectations and beliefs and are identified by the use of forward looking words and phrases such as "plans," "estimates," "believes" or "belief," "expects" or other similar words or phrases.

Such statements involve risks, uncertainties and other factors that could cause actual results to differ materially from those which are anticipated. Such risks and uncertainties include, but are not limited to, our ability to manage the effect of the uncertain current global economic conditions on our business, our ability to successfully acquire new businesses and integrate their operations, our ability to predict future economic conditions and changes in consumer preferences, our ability to successfully introduce and market new products, our ability to maintain an efficient distribution network, our ability to and achieve our business objectives and manage growth, our ability to negotiate and maintain favorable license arrangements, the availability of correction alternatives to prescription eyeglasses, fluctuations in exchange rates, changes in local conditions, our ability to protect our proprietary rights, our ability to maintain our relationships with host stores, any failure of our information technology, inventory and other asset risk, credit risk on our accounts, insurance risks, changes in tax laws, as well as other political, economic, legal and technological factors and other risks and uncertainties described in our filings with the U.S. Securities and Exchange Commission. In addition, such forward-looking statements include, but are not limited to, statements regarding the proposed business combination between Essilor International SA ("Essilor") and Luxottica (including the benefits, results, effects and timing of a transaction), all statements regarding Luxottica's (and Essilor's and Luxottica's combined) expected future financial position, results of operations, cash flows, dividends, financing plans, business strategy, budgets, capital expenditures, competitive positions, growth opportunities, plans and objectives of management. Statements used herein concerning the business outlook or future economic performance, anticipated profitability, revenues, expenses, dividends or other financial items, and product or services line growth of Luxottica (and the combined businesses of Essilor and Luxottica), together with other statements that are not historical facts, are forward-looking statements. These forward looking statements are made as of the date hereof, and we do not assume any obligation to update them.

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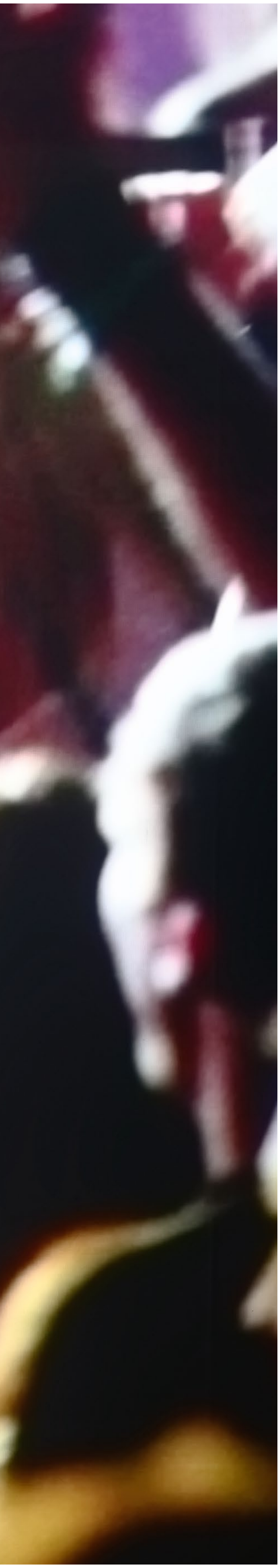
Milan, March 1, 2017
Luxottica Group S.p.A.

On behalf of the Board of Directors

Leonardo Del Vecchio
Executive Chairman

Massimo Vian
CEO for Product
and Operations



2 Report on Corporate Governance and ownership structure

Pursuant to art.123-*bis* of the Italian Consolidated Financial Law

Year 2016
Approved by the Board of Directors on March 1, 2017
Traditional administration and control system

Luxottica Group S.p.A.
Registered office: Milan, Piazzale Cadorna, 3
Website: www.luxottica.com

Set out below are the corporate governance rules and procedures of the management and control system of the group of companies controlled by Luxottica Group S.p.A. (hereinafter, "Luxottica" or the "Company").

Luxottica complies, as illustrated below, with the Code of Conduct prepared by the Committee for Corporate Governance of listed companies promoted by Borsa Italiana S.p.A. (hereinafter the "Code of Conduct", the text of which was updated in July 2015 and is available on the website of the Committee for Corporate Governance at http://www.borsaitaliana.it/comitato-corporate-governance/codice/2015eng-clean.en.pdf). The Report refers to the fiscal year which ended on December 31, 2016 and has been updated with the most relevant subsequent events up to the date of its approval.

Section I – General Information and Ownership Structure

I. Introduction

The group of companies controlled by Luxottica Group S.p.A. (hereinafter "Luxottica Group" or the "Group"), one of the major global companies in the eyewear sector, implements its business strategies through the presence of subsidiary companies in the various countries in which it operates. The Group is a leader in the design, manufacture and distribution of fashion, luxury, sports and performance eyewear. Its global wholesale organization covers more than 150 countries and is complemented by an extensive retail network of approximately 8,000 stores mostly located in North America, Latin America and Asia Pacific. Product design, development and manufacturing take place in six production facilities in Italy, three in the People's Republic of China, one in India, one in Brazil and one in the United States devoted to sports and performance eyewear.

Luxottica is listed on the New York Stock Exchange ("NYSE") and on the Telematic Stock Exchange organized and managed by Borsa Italiana ("MTA") and complies with the provisions of U.S. and Italian law for listed companies, as well as with the provisions issued both by the U.S. Securities and Exchange Committee ("SEC") and the Italian Commissione Nazionale per le Società e la Borsa ("CONSOB"). As a result of its being listed in the United States, the Company is subject to the provisions of the Sarbanes-Oxley Act ("SOX"), which influence its governance structure with regard to internal controls. Luxottica, the parent company of the Group, manages and coordinates its subsidiary companies, acting in the interest of the Luxottica Group as a whole.

The main instruments for implementing unified management of the subsidiary companies are represented by:

- preparation of Group industrial and commercial plans;
- preparation of budgets and the assignment of objectives and projects;
- forecasting of adequate information flows for management and control;
- review and approval of extraordinary or particularly significant operations;
- preparation of certain financial policies (for example, the definition of indebtedness and cash investment or cash equivalent investment criteria);

- establishment of central structures to provide professional services and support to all the companies belonging to the Group;

- adoption of codes of conduct and procedures binding on the entire Group;

- adoption of common organization models; and

- formulation of guidelines on the composition, operation and role of the board of directors of the subsidiary companies as well as on the assignment of management responsibilities in the subsidiary companies, consistent with those adopted by the parent company.

The Italian subsidiary companies have acknowledged Luxottica as the company that exercises the activities of management and coordination pursuant to art. 2497 et seq. of the Italian Civil Code.

The principles on which the corporate governance system of the parent company is founded are also applicable to all the companies belonging to the entire Luxottica Group, namely:

1. defined, acknowledged and shared values, which are set out in the Code of Ethics;

2. the central role of the Board of Directors;

3. the effectiveness and transparency of management decisions;

4. the adoption of an adequate internal control system;

5. the adoption of proper and transparent rules regarding transactions carried out by related parties and the processing of confidential information;

6. a proactive risk management system; and

7. a remuneration and general incentive system for managers linked to the creation of sustainable value over time.

The corporate governance system is established in compliance with the regulations of Borsa Italiana, CONSOB, SEC and NYSE, according to the highest standards of corporate governance.

The values established in the Code of Ethics of Luxottica Group bind all employees to ensure that the activities of the Group are performed in compliance with applicable law, in the context of fair competition, with honesty, integrity and fairness, respecting the legitimate interests of stockholders, employees, clients, suppliers, business and financial partners, as well as of the societies of the countries in which the Luxottica Group operates.

II. Structure of Luxottica and information on the ownership structure pursuant to Art. 123-*bis* of Italian Consolidated Financial Law

The Luxottica governance system - based on a traditional management and control system – is characterized by the presence of:

- A board of directors ("Board of Directors" or "Board"), responsible for the management of the Company

- A board of statutory auditors ("Board of Statutory Auditors"), responsible for supervising: (i) compliance with applicable law and with the Company's by-laws; (ii) compliance with the principles of correct administration; (iii) the adequacy of the organizational structure, the internal control system and the accounting management system, as well as its reliability to correctly report the affairs of the Company; (iv) the procedures to implement the corporate governance rules provided for by the codes of conduct compiled by organizations managing regulated markets or by trade associations, with which the Company declares to comply by making a public announcement; (v) the adequacy of the regulations given by the Company to the subsidiary companies pursuant to art. 114, paragraph 2 of the Italian Legislative Decree no. 58/1998 (hereinafter also the "Italian Consolidated Financial Law"); and, according to the provisions of Italian Legislative Decree no. 39/2010; (vi) on statutory audits, the process of collecting financial information, the effectiveness of the internal auditing and management risk system, the auditing of accounts and the independence of the statutory auditor. The Luxottica Group Board of Statutory Auditors also acts as the Audit Committee pursuant to SOX

- The meeting of stockholders ("Meeting of Stockholders"), which has the power to vote – both in ordinary and extraordinary meetings – among other things, upon (i) the appointment and removal of the members of the Board of Directors and of the Board of Statutory Auditors and their remuneration, (ii) the approval of the annual financial statements and the allocation of profits, (iii) amendments to the Company's by-laws; (iv) the appointment of the function responsible for the statutory auditing of accounts, upon the recommendation of the Board of Statutory Auditors; (v) adoption of equity incentive plans

The task of auditing is assigned to an audit firm ("Audit Firm") listed on the special CONSOB register and appointed by the Meeting of Stockholders.

The powers and responsibilities of the Board of Directors, of the Board of Statutory Auditors, of the Ordinary Meeting of Stockholders and of the Audit Committee are illustrated more in detail later in the Report.

The Company's share capital is made up exclusively of ordinary, fully paid-up voting shares, entitled to voting rights both at the ordinary and extraordinary meeting of stockholders. As at January 31, 2017 the share capital was Euro 29,055,874.98, made up of 484,264,583 shares each with a nominal value of Euro 0.06.

There are no restrictions on the transfer of shares. No shares have special controlling rights. There is no employee shareholding scheme.

The Company's stockholders with an equity holding greater than 3% of Luxottica's share capital are stated below, and it is specified that, in the absence of a more recent direct announcement to the Company, the percentage communicated to CONSOB, pursuant to article 120 of the Italian Consolidated Financial Law, is given:

- Delfin S.à r.l., with 62.537% of the share capital as at January 31, 2017;

- Deutsche Bank Trust Company Americas, with 5.644% of the share capital as at January 31, 2017; the shares held by Deutsche Bank Trust Company Americas represent ordinary shares that are traded in the U.S. financial market through issuance by the Bank of a corresponding number of American Depositary Shares; these ordinary shares are deposited at Deutsche Bank S.p.A., which in turn issues the certificates entitling the holders to participate and vote in the meetings

- Giorgio Armani, with 4.955%, of which 2.947% is held in the form of ADRs at Deutsche Bank and therefore included in Deutsche Bank's shareholding; it is specified that these percentages correspond to the last filing made on March 30, 2006, and are equal to 4.692% and 2.791% respectively of the share capital as at January 31, 2017, assuming that the number of shares held is unchanged.

The Chairman Leonardo Del Vecchio controls Delfin S.à r.l.

The Company is not subject to management and control as defined in the Italian Civil Code. The Board of Directors made its last assessment in this regard on January 30, 2017 and confirmed that the presumption indicated in article 2497-sexies of the Italian Civil Code was also overcome this year, similar to previous years. This is because Delfin S.à r.l. ("the parent holding company") acts as a holding company and from an operational and business perspective there is no common managing interest with Luxottica nor with the other affiliates of Luxottica. In particular, in the aforesaid Board meeting it was deemed that no management and coordination activities on the part of the parent holding company existed as: (a) the parent holding company does not prepare and approve industrial, financial and strategic plans nor does it approve the budgets that are to be implemented by Luxottica; (b) the parent holding company is not involved in the definition of business or market strategies aimed at any subsidiary company; (c) no directives or instructions on financial or credit matters are issued to Luxottica, or regarding the choice of contracting parties or extraordinary transactions; (d) the parent holding company is not required to approve investment transactions of the subsidiary company Luxottica in advance; or (e) there are no policies or regulations that are "imposed" on any subsidiary by the parent holding company. It was also observed that the Chairman is the only common director of the parent holding company and the Company, and this circumstance, although undoubtedly significant, is not such as to integrate a form of direction in the management of the Company.

Information on the stock option plans, the share capital increases approved by stockholders and reserved to stock option plans, and the performance share plans assigned to employees is available in the annual financial report, in the documents prepared pursuant to article 84-*bis* of the Regulations for Issuers, available on the Company's website in the Governance/Compensation section and in the Report on Remuneration prepared in accordance with 123-*ter* of Italian Consolidated Financial Law.

The Company is not aware of any agreements among stockholders pursuant to article 122 of the Italian Consolidated Financial Law.

With the exception of the statements hereafter, Luxottica and its subsidiary companies are not party to any significant agreement which is amended or terminated in the event of a change in control and that can be disclosed without causing damages to the Company.

On June 30, 2008 the subsidiary company Luxottica U.S. Holdings Corp. made a private placement of notes in the U.S. market for a total amount of USD 275 million with the following expiry dates: USD 20 million which expired on July 1, 2013; USD 127 million, which expired on July 1, 2015; and USD 128 million, which will expire on July 1, 2018. The agreement with institutional investors provides for the advance repayment of the loan in the event that a third party not linked to the Del Vecchio family gains control of at least 50% of the Company's shares.

On January 29, 2010 the subsidiary company Luxottica U.S. Holdings Corp. made a private placement of notes in the U.S. market for a total amount of USD 175 million with the following expiry dates: USD 50 million on January 29, 2017; USD 50 million on January 29, 2020; and USD 75 million on January 29, 2019. The Note Purchase Agreement provides for the advance repayment of the loan in the event that a third party not linked to the Del Vecchio family gains control of at least 50% of the Company shares.

On September 30, 2010 Luxottica Group S.p.A. made a private placement of notes in the U.S. market for a total amount of Euro 100 million with the following expiry dates: Euro 50 million on September 15, 2017; and Euro 50 million on September 15, 2020. The Note Purchase Agreement provides for the advance payment of the loan in the event that a third party not linked to the Del Vecchio family gains control of at least 50% of the Company shares.

On December 15, 2011 the subsidiary Luxottica U.S. Holdings Corp. made a private placement of notes in the U.S. market for a total amount of USD 350 million, expiring on December 15, 2021. The Note Purchase Agreement provides for the advance repayment of the loan in the event that a third party not linked to the Del Vecchio family gains control of at least 50% of the Company shares. On January 30, 2017 the Board of Directors approved its early repayment.

On March 19, 2012 the Company issued a bond listed on the Luxembourg Stock Exchange (code ISIN XS0758640279) for a total amount of Euro 500 million, expiring on March 19, 2019. The offering prospectus contains a clause concerning the change of control, which provides for the possibility of the holders of the bonds to exercise a redemption option of 100% of the value of the notes in the event that a third party not linked to the Del Vecchio family gains control of the Company. This clause is not applied in the event that the bonds have an investment grade credit rating. On January 20, 2014 the Standard & Poor's rating agency awarded the Long Term Credit Rating "A-" to the Company and the bonds.

On February 10, 2014 the Company issued a bond listed on the Luxembourg Stock Exchange (code ISIN XS1030851791) for a total amount of Euro 500 million, expiring on February 10, 2024. The transaction was issued using the EMTN Program established on May 10, 2013, whose prospectus contains a clause concerning the change of control, which provides for the possibility of the holders of the bonds to exercise a redemption option of 100% of the value of the notes in the event that a third party not linked to the Del Vecchio family gains control of the Company. This clause is not applied in the event that the bonds have an investment grade credit rating. The Standard & Poor's rating agency awarded the Long Term Credit Rating "A-" to the Company and the bonds.

With regard to the agreements between the Company and the Directors on the indemnity to be paid in the event of resignation or termination of employment without just cause or in the event of termination of the employment relationship following a take-over bid, and in general for all the information on the remuneration of Directors and managers with strategic responsibilities and the implementation of the recommendations of the Code of Conduct with regard to remuneration, please refer to the Report on Remuneration prepared in accordance with article 123-*ter* of the Italian Consolidated Financial Law.

The appointment and the removal of Directors and Auditors are respectively governed by article 17 and by article 27 of the Company's by-laws, which are available for review on the Company website www.luxottica.com in the Governance/By-laws section. With regard to any matters not expressly provided for by the by-laws, the current legal and regulatory provisions shall apply.

The Company's by-laws can be modified by an extraordinary Meeting of Stockholders, which convenes and passes resolutions based on a majority vote according to the provisions of law and, as provided for by article 23 of the by-laws, by the Board of Directors within certain limits in modifying the by-laws to adapt to legal provisions.

Pursuant to article 12 of the Company's by-laws, the stockholders for whom the Company has received notice from the relevant intermediaries pursuant to the centralized management system of financial instruments, in accordance with the law and regulations in force at that time, are entitled to participate and vote in the Meeting.

Each share carries the right to one vote.

The Meeting of Stockholders is held on single call. Pursuant to article 14 of the Company's by-laws, the validity of the composition of the meetings of stockholders and of the related resolutions shall be determined in accordance with the provisions of the law. The Ordinary Meeting of Stockholders is properly constituted irrespective of the percentage of capital represented and resolutions are passed with the absolute majority of capital represented. The Extraordinary Meeting of Stockholders is properly constituted with the presence of the number of stockholders that represent at least one fifth of the share capital and passes resolutions with the vote in favor of at least two thirds of the capital represented.

The Board of Directors has not been granted a proxy to increase the share capital pursuant to article 2443 of the Italian Civil Code.

The Meeting of Stockholders held on September 20, 2001 approved the increase in capital by a maximum of Euro 660,000 (six hundred and sixty thousand) in one or several tranches by March 31, 2017, through the issue of new ordinary shares to be offered exclusively by subscription to employees of the Company and/or its subsidiaries. The Meeting of Stockholders held on June 14, 2006 approved the further increase in capital by a maximum of Euro 1,200,000 (one million two hundred thousand) in one or several tranches by June 30, 2021 through the issue of new ordinary shares to be offered exclusively by subscription to employees of the Company and/or its subsidiaries.

The Meeting of Stockholders held on April 29, 2016 authorized the purchase and subsequent utilization of a maximum number of 10 million Luxottica Group shares. The Company will be able to purchase treasury shares, in one or several tranches, until the next meeting of stockholders called to approve the financial statements, but no later than eighteen months after the date of adoption of the applicable resolution. A similar authorization to purchase and dispose of treasury shares was granted pursuant to the Meeting held on Stockholders of April 24, 2015.

Further details regarding the transactions made are available under the Investors/Shareholding section of the Company's website www.luxottica.com

As of January 31, 2017, Luxottica directly holds 7,199,138 treasury shares.

Please note that the information concerning the characteristics of the risk management and internal control system referred to in article 123-*bis*, paragraph 2, letter b) of the Italian Consolidated Financial Law, are listed below in Section II of this Report, which describes the Risk Management and Internal Control System.

Section II – Information on the Implementation of the Provisions of the Code of Conduct

I. Board of Directors

ROLE AND DUTIES

The Board of Directors plays a central role in Luxottica's corporate governance.

It is responsible for the management of the Company, with the objective of maximizing value for stockholders in the medium to long-term.

To this end, the Board passes resolutions on actions necessary to achieve the Company's business purpose, except for those matters which, under applicable law or the Company by-laws, are expressly reserved for the Meeting of Stockholders.

Pursuant to art. 23, paragraph 5, of the Company by-laws, the Board of Directors is solely responsible for passing resolutions on the following matters:

1. the definition of general development and investment programs and of the Company and Group objectives;

2. the preparation of the budget;

3. the definition of the financial plans and the approval of indebtedness transactions exceeding 18 months' duration; and

4. the approval of strategic agreements.

With reference to the last item above, the Board of Directors resolved that in any case the following are to be deemed to be of a strategic nature:

(i) The agreements and decisions with a value exceeding 30 (thirty) million euros, intended as a unit amount (or aggregate amount in the case of transactions of the same nature or with a similar subject), concluded within the same context, also by other companies of the Group and/or with different counterparties, with the exception of the following transactions, even if they exceed the threshold of 30 million euros (so-called "Over-Threshold Transactions"): intra-group transactions; the purchase of raw materials, semi-finished products and manufacturing components; supply and distribution agreements for glasses; the payment of overdue debts for tax, salaries, dividends or interim dividends allocated for distribution, bonds and other loans

(ii) The agreements and decisions concerning the acquisition or disposal, temporary or permanent, or the availability of trademark rights, be they owned or licensed, exclusive or non-exclusive, regardless of the value of the transaction (and therefore even if less than the limit referred to in the previous point), with the exception of inter-group transactions, merchandising agreements and agreements for the manufacture of goods and services directly used by the Company and/or its subsidiaries

(iii) The agreements and decisions concerning the employment, promotion, transfer or termination of employment or collaboration relationships, of any kind and for any amount, even if with companies of the Group, related to the following managerial positions with strategic roles ("Strategic Managers"): Chief Financial Officer; Group Human Resources Officer; Group Investor Relations and Corporate Communications Officer; Group Manufacturing Officer; Group Design Officer; Corporate Business Services Officer; President Wholesale; President Retail Optical; President Retail Luxury and Sun.

Subject to the concurrent competence of the extraordinary meeting of stockholders, the Board of Directors shall also have authority over resolutions in connection with mergers and demergers in accordance with Articles 2505 and 2505-*bis* and 2506-*ter* of the Civil Code, the establishment or termination of branches, the determination of which directors shall be entrusted with the power of representing the Company, the reduction of the outstanding capital stock in the event of withdrawal of a stockholder, the amendment of the by-laws to comply with legal requirements, and the transfer of the principal place of business within Italian territory.

The Board of Directors approves the strategic plan of the Group, monitoring its implementation, as well as the budget.

The Board of Directors annually assesses the adequacy of the organizational, administrative and accounting structure of Luxottica and of the strategically relevant subsidiary companies through the examination of a report prepared each fiscal year, as well as the adequacy of the internal control and risk management system. The Board of Directors reviews and approves the Company's governance system also in connection with the Group structure.

The Board, upon the review of the Control and Risk Committee, is responsible for the definition of the guidelines for the internal control and risk management system in order to identify, measure, manage and monitor the main risks concerning the Company and its subsidiaries, defining the risk level that is compatible with the strategic objectives of the Company.

The Board of Directors grants and revokes managing powers, defining their limits and conditions of exercise. For a more detailed description of the existing managing powers as well as the frequency with which the executive bodies must report to the Board on the activities performed in exercising such powers, please refer to the sub-section entitled Executive Directors of this Section II.

The Board of Directors evaluates the general performance of the Company, paying particular attention to the information received from the executive bodies and by the Control and Risk Committee, periodically comparing the results achieved with the forecast data within their area of responsibility.

In particular, the Board carries out its assessments taking into account the information supplied by the executive bodies, which, on the basis of the guidelines issued by the Board, supervise all business structures and formulate proposals to be submitted to the Board with regard to the organizational structure of the Company and of the Group, the general development and investment plans, the financial plans and provisional financial statements as well as any other matter submitted to them by the Board itself.

The Directors report to the full Board and to the Board of Statutory Auditors on the transactions in which they hold an interest on their own behalf or on behalf of third parties. Each Director is responsible for reporting to the Board and to the Board of Statutory Auditors any such interest in a transaction.

For detailed information on the procedure for the approval of transactions with related parties, please refer to the relevant paragraph of this section.

The members of the Board of Directors are called to carry out an annual evaluation on the composition, role and performance of the Board and the Committees by filling out a special questionnaire. For the assessment conducted for the 2016 fiscal year and similar to the prior year, the Company made use of the support of an independent expert, Prof. Alessandro Minichilli, associate professor in the Management and Technology faculty of the Università Bocconi, with whom Luxottica has not previously had any professional or business dealings.

The questionnaire, reviewed by all the Directors, is made up of specific questions that concern, among others: the adequacy of the number of its members and of the composition of the Board and of its Committees, the type of professionals represented in the Board and its Committees, the planning, organization, duration and number of meetings, the adequacy of documents sent before the meetings, the information provided to the non-executive directors during the meetings, the efficiency and effectiveness of the decision-making processes, and the role and contribution of the Board committees. In order to render the self-assessment process useful for the overall improvement of the efficiency of the Board, ample space was also left this year to the qualitative assessments and suggestions of the individual Directors.

The results of the self-assessment were presented to the Board of Directors in the meeting held on March 1, 2017 by the Lead Independent Director, who anonymously reported on the opinions put forward by the Directors and the suggestions made to improve the running of the management bodies of the Company, distinguishing the assessments of Executive Directors from the assessments of Non-Executive Directors.

During fiscal year 2016 the Board of Directors of Luxottica met six times - the record of attendance of the individual Directors listed in the table at the end of this Report and the average length of the meetings was approximately two and a half hours.

Where the Chairman deemed it appropriate to deal in greater depth with certain items on the agenda, senior managers of the Company were invited to participate in the Board meetings to discuss these items.

In particular, during the fiscal year, the Chief Financial Officer, the Group Internal Audit Director, the Head of Legal Affairs and the Chairman of the Supervisory Board were invited to attend the meetings for the subjects regarding their respective areas of competence.

The Board of Directors is convened with a notice period of at least three days; in an emergency this time may be reduced to one day.

The Board of Directors formally determined that the suitable notice period for sending supporting information documents is two days before each meeting. Throughout 2016 the relevant documents and information enabling the Board to make informed decisions were provided by the Directors with an average of three days’ advance notice of the meetings.

In October 2016, one induction session was held attended by Directors, Statutory Auditors and several top management representatives, aimed at encouraging the Directors to continuously update their knowledge of the business operations and dynamics of the Group. The meeting focused, in particular, on the strategies of the Group and the related risk management activities carried out to support these strategies.

In December 2016, the Company issued the calendar of corporate events for the 2017 fiscal year, which is available on the website: www.luxottica.com. During the period from January 1 through March 1, 2017 inclusive the Board of Directors met three times.

COMPOSITION

In accordance with its by-laws, the Company is managed by a Board of Directors composed of no less than five and no more than fifteen members, appointed by the Meeting of Stockholders, once the number of directors has been decided.

The Board of Directors currently in office was appointed by the Ordinary Meeting of Stockholders held on April 24, 2015, and shall remain in office until the Meeting of Stockholders approves the financial statements for the fiscal year ending on December 31, 2017.

The Board of Directors is composed of fourteen Directors.

On January 29, 2016, Adil Mehboob-Khan, former CEO for Markets, resigned. On March 1, 2016 the Board of Directors co-opted Francesco Milleri, whose office was confirmed by the Meeting of Stockholders on April 29, 2016 until the approval of the financial statements for the fiscal year ending on December 31, 2017. On April 29, 2016, the Board of Directors appointed Francesco Milleri as Deputy Chairman.

Detailed information on the powers assigned to the Board can be found below in the section on "Executive Directors".

The composition of the Board of Directors on the date of approval of this Report is provided below, including specifics on the office held and committee membership.

Leonardo Del Vecchio	Executive Chairman
Luigi Francavilla	Deputy Chairman
Francesco Milleri	Deputy Chairman
Massimo Vian	Chief Executive Officer for Product and Operations
Marina Brogi*	Member of the Human Resources Committee and Lead Independent Director
Luigi Feola*	
Elisabetta Magistretti*	Chairperson of the Control and Risk Committee
Mario Notari	Member of the Human Resources Committee
Maria Pierdicchi*	
Karl Heinz Salzburger*	
Luciano Santel*	Member of the Control and Risk Committee
Cristina Scocchia*	Member of the Control and Risk Committee
Sandro Veronesi*	
Andrea Zappia*	Chairman of the Human Resources Committee

(*) Director satisfying the requirement of independence set forth in the Italian Consolidated Financial Law and in the Code of Conduct.

Massimo Vian is also an employee of the Company.

Set out below is a brief profile of each member of the Board of Directors in office. Information is provided regarding the initial year each director was appointed to the Board and the offices held in other listed companies, in financial, banking and insurance companies as well as in those companies of significant size, identified through the criteria implemented by the Company with regard to the accumulation of positions and detailed below. For Luxottica Group, only the most significant subsidiaries or those companies having strategic relevance are listed.

LEONARDO DEL VECCHIO

The Company founder, Mr. Del Vecchio has been Chairman of the Board of Directors since its incorporation. In 1986, the President of Italy conferred on him the badge of honor Cavaliere dell'Ordine al "Merito del Lavoro". In May 1995 he was awarded an honorary business administration degree by the University Ca' Foscari in Venice. In 1999, he was awarded an honorary Master's degree in International Business by MIB, Management School in Trieste and in 2002 he was awarded an honorary management engineering degree by the University in Udine. In March 2006, he received an honorary degree in materials engineering by the Politecnico in Milan. In December 2012 the Fondazione CUOA awarded him an honorary master's degree in business administration.

He is Chairman of Delfin S.à r.l., Deputy-Chairman of the Board of Directors of Foncière des Régions S.A., and a member of the Board of Directors of Beni Stabili S.p.A. SIIQ.

LUIGI FRANCAVILLA

Mr. Francavilla joined Luxottica Group in 1968. He has been a Director since 1985 and Deputy Chairman since 1991. During his long career with the Group he was the Group's Chief Quality Officer, the Group's Product & Design Director and Technical General Manager. He is the Chairman of Luxottica S.r.l. and Luxottica Tristar (Dongguan) Optical Co Ltd, which are among the major production subsidiary companies of the Group. In April 2000, he was awarded an honorary business administration degree by the Constantinian University, Cranston, Rhode Island, U.S.A. In 2011 he was appointed 'Grande Ufficiale' of the Republic of Italy and in 2012 the President of Italy conferred on him the badge of honor Cavaliere dell'Ordine al "Merito del Lavoro". Mr. Francavilla is also a member of the Board of Directors of the Venice branch of Bank of Italy.

FRANCESCO MILLERI

The Board of Directors co-opted Mr. Milleri on March 1, 2016; he was then confirmed by the Meeting of Stockholders on April 29, 2016; and on the same date the Board of Directors appointed him Deputy Chairman. Mr. Milleri graduated with a degree in Law from the University of Florence in 1983 where he worked as an Assistant Professor of Political Economy from 1984 to 1986. In 1987, he earned an MBA in Business Administration, with high merit, from the school of management at the Bocconi University in Milan, followed by a specialization in Corporate Finance at New York University's Stern School of Business as the recipient of Banca d'Italia's "Donato Menichella" scholarship. Mr. Milleri began his career in 1988 as a business consultant for Italian companies and multinational corporations. For more than 20 years he gained international experience working in a variety of industries, including mechanics, consumer goods, financial institutions and pharmaceuticals. Alongside his business consulting activities, in 2000 Mr. Milleri founded and currently leads a group of companies focused on technology and digital innovation. In the Luxottica Group Mr. Milleri is Chairman of Salmoiraghi & Viganò S.p.A.

MASSIMO VIAN

Mr. Vian was appointed Director of the Company on October 29, 2014, taking on all the powers of management ad interim until January 19, 2015, the date on which he was appointed to the office of CEO for Product and Operations. He graduated with a degree in management engineering from the University of Padua and before joining Luxottica Group he held various positions in Momo S.r.l., EFESO Consulting and Key Safety Systems. Mr. Vian joined the Group in 2005 as Industrial Engineering Director. From 2007 until 2010 he held the office of Asia Operations Director and in 2010 he was appointed Chief Operations Officer. Within Luxottica Group he is the CEO of Luxottica S.r.l., a member of the Board of Directors of Luxottica U.S. Holding Corp., Luxottica Retail North America Inc., Luxottica North America Distribution LLC, Oakley Inc. and OPSM Group PTY Limited.

MARINA BROGI

Ms. Brogi has been a member of the Board of Directors of Luxottica Group S.p.A. since April 24, 2015. She graduated with a degree in Economics from Luigi Bocconi University and has over twenty years of experience in research and training in banking and finance at many universities and business schools. From 1993 to 1998 she was a Researcher of Financial Intermediaries at Bocconi University and from 1998 to 2007 she was Associate Professor of Capital and Financial Markets at La Sapienza University in Rome. Since 2007 she has been a full professor of "Disclosure, Governance and Control in banks and insurance companies" and of "International banking and capital markets" at La Sapienza University in Rome. Ms. Brogi is a member of the Board of Directors of Salini Impregilo S.p.A. and Chairperson of the board of statutory auditors of Clessidra SGR.

LUIGI FEOLA

Mr. Feola has been a member of the Board of Directors of Luxottica Group S.p.A. since April 24, 2015. He graduated with a degree in Business and Economics from Messina University in 1990. Thereafter he completed an MBA at Luigi Bocconi University in 1991 and an MBA through the International Exchange Program at the University of California, Berkeley, in 1992. In 1992 he also became a certified Chartered Public Accountant. Mr. Feola started his career in 1993 at Procter & Gamble Italy as a financial analyst, where he held positions of increasing responsibility. In 2009 he was appointed Chief Financial Officer, Global Prestige Products and lastly in 2014 Vice President and General Manager of Global Luxury Brands. He was then appointed President of Value Retail Management Ltd, a company that develops and manages luxury shopping villages in Europe and China until March 2016, when he took on the role of Senior Managing Director Europe at the investment fund Singapore Temasek.

ELISABETTA MAGISTRETTI

Ms. Magistretti has been an independent non-executive director of the Company since April 27, 2012. She graduated with honors with a degree in economics and business from the Università Bocconi of Milan and is registered in the Association of Certified Accountants in Italy. She worked for Arthur Andersen from 1972 to 2001, becoming a partner in 1984. In 2001 she took up the position of Senior Executive which is responsible for the Administrative Governance Management department of Unicredit. From 2006 to 2009, while still at Unicredit, she became the Manager of the Internal Audit Department of the Group. She was a member of the Audit Committee of Unicredit Bulbank, Bulgaria, and the Supervisory Board of Zao Unicredit, Russia, from 2010 to 2012, as well as of the Board of Directors of Gefran S.p.A. from 2011 to 2012. She was a member of the Board of Directors of Pirelli & c.S.p.A. from 2011 until its delisting in 2016. Ms. Magistretti was also a member of the Italian Accounting Body, a member of the Board of Directors of the Interbank Deposit Protection Fund and the Supervisory Board of Efrag. She is also a member of the Board of Directors of Mediobanca S.p.A.

MARIO NOTARI

Mr. Notari has been a member of the Board of Directors of Luxottica Group S.p.A. since April 24, 2015. He is a Full Professor of Company and Business Law at Università Bocconi in Milan, Director of the PhD Board in Company Law at Università di Brescia and member of the PhD Board in Business Law at Università Bocconi. He is also a member of the Editorial Board of the journals "Osservatorio del diritto civile e commerciale" and "Contratto e impresa", as well as member of the Editorial Board and/or Scientific Board of "Rivista delle società", "Rivista del diritto commerciale", "Rivista dei dottori commercialisti", "Strumenti finanziari e fiscalità" (Egea). He is a member and advisor of several academic and institutional boards. Mr. Notari is the founder and partner of the "Zabban – Notari – Rampolla & Associati" firm in Milan, practicing as a public notary and legal advisor of industrial and financial companies, listed companies and financial institutions and as an arbitrator in the areas of civil, corporate and financial markets law.

MARIA PIERDICCHI

Ms. Pierdicchi has been a member of the Board of Directors of Luxottica Group S.p.A. since April 24, 2015. She graduated with a degree in Economics from Luigi Bocconi University in 1982. Thereafter she obtained an MBA in Finance cum laude, at New York University, Stern Graduate School of Business Administration in 1998. From 1981 to 1985 she was a Research Assistant in Banking and International Financial Intermediaries at Luigi Bocconi University and Assistant Professor of International Banking for the SDA Business School. From 1985 to 1986 she served as a consultant at The World Bank in Washington D.C. From 1988 to 1991 she worked at Citibank N.A. as Senior Financial Analyst. In 1991 she joined Premafin S.p.A. where she became General Manager and she stayed with the company until 1998 when she joined Borsa Italiana S.p.A, as Senior Director in charge of the "Nuovo Mercato". In 2003 she joined Standard & Poor's, McGraw-Hill Financial Group, where she was appointed Chief Executive Officer of S&P CMSI, Managing Director, Head of Southern Europe, until March 2015. Ms. Pierdicchi is a member of the Board of Directors of Nuova Banca delle Marche S.p.A., Nuova Banca dell'Etruria e del Lazio S.p.A., Nuova Cassa di Risparmio di Ferrara S.p.A., and Nuova Cassa di Risparmio di Chieti S.p.A.

KARL HEINZ SALZBURGER

Mr. Salzburger has been a member of the Board of Directors of Luxottica Group S.p.A. since April 24, 2015. He graduated from the University of Verona in 1981 with a degree in Economics. In 1983 he obtained a Master's degree in International Marketing from CUOA in Vicenza. He began his professional career at Accumulatori Alto Adige and thereafter he moved to Austria for Salvagnini Transferica S.p.A, where he became General Manager. From 1990 to 1997 he worked for Benetton Sportsystem S.p.A. where he held several positions until he became responsible for the Benetton Sportsystem subsidiaries. In 1997 he was appointed Chief Executive Officer of The North Face Europe and thereafter he was appointed Chief Executive Officer of The North Face Inc. in San Francisco, where he remained until the end of 2000. After May 2000, when The North Face Inc. was acquired by the VF Corporation, he was appointed President for the International Outdoor Coalition and thereafter in 2006, President of VF International, which includes the responsibility for all VF brands in Europe, Middle East and Asia. Since 2010 he has been the Group President of VF Corporation International, a group leader in apparel, sportswear, outdoor products, and which owns among others the following brands Lee, Wrangler, Jansport, Eastpak, The North Face, Vans, Napapijri and 7 For All Mankind. He holds the position of director in various companies of the VF Group, such as VF International Sagl, of which he is Chairman.

LUCIANO SANTEL

Mr. Santel has been a member of the Board of Directors of Luxottica Group S.p.A. since April 24, 2015. After graduating with a degree in Business and Economics from Ca' Foscari University of Venice, he began his career in independent international auditing firms (Reconta Ernst & Young and Arthur Andersen). He also served as Finance Director in IVG and in Rossignol Group. In 1996 he was appointed as Chief Operating Officer of Retail Brand Alliance (f/k/a Casual Corner Group Inc.) where he remained until 1999 when he joined Luxottica as V.P. Group International Development. In 2001, he joined Geox S.p.A. as Chief Corporate Officer until 2009, when he was appointed Chief Executive Officer of Stefanel S.p.A. Since September 2013 he has been Chief Corporate Officer of Moncler S.p.A., of which he is also a member of the Board of Directors.

CRISTINA SCOCCHIA

Ms. Scocchia has been a member of the Board of Directors of Luxottica Group S.p.A. since April 24, 2015. After graduating in Management of International Firms from Luigi Bocconi University, she completed a PhD in Business Administration at the University of Torino. She started her career at Procter & Gamble, where from 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 around the world. In July 2013 she joined L'Oréal Italia S.p.A. and since January 1, 2014 she has been its Chief Executive Officer. Furthermore she is Vice President of Cosmetics Italy and of Centromarca and member of the Board and of the Advisory Board of Federchimica and UPA. She is also member of the Board of Industrial Union of Turin and Indicod-ECR and member of Assolombarda Committee, of the Advisory Board of the Foreign Investors Council and of the Sodalitas Foundation. Since 2015 she has been a member of the Auditel Board of Directors.

SANDRO VERONESI

Mr. Veronesi has been a member of the Board of Directors of Luxottica Group S.p.A. since April 24, 2015. He graduated in Business and Economics at University of Verona and began his career at Golden Lady S.p.A., where he held key positions until 1993. Since 1993 he has been exclusively dedicated to Calzedonia S.p.A., a company he founded in 1986 and that currently counts more than 3,800 shopping locations in more than 35 countries, owning several brands, among others Intimissimi, Falconeri, Signorvino and Atelier Emé. In 1999, Mr. Veronesi established Fondazione San Zeno, a foundation allocating part of Calzedonia revenues to help disadvantaged people. In 2009, the President of the Republic of Italy conferred on Mr. Veronesi the honor of "Cavaliere dell'Ordine al Merito del Lavoro". He is Chairman of Calzedonia S.p.A., and he was a member of the Board of Directors of Banco Popolare Società Cooperativa until December 31, 2016.

ANDREA ZAPPIA

Mr. Zappia has been a member of the Board of Directors of Luxottica Group S.p.A. since April 24, 2015. He holds a degree in Business and Economics and began his career at Procter & Gamble, where he served as European Group Marketing Manager. From 1996 to 2001 he held the position of Global Sales and Marketing Director respectively for Ferrari and Maserati and thereafter, he was Vice President of Marketing and Product Development worldwide in Fila. In 2003 he joined Sky Italia as Vice President, Marketing, Promotion and Business Development and other several increasingly senior positions leading to his appointment as Chief Executive Officer in 2011. He is currently a member of the "Giunta, Comitato di Presidenza and Consiglio Direttivo" for Assolombarda's project on Media and Communication. He is a member of the board of directors of Banca Sistema S.p.A.

LIMITATIONS TO THE ACCUMULATION OF POSITIONS

To assess the maximum number of positions a Director may hold as a director or an auditor in other companies listed on regulated markets, in financial companies, banks, insurance companies or other companies of a significant size that is compatible with the office of Director at Luxottica, the Board of Directors confirmed the following criteria at the Board meeting held on April 24, 2015:

Listed companies, financial companies, banks, insurance companies or companies of a significant size	Maximum number of appointments as director or auditor in other companies
Executive role	3 + LUXOTTICA
Non-executive role	9 + LUXOTTICA

For the purpose of multiple appointments, (i) the only positions to be taken into consideration are those as member of the board of directors or auditor for companies listed on regulated markets (domestic and foreign), in banks, insurance companies, or companies of a significant size, which are defined as companies with a total value of business or revenues exceeding Euro 1,000 million (hereinafter, "Large Companies"), (ii) the appointments by one or more Large Companies belonging to the same group, including Luxottica Group, are counted as one, whereby the appointment requiring the most significant commitment (i.e. the executive role) shall be considered the prevailing one.

The appointments held by the members of the Board of Directors in other companies, in compliance with the criteria indicated above, are compatible with the appointment at Luxottica Group S.p.A.

The members of the Board of Directors possess the required professionalism and experience to perform their roles effectively and efficiently. In particular, it is guaranteed that they possess adequate experience in the business sector in which the Company operates, as well as specific managerial, financial, legal and internal control skills.

Neither the Company by-laws, nor any board resolutions, have authorized, generally or conditionally, any derogations from the non-competition clause.

COMMITTEES

The Board of Directors has set up the Human Resources Committee and the Control and Risk Committee within the Board. Special regulations approved by the Board of Directors regulate their operations and respective tasks. In the performance of their respective functions, these Committees are entitled to access the information and Company functions necessary for the performance of their respective tasks, and may work with external consultants at the expense of the Company, within the limits of the budget approved by the Board for each committee. In this regard, it is to be noted that if the Human Resources Committee intends to make use of the services of a consultant in order to obtain information on market practices regarding remuneration policies, it must check beforehand that the aforesaid consultant is not in any position that may clearly compromise its independent judgment.

Further information can be found in this Report, and with respect to the Human Resources Committee, in the Remuneration Report published pursuant to article 123-*ter* of the Italian Consolidated Financial Law.

The Board of Directors did not deem it necessary to set up an "Appointments Committee" which is recommended by the Code of Conduct. This is due to the composition of the ownership structure of the Company. Moreover, responsibilities regarding succession plans, which would be the responsibility of the Appointments Committee, if set up, are assigned to the Human Resources Committee of Luxottica, which, inter alia, evaluates the organizational requirements of the Group and the action taken for the effective assignment of key positions.

EXECUTIVE DIRECTORS

The Board of Directors assigned Leonardo Del Vecchio the powers to manage the marketing and sales division ("Markets Division") and assigned Massimo Vian the powers to manage the products and operations division ("Product and Operations Division").

The Executive Chairman was granted the powers of ordinary and extraordinary management of the Markets Division, which includes the departments and functions related to the marketing and sales area. In particular, he was granted the powers of management and representation for all the agreements and decisions in the Markets Division that are not reserved for the Board of Directors, as well as for the "Over-Threshold Transactions" concerning the Markets Division and the Shared Divisions. The Executive Chairman has the powers of management and representation, with the obligation to coordinate and adequately inform the other CEO of the agreements and decisions that do not fall within the Reserved Decisions, with regard to the following corporate functions: Accounting, Finance and Control, Human Resources and Internal Communications, Corporate and Legal Affairs, Investor Relations and Corporate Communications. He was also granted the powers of management and representation aimed at the coordination, supervision and strategic direction of the activities of the Company and the Group, as the person in charge of strategic supervision.

Mr. Massimo Vian, as CEO for Product and Operations, was assigned the powers of ordinary and extraordinary management of the Product and Operations Division, which includes the departments and functions related to the product and production area. In particular, he has autonomous powers of management and representation with regard to agreements and decisions in the Product and Operations Division with a value not exceeding 15 million euros, as well as the Above-Threshold Transactions concerning the Product and Operations Division and the Shared Divisions. In the exercising of autonomous powers, the CEO for Product and Operations properly informs the Chairman of the agreements and decisions regarding his Division that – having a value of no more than 15 million euros - are not ordinary and recurring. He has the powers of management and representation, with the obligation to coordinate and inform the Executive Chairman, with regard to the following:

a. The agreements and decisions with a value not exceeding 15 million euros involving the Shared Divisions; and

b. The agreements and decisions concerning the employment, promotion, transfer or termination of employment or collaboration relationships, of any kind and for any amount, even if with companies of the Group, together with the amendments to the structure and creation of new roles for directors that form the "front lines" of the Product and Operations Division.

The CEO for Product and Operations, Mr. Massimo Vian, also has joint powers of management and representation with the Executive Chairman, with regard to the following significant decisions:

a. The agreements and decisions with a Transaction Value, as defined above, of between 15 and 30 million euros in the Product and Operations Division and the Shared Divisions

b. The agreements and decisions regarding the employment, promotion, transfer or termination of employment or collaboration relationships, of any kind and for any amount, even if with companies of the Group, together with the amendments to the structure and creation of new roles for directors that form the "front lines" of the Shared Divisions.

The limits on the amounts stated above for the Executive Chairman and the CEO for Product and Operations are not applicable to Over-Threshold Transactions.

The Executive Chairman and the CEO for Product and Operations, exclusively within the scope of their respective areas of competence and jointly within the scope of the Shared Divisions:

- are responsible for supervising the related business units on the basis of the instructions received from the Board of Directors, as well as ensuring that the organization, administration and accounting structure of the Company is suitable to its nature and size;

- are responsible for formulating proposals to be submitted to the Board of Directors regarding the organization of the Company and of the Group, the general development and investment programs, the financial programs and the budget, as well as regarding any other matter the Board may request;

- have been identified as directors responsible for the internal control and risk management system.

Mr. Luigi Francavilla, Deputy Chairman, is granted the powers to perform transactions with a value not exceeding Euro 10 million.

The Deputy Chairman Francesco Milleri was assigned with the task of assisting the Executive Chairman in the exercise of his duties. The Board has granted Francesco Milleri deputy and substitute powers to be exercised upon the specific request and authorization of the Executive Chairman, under his coordination and responsibility.

In compliance with the provisions of the Company's by-laws, the executive bodies report to the Board of Directors and to the Board of Statutory Auditors promptly and regularly and, in any case, at least quarterly, on the general performance of the business and on the procedures to exercise the managing powers granted to them, as well as on the most relevant economic, financial and asset transactions performed by the Company and by its subsidiaries.

In light of the above, the Board has four Executive Directors: Leonardo Del Vecchio, Francesco Milleri, Luigi Francavilla and Massimo Vian.

Finally, it is to be noted that the Board of Directors, in order to ensure the efficient and flexible management of the company, assigned Giorgio Striano, Chief Operating Officer, deputy and substitute powers to be exercised upon the specific request and authorization of the CEO for Product and Operations, acting within the limits of the management powers and powers of representation conferred on the latter.

NON-EXECUTIVE DIRECTORS

Ms. Marina Brogi, Mr. Luigi Feola, Ms. Elisabetta Magistretti, Mr. Mario Notari, Ms. Maria Pierdicchi, Mr. Karl Heinz Salzburger, Mr. Luciano Santel, Ms. Cristina Scocchia, Mr. Sandro Veronesi and Mr. Andrea Zappia are non-executive Directors.

At the time of their candidacy, the following members of the Board of Directors Ms. Marina Brogi, Mr. Luigi Feola, Ms. Elisabetta Magistretti, Ms. Maria Pierdicchi, Mr. Karl Heinz Salzburger, Mr. Luciano Santel, Ms. Cristina Scocchia, Mr. Sandro Veronesi and Mr. Andrea Zappia, declared that they satisfy the requirement of independence set forth by art.148, paragraph 3 of the Consolidated Financial Law, as quoted in art.147-*ter* of the latter and in art. 3 of the Code of Conduct for Listed Companies.

On April 24, 2015, following its appointment by the Meeting of Stockholders, the Board of Directors verified that the independence requirements of Directors Brogi, Feola, Magistretti, Pierdicchi, Salzburger, Santel, Scocchia, Veronesi and Zappia were met and notified the market of this conclusion. On January 30, 2017 the Board of Directors verified the independence requirements continue to be met on the basis of the information available and information provided by the parties involved, acknowledging that these Directors can continue to be qualified as independent.

The Board of Statutory Auditors verified the correctness of the evaluation carried out by the Board of Directors on the independence of the Directors based on the criteria set forth in the Code of Conduct.

Therefore, in accordance with the provisions of the Italian Consolidated Financial Law and the Code of Conduct, nine out of fourteen Directors are independent, i.e. more than one-third in accordance with the recommendations of the Regulations for issuers such as Luxottica that belong to the FTSE Mib index.

On April 24, 2015, the Board of Directors appointed Ms. Marina Brogi as the Lead Independent Director as a point of reference and coordinator of the requests and contributions of the non-executive and, in particular, independent directors. On her initiative, the independent Directors exclusively met once in 2016, in which inter alia the methods for the performance of the "Board evaluation" were discussed.

APPOINTMENT OF DIRECTORS

Directors are appointed by the Meeting of Stockholders pursuant to lists submitted by the stockholders. The Board of Directors in office was appointed by the Meeting of Stockholders held on April 24, 2015. The minimum percentage of share capital required to present a list, as established by CONSOB resolution no.19109 dated January 28, 2015, was equal to 0.5%. As stated in the Company by-laws, any list which has not reached a percentage of votes at least equal to half of that requested for the presentation of a list shall not be considered. Twelve of the fourteen Directors currently in office were selected from the list submitted by the majority stockholder Delfin S.à r.l. Ms. Marina Brogi was drawn from the minority list submitted by a group of international and national institutional investors (Anima SGR S.p.A., APG Asset Management NV, Arca SGR S.p.A., Etica SGR S.p.A., Eurizon Capital SGR S.p.A., Eurizon Capital SA, Fideuram Investimenti SGR S.p.A., Fideuram Asset Management (Ireland) Limited, Interfund SICAV, Generali Investments Europe S.p.A. SGR, Legal & General Investment Management Limited, Mediolanum Gestione Fondi SGR S.p.A., Mediolanum International Funds Limited, Pioneer Asset Management SA, Pioneer Investment Management SGRpA, Ubi Pramerica SGR). Mr. Francesco Milleri was co-opted by the Board of Directors on March 1, 2016, with a favorable opinion from the Board of Statutory Auditors and subsequently confirmed by the Meeting of Stockholders of April 29, 2016.

The lists and supporting documentation, filed and published within the deadlines prescribed by law at the time of their appointment, are available for review on the Company's website under the Governance/General Meeting/Archive section.

The appointment of Directors is regulated by article 17 of the Company by-laws (please refer to the by-laws for additional information). The By Laws ensure the balance between genders in the composition of the Board of Directors as provided for by article 147 *ter*, paragraph 1 of the Italian Consolidated Financial Law.

Due to the Company's ownership structure, in 2015, on the occasion of the Meeting of Stockholders called to renew the Company's governing bodies, the Board of Directors did not express its recommendation on the professional qualifications considered appropriate to be represented in the Board.

It is also to be noted that during the annual self-assessment, the Board of Directors expressed its satisfaction with regard to the skills represented, highlighting that it was not necessary to add other professional figures.

HUMAN RESOURCES COMMITTEE

On April 24, 2015 the Board of Directors appointed the independent Directors Mr. Andrea Zappia, Chairman and Ms. Marina Brogi, as well as the non-executive Director Mr. Mario Notari to be members of the Human Resources Committee, all of whom are in possession of the knowledge and experience of financial matters or remuneration policies required by the Code of Conduct.

The Committee is responsible for offering consultations and submitting proposals to the Board of Directors, mainly with regard to the remuneration of executive directors and managers with strategic responsibilities. The Chairman of the Committee reports to the Board of Directors at the first meeting on the most relevant subjects examined by the Committee. The Committee presents a report on the activities carried out at least twice a year prior to the approval of the financial statements and the six-month report.

In 2016, the Committee met 7 times for an average of approximately two hours per meeting. In the first two months of 2017 the Committee met twice.

For further information on the responsibilities and activities of the Committee, as well as the remuneration of Directors, Statutory Auditors and managers with strategic responsibilities, please refer to the Remuneration Report published in accordance with article 123-*ter* of Italian Consolidated Financial Law.

SUCCESSION PLANS

In 2016, the Human Resources Committee reviewed the Company's processes aimed at identifying talented and qualified individuals who could assume managerial positions from one generation to the next. It identified succession plans for managers with strategic responsibilities, subsequently submitting them to the Board of Directors, and also examined the succession tables for the Executive Directors, under the guidance of Markets and Product and Operations areas of responsibility.

II. Internal Control and Risk Management System

Information on the internal control and risk management system of the Group is provided below and also pursuant to art. 123-*bis*, paragraph 2, letter b, of Italian Consolidated Financial Law.

DEFINITIONS AND OBJECTIVES

Luxottica believes in the importance of developing an internal control culture and management of risk that promotes the undertaking of informed decisions and contributes to the safeguarding of company assets, the efficiency and effectiveness of company processes, the reliability of financial reporting and compliance with laws and regulations, as well as with company by-laws and internal procedures.

The internal control system over financial reporting and risk management ("ICFR System") consists of tools, organizational structures and procedures for each area of activity, which are set forth in the manuals updated and distributed within the Group and which are aimed at contributing to the fair management of the Company in line with predetermined objectives.

The ICFR system, which is integrated into more general organizational structures and the corporate governance of the Company and the Group, is aimed at enabling the Group's primary risks to be identified, measured, managed and monitored, as well as ensuring that financial reporting is reliable, accurate and disclosure is made promptly. Luxottica is aware that the efforts made to define an efficient internal control system, capable of ensuring complete, accurate and correct financial reporting, do not represent a one off activity but rather a dynamic process that must be renewed and adapted to the evolution of the business, of the socioeconomic environment and of the regulatory framework.

According to the provisions of the Code of Ethics of Luxottica, each recipient of internal control procedures must cooperate fully with the internal functions and the external bodies appointed to check the efficiency of the ICFR System.

BEST PRACTICE PRINCIPLES OF THE GROUP

The structure of the ICFR System of Luxottica Group, which monitors the preparation and disclosure of financial reporting, is consistent with national best practices, such as the guidelines of Confindustria and the principles of the Code of Conduct for Listed Companies, and international best practices, such as the COSO (Committee Of Sponsoring Organizations of the Treadway Commission) Internal Control – Integrated Framework and the COBIT (Control Objectives for Information and Related Technology) of ISACA (Information Systems Audit and Control Association).

SARBANES-OXLEY ACT (SOX)

Adjustment to the provisions of SOX is compulsory for Luxottica Group since it is listed on the NYSE, and therefore it has represented and represents a significant motivation for the Group to continually improve its ICFR System.

In particular, in the process of adjusting to SOX, Luxottica intended not only to comply with a regulation but has also taken a real opportunity to improve its administrative and financial governance and the quality of its internal control system in order to make it more systematic, consistently monitored and methodologically better defined and documented.

MAIN FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM IN RELATION TO THE FINANCIAL REPORTING PROCESS

SYSTEM STRUCTURE AND PHASES

(I) Structure and Phases

As mentioned above, the structure of the ICFR System was defined consistently with the model provided by the COSO *Internal Control - Integrated Framework* (the so-called "COSO Report"), which establishes 5 components:

a. control environment inside the organization (*Internal Environment*);

b. assessment of the risks that could compromise the achievement of corporate goals (*Risk Assessment*);

c. control activities for the reduction of risks (*Control Activities*);

d. the information system represented by the exchange of information between top management and operating staff (*Information and Communication*);

e. monitoring activities over time of the quality and results of internal controls (*Monitoring Activities*).

Following its revision in 2013, the COSO Report introduced a total of 17 principles that make up the fundamental elements of each of the 5 components of the model with the aim of creating an efficient internal control system.

In particular, in compliance with the ICFR System:

(i) for the most important companies of the Group (so-called Material Control Units) controls were designed and their effectiveness was assessed both at general/cross level (entity level controls) and at the level of each operational/administrative process;

(ii) for the smaller companies, which were however still significant, especially when considered in the aggregate (so-called Material When Aggregated), the assessment was performed on the general effectiveness level of the control system.

ANTI-FRAUD PROGRAMS & CONTROLS

Among the cross level controls, the controls to reduce the risk of fraud are particularly important. To this end, Luxottica has developed Anti-Fraud Programs & Controls derived from an in-depth risk assessment which, after mapping the possible ways in which fraud could be committed, defined the necessary controls to reduce the risk of fraud and/or allowing its identification. This "anti-fraud" system is constantly updated and improved.

ENTERPRISE RISK MANAGEMENT

With regard corporate risk management, since 2011 an Enterprise Risk Management process has been implemented based on the following features and in line with the models and best practices recognized internationally:

(i) the definition of a Risk Model for the Group, which classifies in 3 risk factors, those that may compromise the attainment of corporate objectives and/or affect the value of the tangible or intangible assets of the Group (strategic, contextual, external and operative);

(ii) the development of a risk assessment and risk analysis methodology to measure exposures in terms of impact and probability of occurrence; and

(iii) the collection, analysis and aggregation of data and information necessary for processing a Risk Report for the Group directed to the top management of the company.

In 2016, with particular reference to strategic risk, an analysis of the main risk factors and opportunities that could significantly influence the achievement of the financial targets of the Group was conducted, working in concert with the main business areas.

With reference to operating risk, activities aimed at the mitigation of the latter continue, with the aim of reducing and/or transferring the risks identified. These activities, depending on the circumstances, are the direct responsibility of the Risk Management department and/or the Managers of the various businesses. The Control and Risk Committee is regularly updated on developments in the Group Enterprise Risk Management program as well as on the results of analysis and actions taken.

COMPLIANCE

With reference to compliance, in 2011 a specific program aimed at the mapping of all of the most relevant areas for the Group and gaining an understanding of the level of maturity and protection of processes was set up. On the basis of this program, specific compliance initiatives focused on Corporate Criminal Liability/Anti-Corruption, Privacy Data Management, Responsible Sourcing/Supply Chain Compliance and Antitrust & Competition Compliance were scoped, defined and developed over the two subsequent years.

In 2016, special attention was focused on the design of the processes necessary to guarantee compliance with privacy issues.

(II) Control, management and analysis of financial risk

Within the context of the risk factors mentioned in the previous paragraph, the Enterprise Risk Management process paid particular attention to financial risk.

In order to deal with the developments in operating conditions and the legal framework, the Company implemented two policies that define the rules and principles to (i) identify; (ii) monitor; and (iii) analyze financial risk.

FINANCIAL RISK MANAGEMENT POLICY

Introduced in 2006, the Financial Risk Management Policy, was most recently updated by the Board of Directors in January 2016, given the new structure of the ICFR System.

The policy sets forth the principles and rules for the management and monitoring of financial risk and pays particular attention to the activities carried out by the Luxottica Group to minimize the risks deriving from the fluctuations of interest rates, exchange rates and the solvency of financial counterparties.

The policy clarifies that the instrument used for "*interest rate risk*" hedging is the plain vanilla "*interest rate swaps*", whereas for "*exchange risk*" "*non-speculative*" derivative instruments, such as "*spot and forward exchange contracts*" are used. In certain circumstances and subject to the specific authorization of the CFO, more flexible instruments that replicate the effect of the forward exchange contract or "*zero cost collar*", "*accumulator forward*" and "*average strike forward*" can be used.

The use of derivative instruments is aimed only at the actual hedging of exchange risk and interest rates that the group is exposed to, therefore the use of these instruments for speculative purposes is not permitted. In addition to the goal of reducing counterparty risk, the policy specifies the minimum criteria to be met in order to be able to transact with the Group. This guideline includes:

(i) the obligation to operate with qualified banking counterparties through standard agreements (ISDA Master Agreement);

(ii) a limit on exposure per individual counterparty and a limit on the total exposure of the Group;

(iii) the fixing of the minimum credit credential requirements for the counterparties authorized to engage in derivative transactions.

A quarterly reporting system has also been implemented for the Control and Risk Committee since 2007 to highlight the debt exposure and the hedging transactions implemented to minimize "*interest rate*" risk, "*exchange rate*" risk and, since 2011, "*counterparty risk*".

CREDIT POLICY

This is another operational and control policy that has been implemented for some time and is applicable to all the wholesale companies of Luxottica Group. It was recently updated in February 2015.

This policy defines the rules and responsibilities for the management and control of credit in order to prevent financial risk, optimize credit controls, monitor developments and reduce losses on credit exposure. In particular, this policy sets the guidelines for the following activities:

- apportionment, control and authorization of credit lines;
- monitoring of credit trends;
- soliciting unpaid/expired credits;
- management and monitoring of legal actions;
- management and monitoring of the appropriations and losses on credits;
- determination and monitoring of terms of payment in the various markets; and
- monitoring over warranty terms.

(III) Objectives of the system

The objectives of the ICFR system have been defined consistently within the guidelines of SOX regulations, which differentiate between the following two components:

(i) controls and procedures to comply with the disclosure obligations related to the consolidated financial statements and the Form 20-F (Disclosure controls and procedures - DC&P).

The disclosure controls and procedures are designed to ensure that the financial information is adequately collected and communicated to the Group's Executive Chairman, Chief Executive Officer of Product and Operations (**CEO**) and Chief Financial Officer (**CFO**), so that they may make appropriate and timely decisions about the information to be disclosed to the market.

(ii) internal control system that supervises the preparation of the financial statements (Internal Control Over Financial Reporting - ICFR).

The internal control system that supervises the preparation of the financial statements has the objective of ensuring the reliability of the financial information in accordance with relevant accounting principles.

In addition to defining and testing the internal ICFR system in compliance with SOX requirements, Luxottica has also identified the necessary actions to ensure its optimal functioning over time.

(IV) ICFR Monitoring and Updates

The entire ICFR System must, in turn, be monitored at two levels:

(i) by line management, supervising the significant processes; and

(ii) by the Internal Audit department, which independently and according to an approved intervention plan, must check the effectiveness of the controls and report on them to the relevant functions and bodies.

Furthermore, as a result of a comparison with other companies listed on the NYSE, the designed control system is subject to continuous improvements. Since 2007, on the basis of experience gained internally, independent evaluations by Group's external auditors and the introduction of audit standard no. 5 adopted by the PCAOB (Public Company Accounting Oversight Board), a process for the evaluation and rationalization of the controls is in place, which allows the Company, on the one hand, to eliminate any redundant controls that burden operations without offering a real benefit in terms of strengthening the ICFR System and, on the other hand, to define and better protect the key controls and monitoring controls. This process is performed for all of the most important companies of the Group.

ROLES AND FUNCTIONS INVOLVED

In compliance with the provisions of art. 2381 of the Italian Civil Code, on the basis of the information received by the executive bodies responsible for ensuring that the organizational, administrative and accounting structure is suitable to the nature and size of the business, the Board of Directors establishes guidelines for the ICFR System and assesses their adequacy so that the major risks for the Group may be correctly identified and monitored, checking that they are also in line with the strategic objectives of Luxottica.

To this end, the Board consults with the Control and Risk Committee, personnel within the Risk Management and Compliance organization, the Manager of the Internal Audit department and the Supervisory Board on the Organizational Model provided for by Italian Legislative Decree no. 231/2001.

The foregoing is without prejudice to the supervisory and control duties, which are by law reserved to the Board of Statutory Auditors, while auditing duties are assigned to an external auditing firm, in accordance with Italian regulations.

In 2010, the Chief Risk & Compliance function of the Group was established, reporting directly to the Group's Chief Executive Officer, and was responsible for (i) guaranteeing an efficient system to control and protect against the risks linked to the business in which the Group operates; as well as (ii) the monitoring of the correct performance of corporate transactions in compliance with the core values of the Code of Ethics and the various regulatory restrictions, ensuring the necessary supervision and management of compliance-related operations. This role was entrusted to Mr. Stefano Orsini, Chief Risk Compliance and Asset Protection Officer, on January 1, 2014, with the implementation of the new governance model and it was established that the function was to report directly to the CEO for Product and Operations.

In line with the recent directives contained in the Code of Conduct of Borsa Italiana, the Chief Risk, Compliance and Asset Protection Officer provides the Board of Directors with all the necessary information for the identification of the risks that the companies of the Group are exposed to and the impact thereof, so that the coherence between these risks and the strategic objectives of the Group can be assessed. Since its establishment in 2010, the Risk Management, Compliance and Asset Protection Function has consolidated its organizational structure and has adopted the appropriate tools and working methods in line with the best practices recognized at national and international levels.

In brief, the ICFR System, as a whole, currently involves the corporate roles, described below:

- Directors in charge of the Internal Control and Risk Management System

- Control and Risk Committee

- Internal Audit Manager

- Organizational System pursuant to Italian Legislative Decree no. 231 dated June 8, 2001

- Board of Statutory Auditors

- External Audit Firm

- Manager responsible for the preparation of the Company's financial reports.

DIRECTORS IN CHARGE OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

On January 29, 2016, the Board of Directors appointed Mr. Leonardo Del Vecchio as Executive Chairman and confirmed Mr. Massimo Vian as CEO for Product and Operations, heads respectively of the Markets Division and the Product and Operations Division, identifying each of them as Directors in charge of the Internal Control and Risk Management System of their respective areas of competence, with the roles and tasks indicated in principle 7.C.4. of the Code of Conduct for Listed Companies.

Within this context respective powers of management and representation of the Executive Chairman and the CEO for Product and Operations are exercised in relation to the overall management of the business of the Group, for both the Parent Company Group Luxottica Group S.p.A. and as related to subsidiary companies of the Group. The decisions set forth by law and the company by-laws are reserved for the Board of Directors of Luxottica Group S.p.A., with particular regard to strategic decisions.

In particular, starting from January 2016, the Executive Chairman and the CEO for Product and Operations are granted the following powers: (i) autonomous and exclusive powers in their respective areas of competence (with adequate reporting, which, in any case, will be provided to the Executive Chairman by the CEO for Product and Operations); (ii) separate powers, with the obligation to provide information, in the shared divisions; and (iii) joint powers, for several important decisions. The Executive Chairman and the CEO for Product and Operations are obliged – separately in their exclusive areas of competence and jointly in the Shared Divisions – to implement the guidelines set by the Board of Directors, identifying the main risks to the Company, by planning, implementing and managing the ICFR System, and regularly assessing its overall adequacy, efficiency and effectiveness. They are also responsible for the adjustment of the aforesaid system to the changes in the operational conditions and of the legal and regulatory framework through the support of the relevant corporate structures.

THE CONTROL AND RISK COMMITTEE

On April 24, 2015, the Board of Directors appointed the Control and Risk Committee, composed by independent directors Ms. Elisabetta Magistretti, Chairperson, Mr. Luciano Santel and Ms. Cristina Scocchia, all with experience in accounting, finance or risk management required by the Code of Conduct for Listed Companies.

According to the provisions of its charter, last updated in July 2012, the Committee is responsible for performing investigations, offering consultations and submitting proposals to the Board of Directors.

In particular, the Committee performs the following activities:

- assists the Board of Directors in the execution of its tasks regarding internal controls;

- evaluates the preparation of the accounting and company records, together with the manager appointed to carry out this task, having obtained the opinion of the independent auditor and the Board of Statutory Auditors; also reviews the application of accounting principles and their consistency of application for the purposes of preparation of the Group's consolidated financial statements;

- reviews the regular reports on the evaluation of the ICFR System and any particularly significant reports prepared by the Internal Audit Department;

- expresses opinions on specific aspects concerning the identification of corporate risks as well as the planning, implementation and management of the ICFR System;

- reviews the work plan prepared by the Manager of the Internal Audit department.

On January 29, 2016, in compliance with the comment referred to in article 4 of the Code of Conduct for Listed Companies, which was introduced in July 2015, the Board of Directors resolved to entrust the Control and Risk Committee with supervision of sustainability questions linked to Company activities.

Specific expertise on auditing is assigned to the Board of Statutory Auditors, acting as Audit Committee, described later on in this Report. Moreover, the Financial Expert was identified within the Board of Statutory Auditors by the Board of Directors.

The Control and Risk Committee meets whenever the Chairman deems it appropriate, usually prior to the Board meetings for the approval of the annual, six-month report and quarterly financial update, or whenever a meeting is requested to be called by him by another member.

When the Committee deemed it necessary, the management of the Company and the Luxottica Group were invited to participate in meetings to discuss specific items on the agenda and to review specifically the topics within their competence.

During the 2016 fiscal year, the Committee met 12 times, two of which were exclusively as the Committee for Transactions with Related Parties. On three occasions the Internal Control Committee during its meetings examined transactions with related parties, according to the relevant Procedure. The average meeting time was approximately three hours. The Committee among other activities: (i) evaluated the financial risks for the Company; (ii) examined reports of the Supervisory Board and reports regarding complaints of alleged violations of the Code of Ethics (twice a year); (iii) reviewed the reports of the Internal Audit Manager on the activities carried out; (iv) assessed the development of activities aimed at compliance with the SOX; (v) evaluated the audit plan and the integration of same submitted over the year; (vi) reviewed the activities carried out to identify, monitor and manage risks; and (vii) met with representatives of various departments to review in detail the progress of specific projects or the management of several specific risk areas.

The Committee met three times in the first two months of 2017, one of which was exclusively as the Committee for Transactions with Related Parties.

The meetings, attended by the Chairman of the Board of Statutory Auditors, or by an Auditor appointed by same, are regularly reported in the meeting minutes. Furthermore, certain meetings are joint meetings between the Committee and the Board of Statutory Auditors.

The Chairman of the Committee reports to the Board of Directors at the earliest opportunity on the most relevant issues examined by the Committee. The Committee presents a report on the activities carried out at least twice a year, prior to the approval of the financial statements and the six-monthly report.

Once a year the Committee, along with the Statutory Auditors, meets the Supervisory Body and the Manager for the preparation of the Company’s financial reports.

The Committee has access to the information and the Company functions necessary for the performance of its task as well as to work with external consultants. The Board of Directors approved the allocation of funds totaling Euro 50,000 to the Committee for the 2016 fiscal year in order to provide it with the adequate financial resources to perform its tasks independently.

INTERNAL AUDIT MANAGER

The Manager of the Internal Audit department is responsible for ensuring the effectiveness and suitability of the ICFR System.

Starting from October 1, 2016, on the proposal of the Directors in charge of the Internal Control and Risk Management System, having obtained the favorable opinion of the Control and Risk Committee and having consulted the Board of Statutory Auditors, the Board of Directors appointed Mr. Stefano Russo as Internal Audit Manager on July 25, 2016 to replace Mr. Alessandro Nespoli, who has pursued new career opportunities outside the Group.

The Internal Audit Manager is not responsible for any operational area and has access to any information useful for the performance of his duties. He is provided with a budget, which is allocated consistently with the activities performed, to reach the objectives set forth in the plan approved by the competent bodies.

During the course of the fiscal year, the Internal Audit Manager performed his role through the implementation of an activities and verification plan which is related to Luxottica Group S.p.A. and its main subsidiaries. Such actions, which the Executive Chairman, the Chief Executive Officer and the Board of Directors were informed of, through the Control and Risk Committee and the Board of Statutory Auditors, have allowed the Company to identify areas for improvement of the ICFR System, for which specific plans have been implemented to further strengthen the foundation of the system itself.

The remuneration of the Internal Audit Manager, which is consistent with Company policies, has been discussed by the Control and Risk Committee and approved by the Board of Directors.

It is to be noted that in January 2015, following the implementation of the co-CEO model, in order to preserve the autonomy and independence of the entire Internal Audit department, the Board of Directors agreed that the latter: (i) would be subordinate hierarchically to the Board of Directors; (ii) from an organizational perspective, would be under the position of the Chairman of the Board of Directors; and (iii) from an operational point of view, would report to the two co-CEOs, who are Managers of the Internal Control and Risk Management System (each to the extent of their respective areas of competence), the Control and Risk Committee, and the Board of Statutory Auditors (the latter as it is a body that functions as the Audit Committee under U.S. law).

As mentioned above, with its resolution of January 29, 2016, the Board of Directors, in consideration of the choice to adopt a simplified governance model to be entrusted to an Executive Chairman for the Markets Division and a Chief Executive Officer for the Product and Operations Division, specified that the Executive Chairman, within his role of providing strategic supervision and as the organizational point of contact, was granted the power to supervise the Internal Audit department, with it being clearly understood that the latter was to report hierarchically to the Board of Directors, functionally to the Control and Risk Committee, and to the Chief Executive Officer of the different areas of competence, as well as to the Board of Statutory Auditors in its capacity as Audit Committee under U.S. law.

The main activities performed by the Internal Audit Manager include, among others, the activities set out in the annual Audit Plan approved by the Board of Directors, the special projects required by the top management, compliance activities required by SOX and compliance activities required by Italian Legislative Decree 231/2001.

ORGANIZATIONAL SYSTEM PURSUANT TO ITALIAN LEGISLATIVE DECREE NO. 231/2001

On October 27, 2005, the Board of Directors implemented the Organization, Management and Control System, as established by former Italian Legislative Decree no. 231/2001 in order to prevent the risk of employees and consultants of the Company carrying out illegal acts, with the consequent administrative liability as provided for by Italian Legislative Decree no. 231/2001 (hereinafter the "**Model**"). The Model, which was subsequently modified throughout the years, was last updated by the resolution of the Board of Directors on March 1, 2016. Particular importance is given to the "point persons" of the Supervisory Board (the Operational Unit Supervisors), or to the persons that perform functions considered to be the most "sensitive" activities pursuant to former Italian Legislative Decree no. 231/2001, who constantly monitor the implementation of the Model, within their area of responsibility, and report to the Supervisory Board every six months.

Following the update of the Model, and in continuation of the training programs from the past few years, training initiatives have been established for areas which are considered "sensitive" pursuant to former Italian Legislative Decree no. 231/2001.

The purpose of the Model is the establishment of a structured and organized system of procedures and control activities carried out mainly for prevention, such that the system cannot be overridden unless by fraudulently failing to comply with its provisions.

To this end, the Model serves the following purposes:

- to make all those working in the name of and on behalf of Luxottica aware of the need to accurately comply with the Model, and that the violation thereof shall result in severe disciplinary measures;

- to support the condemnation by the Company of any behavior which, due to a misunderstanding of corporate interest, is in conflict with the law, rules or more generally with the principles of fairness and transparency upon which the activity of the Company is based;

- to provide information about the serious consequences which the Company may suffer (and therefore also its employees, managers and top managers) from the enforcement of pecuniary and prohibitory fines provided for in Italian Legislative Decree no. 231/2001 and the possibility that such measures may be ordered as an interim measure; and

- to enable the Company to exercise constant control and careful supervision of its activities, in order to be able to react promptly in the event that risks arise and possibly enforce disciplinary measures provided for by the Model itself.

The general part of the Model is available on the website www.luxottica.com in the Governance/Model 231 section.

The Supervisory Board appointed on April 24, 2015 is composed of two external professionals, Mr. Ugo Lecis (Chairman) and Mr. Enrico Maria Bignami and the Internal Audit Manager (Mr. Stefano Russo since October 1, 2016; Mr. Alessandro Nespoli until September 30, 2016). The Board of Directors, at the time of its appointment on April 24, 2015, considered it appropriate to maintain a Supervisory Board made up of the Internal Audit Manager and two external, independent professionals, instead of entrusting the Board of Statutory Auditors with the task, as permitted by recent amendments introduced by Italian Legislative Decree 231/2001. This choice was deemed appropriate for combining the requirements of independence and expertise, both of which are fundamental for being able to guarantee authoritativeness and effectiveness to the work carried out by the Supervisory Board.

The Board reports every six months to the Board of Directors, the Control and Risk Committee and the Board of Statutory Auditors on the activities performed.

During the 2016 fiscal year, the Board of Directors allocated specific funds, totaling Euro 50,000, in order to provide the Supervisory Board with adequate financial resources to perform its duties.

On the basis of the guidelines provided by Luxottica Group S.p.A. and of the risk assessment performed, the subsidiary companies Luxottica S.r.l. and Luxottica Italia S.r.l. adopted and have updated their own Organization Model pursuant to Italian Legislative Decree no. 231/2001, appointing the respective Supervisory Bodies over the years, in order to implement specific control measures relating to the different risk profile of each company.

During the 2016 fiscal year, the subsidiaries Oakley Sport International S.r.l. and Luxottica International Distribution S.r.l. also adopted their own Organizational Model under Italian Legislative Decree no.231/2001 and appointed a Supervisory Body.

BOARD OF STATUTORY AUDITORS

The Board of Statutory Auditors currently in office for the duration of three fiscal years, until the approval of the financial statements as at December 31, 2017 was appointed at the Stockholders Meeting held on April 24, 2015, and is composed of Francesco Vella, Chairman, Alberto Giussani and Barbara Tadolini. The alternate Auditors are Maria Venturini and Roberto Miccù. The appointment of the Board of Statutory Auditors currently in office took place through the list-based voting system: Alberto Giussani, Barbara Tadolini and Maria Venturini were appointed from the list submitted by the principal stockholder Delfin S.à r.l.; Francesco Vella and Roberto Miccù were appointed from the minority list submitted by various Italian and foreign institutional investors (see the ‘Appointment of Directors’ paragraph).

The minimum percentage of share capital required to present a list, as established by CONSOB resolution no.19109 dated January 28, 2015, was equal to 0.5% of share capital.

The lists and their supporting documentation, which were filed and published within the deadlines prescribed by law at the time of the presentation of the candidacies, are available for review on the Company’s website under the Governance/General Meeting/Archive section.

The procedures for the appointment of Auditors are governed by art. no. 27 of the Company by-laws; for more information, please refer to the Company’s by-laws. The appointment of one regular statutory Auditor, as Chairman, and of one alternate statutory Auditor shall be reserved for the minority — which is not part, even indirectly, of the relationship to be considered pursuant to article 148, sub-paragraph 2 of legislative decree no 58/1998 and the related regulations. With reference to the composition of the board of Statutory Auditors, the By - Laws ensure the balance between genders, according to article 148, paragraph 1-*bis* of the Italian Consolidated Financial Law.

The Board of Statutory Auditors supervises (i) compliance with the law and Company by-laws; (ii) compliance with proper management principles; (iii) the appropriateness of the instructions given by the Company to the subsidiary companies; (iv) the appropriateness of the Company structure with respect to the areas of responsibility; (v) the ICFR System and the administrative accounting system; (vi) the reliability of the latter in the correct reporting of the management-related issues; (vii) the financial information process pursuant to the provisions of Italian Legislative Decree no.39/2010; (viii) the efficiency of the internal auditing system; (ix) the auditing of accounts; and (x) the independence of the legal auditor.

Furthermore, the Board of Statutory Auditors (xi) verifies the procedures for the implementation of the corporate governance rules provided for by the Code of Conduct for Listed Companies; (xii) offers its opinion, pursuant to article 2389 of the Italian Civil Code, on the remuneration assigned to Directors with special roles; and (xiii) monitors the implementation of the remuneration policy.

Each Auditor reports to the other Auditors and to the Board of Directors on Company transactions in which they have an interest personally or on the account of a third-party.

The Board of Statutory Auditors presents its duly formed proposal to the Ordinary Meeting of Stockholders on the appointment of the external auditors.

In the performance of its duties, the Board of Statutory Auditors coordinates with the Internal Audit department, the Control and Risk Committee, the Risk Management department and Compliance.

The Board of Statutory Auditors verified the correct application of the criteria used by the Board of Directors to assess the independence of the Directors.

Following its appointment the Board of Statutory Auditors assessed the compliance of its members with the requirements of independence in accordance with the laws in force and the Code of Conduct for Listed Companies and also verified that these requirements were met during the 2016 fiscal year.

The Board of Statutory Auditors was identified by the Board of Directors as the suitable body to act as Audit Committee as provided for by the SOX, and SEC and NYSE rules and regulations. Furthermore, in accordance with Italian law, it acts as a Committee for Internal Control and Auditing.

Consequently, the Board of Statutory Auditors:

- examines and discusses all the declarations required by SOX sections 302 and 906 with management;

- examines the management reports on the ICFR System and the declaration of the auditing company on the conclusions of the management in compliance with SOX section 404;

- examines the reports of the delegated bodies and CFO on any significant point of weakness in the planning or in the performance of internal controls which is reasonably capable of negatively affecting the capacity to record, process, summarize and disclose financial information and the shortcomings identified through the internal controls;

- examines the reports by the delegated bodies and Chief Financial Officer on any fraud involving management or related officers in the context of the ICFR System;

- evaluates the proposals of the auditing companies for the appointment as external auditor and submits its proposal on the appointment or revocation of the auditing company to the Meeting of Stockholders;

- supervises the activities of the external auditors and their supply of consulting services, other auditing services or certificates;

- reviews periodic reports of the external auditors on: (i) the critical accounting criteria and practices to be used; (ii) the alternative accounting processes generally accepted, once they have been analyzed together with management, the consequences of the use of such alternative processes and the related information, as well as the processes which are considered preferable by the external auditors; and (iii) any other relevant written communication between the external auditors and management;

- makes recommendations to the Board of Directors on the settlement of disputes between management and the external auditors regarding financial reporting;

- approves the procedures concerning: (i) the receipt, the archiving and the treatment of reports received by the Company on accounting matters, ICFR System matters related to the accounts and audit-related matters; (ii) the confidential and anonymous reporting on questionable accounting or auditing matters;

- assesses the requests to make use of the auditing company appointed to perform the auditing of the balance sheet for permitted non-audit services and expresses their opinion on the matter to the Board of Directors;

- approves the procedures prepared by the Company for the pre-emptive authorization of the permitted non-audit services, analytically identified, and examines the reports on the supply of the authorized services.

With particular reference to the Form 20-F (the Annual Report drawn up in compliance with the U.S. laws relevant for non-U.S. companies that are listed on the NYSE), the Board of Statutory Auditors, in its capacity as Audit Committee, also carries out the following tasks:

- reviews the financial information to be disclosed in the Form 20-F, including the audited financial statements, the management report, selected financial information and the information on market risk, together with the company management and auditing firm;

- reviews the assessment of the quality and acceptability of accounting principles, the reasonableness of significant evaluations, the clarity of the disclosure of financial information, the management report, the selected financial information and information on market risk, together with the CFO and audit firm; and

- assesses the results of the regular and annual auditing of accounts and any other matters that must be communicated to the Board of Statutory Auditors by the auditing firm in accordance with the auditing principles in force in Italy and the U.S. And other applicable regulations.

In accordance with U.S. regulations, the Board of Directors confirmed the office of Mr. Alberto Giussani as Audit Committee Financial Expert on April 24, 2015. The Board of Statutory Auditors has the appropriate skills and resources to perform the above-mentioned duties.

During 2016 the Board of Directors allocated to the Board of Statutory Auditors acting as Audit Committee specific funds totaling 100,000 Euro.

In 2016 the Board met 10 times – also jointly with Control and Risk Committee - for an average meeting of more than three hours. In the first two months of 2017 the Board met twice.

During the year, the Statutory Auditors attended the meetings of the Control and Risk Committee, in addition to the Meeting of Stockholders and the meetings of the Board of Directors. Furthermore, the Chairman of the Board of Statutory Auditors or an Auditor appointed by the latter is invited to attend the meetings of the Human Resources Committee. In 2016, the Chairman of the Board or one Auditor appointed by the latter attended all of the meetings of the Human Resources Committee.

Background information on the members of the Board of Statutory Auditors currently in office is provided below, with an indication of the year of their first appointment to the Board and the primary offices held in other companies as at December 31, 2016.

FRANCESCO VELLA – CHAIRMAN

An attorney at law, Mr. Vella is a full professor of commercial law at the University of Bologna, Italy, where he currently teaches in the Master's program. He has been Chairman of the Board of Statutory Auditors of the Company since April 2009.

He has written three essays and several publications for miscellaneous journals and magazines specialized in banking, financial and corporate matters. Mr. Vella is a member of the editorial board of the following magazines: “Banca Borsa, Titoli di Credito”, “Mercato Concorrenza e Regole”, “Il Mulino”, “Banca, impresa e società”, “Giurisprudenza Commerciale” and “Analisi giuridica dell’economia”, which he helped to set up, as well as the website “lavoce.info”.

He is Chairman of UnipolSai Assicurazioni S.p.A. and UnipolBanca S.p.A, Chairman of the Supervisory Body of Camst Soc. Coop. a r.l., Hera S.p.A. and Bologna Fiere S.p.A.

ALBERTO GIUSSANI – STATUTORY AUDITOR

Mr. Giussani received a degree in Business and Economics from the Università Cattolica in Milan, Italy, and he has been an Auditor of the Company since April 2009.

He is registered in the Register of Accountants and Tax Advisers since 1979 and in the Register of Chartered Accountants since 1995, when the Register was set up.

Between 1981 and 2000, he was a member of the Accounting Principles Commission of the Accountants and Tax Advisers and he serves currently as a member of the Management Board of the Italian Accounting Body. Between 2001 and 2008, he was a member of the Standard Advisory Council of the IASC Foundation for the provision of international accounting principles. He was a partner in the auditing company PricewaterhouseCoopers between 1981 and 2007.

He is also an auditor of Falck Renewables S.p.A. and Carlo Tassara S.p.A., member of the Board of Directors of Fastweb S.p.A. and Chairman of the Board of Directors of EI Towers S.p.A.

BARBARA TADOLINI – STATUTORY AUDITOR

Ms. Tadolini graduated with a degree in Economics and Business from the Università degli Studi in Genoa in 1985 and she has been an Auditor of Luxottica Group S.p.A. since April 2012.

She has been registered in the Association of Certified Accountants since 1986 and has been a registered statutory auditor since 1995. She has worked at the tax consultancy firm Arthur Andersen and leading professional firms in Genoa. She currently works independently in her own firm in Genoa. Barbara Tadolini was a member of the Board of Certified Accountants in Genoa, as well as member of the National Assembly of Delegates of the “Cassa Nazionale di Previdenza e Assistenza dei dottori Commercialisti”, in which she currently holds the position of director. She is also an Auditor of Burke & Novi W, Baretto S.p.A. and member of the Board of Directors of UnipolSai Assicurazioni S.p.A.

All the Auditors comply with the legal requirements of such office and in particular with the requirements set forth in article no. 148, paragraph 3, of Italian Consolidated Financial Law, and are independent in accordance with the assessment criteria set forth in article 3 of the Code of Conduct for Listed Companies.

AUDIT FIRM

The auditing activity is entrusted to an auditing company registered in the Register of Auditors, whose appointment is approved at the Ordinary Meeting of Stockholders.

The audit firm serving until the approval of the financial statements for the year 2020 is PricewaterhouseCoopers S.p.A., in accordance with the resolution of the Ordinary Meeting of Stockholders of April 28, 2011.

MANAGER RESPONSIBLE FOR THE PREPARATION OF THE COMPANY'S FINANCIAL REPORTS

On April 24, 2015, the Board of Directors confirmed the Chief Financial Officer Mr. Stefano Grassi's position as the manager responsible for the preparation of the Company's financial reports given that he possesses the adequate accounting and financial skills for the role.

The appointed manager remains in office until: (a) termination of the entire Board of Directors that appointed him; (b) dismissal from the office; or (c) revocation of the office by the Board itself.

The appointed manager has been granted all the powers and resources necessary to perform his duties according to the applicable regulations of the Italian Consolidated Financial Law and of the related performance regulations. In particular, the appointed manager has been granted wide powers connected to: (i) the preparation of adequate administrative and accounting procedures for the preparation of both the separate and consolidated financial statements as well as of any notice of a financial nature; (ii) the issue of certifications pursuant to art. 154-*bis* paragraph 2, of the Italian Consolidated Financial Law with reference to the acts and the communications of the Company disclosed to the market and relating to the accounting report, including half-year reports, of the Company; and (iii) the issue, together with the Executive Chairman and the CEO of Product and Operations, of certificates pursuant to art. 154-*bis* paragraph 5, of the Italian Consolidated Financial Law, with reference to the separate financial statements, the consolidated financial statements and the half-year financial statements. More generally, the appointed manager has been granted the power to perform any activity necessary or useful for the appropriate performance of the above-mentioned task including power to expend Company funds within the limits of the powers already granted to him in a separate power of attorney, with exception of the possibility to spend amounts in excess of the above-mentioned limits, where necessary and upon specific and justified request by the appointed manager, subject to prior approval by the Board of Directors.

III. By-Laws, Code of Conduct and Procedures

BY-LAWS

The current Company by-laws were most recently amended on April 29, 2016 following the resolution adopted at the extraordinary meeting of stockholders, which revised articles 12, 19 and 30.

The text of the by-laws is available on the website www.luxottica.com in the Governance/By-laws section.

CODE OF ETHICS AND PROCEDURE FOR HANDLING REPORTS AND COMPLAINTS REGARDING VIOLATIONS OF PRINCIPLES AND RULES DEFINED AND/OR ACKNOWLEDGED BY LUXOTTICA GROUP

The Code of Ethics of Luxottica Group ("Code of Ethics") represents the values underlying all of the Group's business activities and is subject to constant verification and updating to reflect the proposals derived in particular from U.S. regulations.

The Code of Ethics, originally approved by the Board of Directors on March 4, 2004, has been adapted over the years and was updated by the Board in the resolution passed on January 29, 2016.

In addition to the Code of Ethics, there is a Procedure for the Handling of Reports and Complaints of Violations of principles and rules defined and/or acknowledged by Luxottica Group.

The procedure covers reports, complaints and notifications of alleged fraud, violation of ethical and behavioral principles set forth in the Code of Ethics of the Group and of irregularities or negligence in accounting, internal controls and auditing.

Complaints received from both internal and external subjects by the Group are taken into consideration: the Group undertakes to safeguard the anonymity of the informant and to ensure that the employee reporting the violation is not subject to any form of retaliation.

The reports of violations of principles and rules defined or recognized by the Group are submitted to the Internal Audit Manager, who in turn submits them to the Chairman of the Board of Statutory Auditors.

The Code of Ethics is available on www.luxottica.com, in the About us/Unique Approach/Responsible Business Practices section.

PROCEDURE FOR TRANSACTIONS WITH RELATED PARTIES

On October 25, 2010 the Board of Directors voted unanimously to adopt a new procedure to regulate transactions with related parties pursuant to the provisions of CONSOB regulation 17221/2010.

The procedure, which was approved by the former Internal Control Committee (composed exclusively of independent Directors), became applicable as of January 1, 2011.

On January 30, 2017, the Board of Directors, in compliance with the recommendation of CONSOB (see Communication no. 10078683 dated September 24, 2010), carried out an assessment on the possibility of revising the procedure, consistent with that done in 2014. In this regard, the Board, having achieved the favorable opinion of the Control and Risk Committee (composed solely of Independent Directors), resolved to make amendments to the Procedure, in line with the best practices on this subject.

The procedure regulates the execution of major and minor transactions. Transactions with and among subsidiary companies, associated companies, ordinary transactions, transactions of an inferior amount (of an amount less than Euro 1 million or, with regard to the remuneration of a member of a management or control body or managers with strategic responsibilities, of an amount less than Euro 250,000) are excluded from the application of the procedure.

The Board of Directors also reached the following decisions, among others, with regard to the interested parties involved in each individual transaction, where possible each time that: (i) the Human Resources Committee was to be involved and consulted regarding transactions for the remuneration and economic benefits of the members of the management and control bodies and managers in strategic roles and (ii) the Control and Risk Committee was to be involved in and consulted about other transactions with related parties.

Further information on the application of the procedure with regard to remuneration and assignment of benefits to the members of the management and control bodies and managers in strategic roles are stated in the Remuneration Report drawn up in accordance with art.123-*ter* of the Italian Consolidated Financial Law.

This Procedure was last updated on January 30, 2017.

The Procedure is available on the website www.luxottica.com, in the Governance/Documents and Procedures section.

INTERNAL DEALING AND INSIDE INFORMATION MANAGEMENT PROCEDURES

On July 3, 2016, the Company adopted new internal dealing and inside information management procedures with the aim of incorporating the new European provisions on the subject of Market Abuse and in particular EU Regulation 596/2014 and its implementation measures into the Company's procedures.

The Internal Dealing Procedure, last updated on July 25, 2016, regulates in detail the behavioral and disclosure obligations relating to transactions in shares, ADRs, credit instruments issued by Luxottica or derivatives or other financial instruments related to the latter, completed by so-called "relevant parties", namely Directors, Auditors of the Company and Managers with strategic responsibilities, as well as the people closely connected to these parties.

The reporting obligation is applicable to all subsequent transactions, once an equivalent value of 5000 euros has been exceeded.

The procedure for the management of inside information, which was last updated on July 25, 2016, in compliance with the applicable legal and regulatory provisions, regulates: the internal management and external communication of information on Luxottica and the companies of the Group, with particular reference to inside information; the establishment, keeping and updating of the register of people that have access to privileged information; the black-out periods that members of the Board of Directors, members of the Board of Statutory Auditors of the Company and managers with strategic responsibilities are obliged to respect in the trading of Luxottica securities.

Both procedures are available on the website www.luxottica.com, in the Governance/Documents and Procedures section.

APPOINTMENT OF EXTERNAL AUDITORS

U.S. regulations in force provide that either the Audit Committee or the equivalent body under the specific rules of the issuer's home country must approve the services provided by external auditors to the Company and to its subsidiaries.

To this end, the Board of Directors approved the 'Group Procedure for the Appointment of External Auditors' back in 2005, in order to protect the independence of the external auditor, which is the fundamental guarantee of the reliability of the accounting information regarding the appointing companies. This policy was last updated on July 26, 2012.

The parent company's external auditor is the main auditor for the entire Luxottica Group.

The limitations on the appointment contained in this policy derive from current regulations in Italy and in the United States, by virtue of the fact that the Company's shares are listed both on the NYSE and the MTA, without prejudice to any additional constraints imposed by any local laws applicable to the individual non-Italian subsidiary companies. The procedure is currently under review with the aim of incorporating the provisions of the Italian Legislative Decree n. 135/2016, applicable since January 1, 2017.

The policy is available on the website www.luxottica.com, in the Governance/Documents and Procedures section.

IV. Meeting of Stockholders

The Board of Directors determines the venue, date and time of each Meeting of Stockholders in order to facilitate the participation of stockholders.

The Luxottica Directors and Auditors endeavor to attend the meetings, in particular the Directors who, by virtue of their position, may contribute significantly to the discussion and report on the activities performed.

The Ordinary Meeting of Stockholders is called through a notice published by the thirtieth day prior to the date fixed for the Meeting (or by the fortieth day, in the case of the appointment of company committees), on the Company website and using the other methods prescribed by CONSOB in its Regulations. The notice of call, in compliance with legal provisions, states the necessary instructions on how to participate in the General Meeting of Stockholders, including information on the methods for finding the proxy forms, which can also be accessed through the Company website.

The Governance/General Meeting section of the Company's website contains the relevant information on Meetings of Stockholders held during the most recent fiscal years, including the resolutions passed, the notices of call, as well as the documentation concerning the items on the agenda.

Pursuant to article 12 of the by-laws, those stockholders for whom the Company has received notice by the relevant intermediary pursuant to the centralized management system of the financial instruments, pursuant to the regulations and legal provisions in force at that time, shall be entitled to attend the Meeting and to vote.

All persons entitled to attend the Meeting may be represented by written proxy in accordance with the provisions of law.

The proxy may also be granted to the representative appointed by the Company with voting instructions on all or some of the proposals on the agenda in accordance with art.135-*undecies* of the Italian Consolidated Financial Law.

The Company by-laws do not provide for voting by mail.

Pursuant to article 14 of the by-laws, the provisions of the law are applied in relation to the validity of the composition of the meeting and the related resolutions.

Meetings of Stockholders may be either ordinary meetings or extraordinary meetings, depending on the subject matters to be dealt with. Different quorum requirements apply to ordinary and extraordinary meetings. Ordinary Stockholders' Meetings must be convened at least once a year to approve the annual financial statements of Luxottica Group S.p.A. At ordinary Stockholders' Meetings, stockholders vote upon dividend distributions, if any, appoint the directors, statutory auditors and external auditors, determine their remuneration and vote on business any matters submitted by the directors to the Stockholders' Meeting.

Ordinary stockholders' meetings of Luxottica can be convened only in one call and there are no minimum quorum requirements. Resolutions may be adopted by a simple majority of ordinary shares represented at such meeting.

Extraordinary meetings of stockholders may be called to vote upon, among other things, proposed amendments to the By laws, capital increases, mergers, spin offs, issuance of convertible debentures, and similar extraordinary actions. Extraordinary stockholders' meetings are properly convened when at least one fifth of the share capital is represented at the meeting and resolutions are adopted with the affirmative vote of at least two thirds of the share capital represented at the meeting.

In 2016, the Ordinary and Extraordinary Meeting of Stockholders was held on April 29 to pass resolutions on the following items on the agenda:

Ordinary part:

1. The approval of the Statutory Financial Statements for the year ended December 31, 2015.

2. The allocation of net income and distribution of dividends.

3. Authorization to buy back and dispose of treasury shares pursuant to articles 2357 et seq. of the Italian Civil Code.

4. An advisory vote on the first section of the remuneration report in accordance with article 123-*ter*, paragraph 6 of Italian Legislative Decree no. 58/1998.

5. Appointment of one director.

Extraordinary part:

1. Amendment of articles 12, 19 and 30 of the Company By-laws.

Eleven Directors and the entire Board of Statutory Auditors attended the last Meeting of Stockholders.

Luxottica has adopted Regulations for Meetings of Stockholders to ensure the regular and functional management of the Meeting of Stockholders and to ensure that each stockholder is allowed to express an opinion on the items being discussed. The Regulations are available at the Company's registered office and at the venues in which the Meetings of Stockholders are held; the Regulation is also available to the public on the website www.luxottica.com, in the Governance/Documents and Procedures section.

V. Investor Relations

An investor relations team is dedicated to relations with the national and international financial community.

The website www.luxottica.com includes a dedicated "Investors" section to which provides information that may be of interest to the financial community. In order to facilitate knowledge of Luxottica's business strategies and development, information on senior management and other relevant matters, Investor Relations also utilizes financial communications tools, such as roadshows, conference calls and meetings with investors.

Documents on corporate governance are also available on the website www.luxottica.com in the Governance section and may be requested via e-mail directed to the following address: investorrelations@luxottica.com.

Section III – Summary of the Most Relevant Corporate Events Subsequent to the Closing of Fiscal Year 2016

Below is a summary of the most significant events that occurred after the closing of fiscal year 2016 up to the date of this Report. The most significant events have been described in the paragraphs above.

After December 31, 2016 the Board of Directors of the Company:

a. examined the annual report concerning the organizational and accounting corporate structure of Luxottica Group, in accordance with paragraph 3 of art. 2381 of the Civil Code and Principle 1.c.1. of the Code of Conduct, confirming the adequacy of the internal control and risk management system;

b. on the basis of the answers to a specific questionnaire, assessed the size, composition and performance of the Board itself and of the Committees;

c. evaluated whether the requirements for independence existed, based on the information available and the information provided by the non-executive Directors by virtue of the provisions of the Italian Consolidated Financial Law and of the Code of Conduct, determining the Directors Brogi, Feola, Magistretti, Pierdicchi, Salzburger, Santel, Scocchia, Veronesi and Zappia to be independent;

d. verified that the composition of the Board of Directors is compliant with the criteria established with respect to the maximum number of positions to be held in other companies;

e. decided to allocate specific funds to be made available to the Committees, as well as to the Board of Statutory Auditors in its capacity as Audit Committee and to the Supervisory Board in order to provide them with adequate financial resources to perform their respective tasks;

f. evaluated the adequacy of the internal control and risk management system as described in the report in point (a) above and by the report of the Control and Risk Committee and Internal Audit Reports;

g. reviewed the results of the Auditing activities carried out in 2016 and approved the audit plan for 2017, which had already been shared by the Control and Risk Committee;

h. on the proposal of the Human Resources Committee, approved the remuneration policy to be submitted to the Meeting of Stockholders to be held on April 28, 2017, for an advisory vote.

In accordance with the provisions of the Code of Conduct, the Board of Statutory Auditors assessed the evaluation made by the Directors on their independence and has verified compliance with the requirements for each individual Auditor as outlined by the Code of Conduct.

Milan, March 1, 2017

Composition of the Board of Directors and the Committees

DIRECTORS IN OFFICE ON DECEMBER 31, 2016

Board of Directors										Control and Risk Committee		Human Resources Committee	
Position	Members/Year of birth	Date of first appointment	In charge from	In charge until	Executive	Non-executive	Independent Pursuant to Civil Code and Consolidated Financial Law	*	Other positions in office held **	***	*	***	*
Executive Chairman	Leonardo Del Vecchio (1935)	1961	24/04/2015	Approval of 2017 Financial Statements	X			100%	3				
Deputy Chairman	Luigi Francavilla (1937)	1985	24/04/2015	Approval of 2017 Financial Statements	X			100%	1				
Deputy Chairman	Francesco Milleri (1959)	2016	1/03/2016	Approval of 2017 Financial Statements	X			100%	0				
CEO	Massimo Vian (1973)	2014	24/04/2015	Approval of 2017 Financial Statements	X			100%	0				
Director	Marina Brogi (1967)	2015	24/04/2015	Approval of 2017 Financial Statements			X	100%	2			X	100%
Director	Luigi Feola (1967)	2015	24/04/2015	Approval of 2017 Financial Statements			X	100%	0				
Director	Elisabetta Magistretti (1947)	2012	24/04/2015	Approval of 2017 Financial Statements			X	100%	1	X	100%		
Director	Mario Notari (1964)	2015	24/04/2015	Approval of 2017 Financial Statements		X		100%	0			X	100%
Director	Maria Pierdicchi (1957)	2015	24/04/2015	Approval of 2017 Financial Statements			X	100%	4				
Director	Karl Heinz Salzburger (1957)	2015	24/04/2015	Approval of 2017 Financial Statements			X	67%	1				
Director	Luciano Santel (1956)	2015	24/04/2015	Approval of 2017 Financial Statements			X	100%	1	X	92%		
Director	Cristina Scocchia (1973)	2015	24/04/2015	Approval of 2017 Financial Statements			X	83%	1	X	100%		
Director	Sandro Veronesi (1959)	2015	24/04/2015	Approval of 2017 Financial Statements			X	83%	2				
Director	Andrea Zappia (1963)	2015	24/04/2015	Approval of 2017 Financial Statements			X	100%	2			X	100%
Number of meetings of the Board: 6				Meetings of the Control and Risk Committee: 12						Meetings of the Human Resources Committee: 7			

(*) Indicates the percentage of participation of the Directors in the meetings of the Board of Directors and of the Committees.
(**) Lists the number of offices as director or auditor performed by the directors in office in other listed companies, banks, financial, insurance companies or companies of a significant size, in compliance with the criteria implemented by the Company and described in section II of this Report.
(***) An "X" indicates that the member of the Board of Directors is also a member of the Committee

DIRECTORS LEAVING OFFICE IN 2016

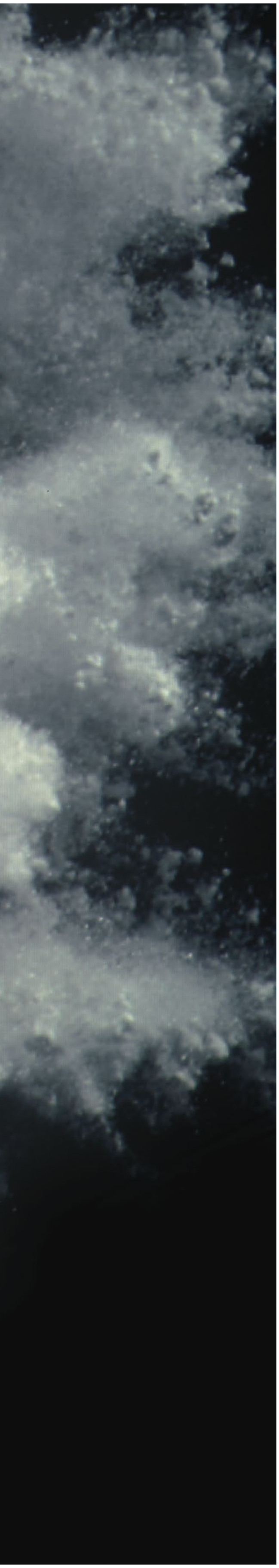
Board of Directors						Control and Risk Committee		Human Resources Committee	
Name/Year of birth	Date of first appointment	Executive	Non-executive	Independent Pursuant to Code and Italian Consolidated Financial Law	*	***	*	***	*
Adil Mehboob-Khan (1964)	2014	X							

(*) Indicates the percentage of participation of the Directors in the meetings of the Board of Directors and of the Committees.
(***) An "X" indicates that the member of the Board of Directors is also a member of the Committee.

BOARD OF STATUTORY AUDITORS IN OFFICE AS AT DECEMBER 31, 2016

Board of Statutory Auditors	Members	Year of birth	Date of first appointment	In charge from	In charge until	Percentage of attendance at the Board meetings	Number of other positions in office held*
Chairman, taken from the minority list	Francesco Vella	1958	2009	24/04/2015	Approval of 2017 Financial Statements	100%	2 – 1 of which listed
Statutory Auditor, taken from the majority list	Alberto Giussani	1946	2009	24/04/2015	Approval of 2017 Financial Statements	100%	4 - 2 of which listed
Statutory Auditor, taken from the majority list	Barbara Tadolini	1960	2012	24/04/2015	Approval of 2017 Financial Statements	100%	3 – 1 of which listed
Substitute Auditor, taken from the minority list	Roberto Miccù	1965	2015	24/04/2015	Approval of 2017 Financial Statements		
Substitute Auditor, taken from the majority list	Maria Venturini	1954	2015	24/04/2015	Approval of 2017 Financial Statements		
Number of meetings during the 2016 fiscal year: 10							

(*) Indicates the number of offices as director or auditor performed by the interested party in other listed companies indicated in book V, title V, paragraphs V, VI and VII of the Italian Civil Code, with the number of offices held in listed companies.



3 Consolidated financial statement

3.1 Consolidated statement of financial position

Assets (Euro/000)	Note Referance	December 31, 2016	Of which related parties (note 30)	December 31, 2015	Of which related parties (note 30)
Current assets:					
Cash and cash equivalents	6	866,864	-	864,852	-
Accounts receivable	7	932,340	1,687	858,053	12,472
Inventory	8	893,472	-	833,272	-
Other current Assets	9	283,659	5,301	272,932	11,617
Assets available for sale	10	51,284	-	-	-
Total current asset		**3,027,618**	**6,988**	**2,829,109**	**24,090**
Non-current assets:					
Property, plant and equivalent	11	1,672,554	-	1,435,524	-
Goodwill	12	3,871,442	-	3,596,983	-
Intangible assets	12	1,477,316	10,296	1,442,148	-
Investiments	13	20,186	7,720	65,378	53,367
Other not current assets	14	97,300	-	105,574	-
Deferred tax assets	15	133,369	-	174,433	-
Total non-current assets		**7,272,168**	**18,016**	**6,820,040**	**53,367**
Total assets		**10,299,787**	**25,005**	**9,649,148**	**77,456**

Liabilities and Stockholders' Equity (Euro/000)	Note Referance	December 31, 2016	Of which related parties (note 30)	December 31, 2015	Of which related parties (note 30)
Current liabilities:					
Short-term borrowings	16	208,813	-	110,450	-
Current portion of long-term debt	17	154,094	-	44,882	-
Accounts payable	18	944,402	21,159	927,186	17,191
Income taxes payable	19	17,238	-	34,179	-
Short-term provisions for risks and other charges	20	145,701	-	118,779	-
Other current liabilities	21	745,921	-	671,424	571
Total current liabilities		**2,216,168**	**21,159**	**1,906,900**	**17,763**
Non-current liabilities:					
Long-term debt	22	1,680,951	-	1,715,104	-
Employee benefits	23	159,364	-	136,200	-
Deferred tax liabilities	15	257,036	-	277,327	-
Long-term provisions for risks and other charges	24	122,107	-	104,508	-
Other non-current liabilities	25	79,783	-	91,391	-
Total non-current liabilities		**2,299,241**	**-**	**2,324,529**	**-**
Stockholders' equity:					
Capital stock	26	29,051	-	29,019	-
Legal reserve	26	5,805	-	5,784	-
Reserves	26	5,162,798	-	4,642,238	-
Treasury shares	26	(269,755)	-	(68,636)	-
Net income	26	850,524	-	804,119	-
Luxottica Group stockholders' Equity	**26**	**5,778,423**	**-**	**5,412,524**	**-**
Non-controlling interests	27	5,954	-	5,169	-
Total Stockholders' Equity		**5,784,378**	**-**	**5,417,719**	**-**
Total liabilities and stockholders'equity		**10,299,787**	**21,159**	**9,649,148**	**17,763**

3.2 Consolidated statement of income

(Euro/000)*	Note Reference	Financial Year 2016	Of which related parties (note 30)	Financial Year 2015	Of which related parties (note 30)
Net sales	**28**	**9,085,707**	**23,491**	**8,836,578**	**25,170**
Cost of sales	28	3,153,264	44,716	2,835,426	53,602
of which non-recurring	*34*	*95*	-	*694*	-
Gross profit		**5,932,443**	**(21,225)**	**6,001,152**	**(28,431)**
Selling	28	2,889,177	2	2,778,838	14
of which non-recurring	*34*	*420*	-	*5,519*	-
Royalties	28	169,890	707	168,669	996
Advertising	28	567,895	138	589,718	118
General & Administrative	28	960,214	8,870	1,087,484	7,531
of which non-recurring	*34*	*16,861*	-	*60,149*	-
Total operating Expenses		**4,587,176**	**9,718**	**4,624,708**	**8,658**
Income from operations		**1,345,267**	**(30,943)**	**1,376,445**	**(37,089)**
Interest Income	28	15,469	-	11,190	-
Interest expense	28	(81,528)	-	(106,439)	-
Other -net	28	39,486	(40)	(3,281)	(561)
of which non-recurring	*34*	*35,745*	-	-	-
Total other income/(expense)		**(26,573)**	**(40)**	**(98,530)**	**(561)**
Income before provision for income taxes		**1,318,693**	**(30,983)**	**1,277,914**	**(37,650)**
Provision for Income taxes	28	(466,373)	-	(471,042)	-
of which non-recurring	*34*	*5,421*	-	*16,527*	-
Net income		**852,321**	**-**	**806,873**	**-**
Of which attribuible to					
- Luxottica Group stockholders		*850,524*	-	*804,119*	-
- Non-controlling interests		*1,797*	-	*2,753*	-
Weighted average number of shares outstanding:					
Basic	31	479,225,730	-	479,553,693	-
Diluted	31	480,025,531	-	482,073,361	-
EPS:					
Basic	31	1.77	-	1.68	-
Diluted	31	1.77	-	1.67	-

(*) Except per share data, that are in unit

3.3 Consolidated statement of comprehensive income

(Euro/000)	Note Reference	Financial Year 2016	Financial Year 2015
Net income		**852,321**	**806,873**
Items that may be reclassified subsequently to profit or loss:			
Currency traslation differences	26	154,628	267,546
Total Items that may be reclassified subsequently to profit or loss		**154,628**	**267,546**
Items that will not be reclassified to profit or loss:			
Actuarial (loss)/gain on defined benefit plans	23	(19,889)	14,167
Related tax effect	23	4,735	(3,994)
Total items that will not be reclassified to profit or loss		**(15,154)**	**10,173**
Total other comprehensive income(loss)-net of tax		**139,473**	**277,720**
Total comprehensive income for the period		**991,794**	**1,084,592**
Of which attribuible to:			
- Luxottica Group stockholders		*988,772*	*1,080,968*
- Non-controlling interests		*3,022*	*3,624*

3.4 Consolidated statement of changes in equity

(Euro/000)*	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								
	Note Reference 26									Note Reference 27
Balance as of January 1, 2015	**481,671,583**	**28,900**	**5,736**	**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	-	-
Contributions received from Delfin S.à r.l.	-	-	-	-	7,171	-	-	-	7,171	-
Change in the consolidation perimeter	-	-	-	-	(15,397)	-	-	-	(15,397)	(3,594)
Dividends (Euro 1.44 per 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**

(*) Except per share data

	Capital Stock									
	Number of Shares	Amount	Legal Reserve	Additional Paid in Capital	Retained Earnings	Stock-Options Reserve	Translation of foreign operations and other	Treasury Shares	Stockholders Equity	Non-Controlling interests
(Euro/000)*	Note Reference 26									Note Reference 27
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**
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	-	-
Change in the consolidation perimeter	-	-	-	-	-	-	-	-	-	-
Dividends (Euro 0.89 per share)	-	-	-	-	(427,722)	-	-	-	(427,722)	(2,264)
Allocation of legal reserve	-	-	20	-	(20)	-	-	-	-	-
Balance as of December 31, 2016	**484,176,083**	**29,051**	**5,805**	**563,011**	**4,725,670**	**359,928**	**364,714**	**(269,755)**	**5,778,423**	**5,954**

3.5 Consolidated statement of cash flows

(Euro/000)	Note Reference	As of December 31, 2016	As of December 31, 2015
Income before provision for income taxes		**1,318,693**	**1,277,914**
Stock based compensation		9,577	49,692
Depreciation and amortization	11/12	512,842	476,888
Net loss on disposals of fixed assets and intangible assets	11/12	23,037	22,877
Financial expenses		81,528	106,439
Other non cash items***		(44,451)	(4,770)
Changes in accounts receivable		(28,812)	(108,648)
Changes in inventories		(7,236)	(85,217)
Changes in accounts payable		(28,776)	115,635
Changes in other assets/liabilities		29,984	(7,827)
Total adjustments		**547,694**	**565,069**
Cash provided by operating activities		**1,866,387**	**1,842,983**
Interest paid		(79,720)	(79,752)
Taxes paid		(475,398)	(565,940)
Net cash provided by operating activities		**1,311,269**	**1,197,291**
Additions of property, plant and equipment	11	(546,214)	(319,817)
Disposals of property plant and equipment		19,258	-
Purchases of businesses-net of cash acquired*		(127,516)	(21,017)
Investments in equity investees	13	2,588	1,502
Additions to intangible assets	12	(111,827)	(143,987)
Net cash used in investing activities		**(763,711)**	**(483,319)**

(Euro/000)	Note Reference	As of December 31, 2016	As of December 31, 2015
Long term debt:			
- Proceeds	22	901	4,082
- Repayments	22	(12,696)	(649,310)
Short term debt:			
- Increase in short term lines of credit		92,439	-
- (Decrease) in short term lines of credit		-	(39,022)
Exercise of stock options	26	10,121	47,678
Purchases of Non-controlling interests**		(13,456)	(18,990)
Purchase of Treasury Shares		(219,748)	(6,879)
Dividends	36	(429,985)	(691,849)
Net cash provided by (used in) financing activities		**(572,415)**	**(1,354,291)**
Increase/(decrease) in cash and cash equivalents		**(24,857)**	**(640,319)**
Cash and cash equivalents, beginning of the period		864,852	1,453,587
Effect of exchange rate changes on cash and cash equivalents		26,869	51,582
Cash and cash equivalents, end of the period		**866,864**	**864,852**

(*) Purchases of business-net of cash acquired in 2016 relates to the acquisition of Salmoiraghi & Viganò S.p.A. for Euro (127.5) milioni.
Purchases of business-net of cash acquired in 2015 relates to the acquisation of Sunglass Warehaouse for Euro (21.0) milioni.

(**) Purchases of minority interests in 2016 relates to the acquisation of the portion of Sunglass Hut de Mexico from Opticas Devlyn. Purchases of minority interests in 2015 relates to the acquisitio of the remaining 49% of Luxottica Netherland.

(***) Other non cash items in 2016 included the measurement at its fair value of the previous interests in the Salmoiraghi & Viganò (36.8%), in 2015 included the adjustment to investments measured using the equity method.

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Milan, March 1, 2017
Luxottica Group S.p.A.

On behalf of the Board of Directors

Leonardo Del Vecchio
Executive Chairman

Massimo Vian
CEO for Product
and Operations

LUXOTTICA GROUP S.p.A.
Headquarter and registered office: Piazzale Luigi Cadorna, 3 - 20123 Milan, Italy
Capital Stock: € 29,050,564.98
Authorized and issued.

3.6 Notes to the consolidated financial statements as of December 31, 2016

GENERAL INFORMATION

Luxottica Group S.p.A. (the "Company") is a corporation with a registered office in Milan, Italy, at Piazzale L. Cadorna 3, organized under the rules and regulations of Italy. The Company's equity is listed on the Milan Stock Exchange and the New York Stock Exchange.

The Company and its subsidiaries (collectively, the "Group") operate in two segments: (1) manufacturing and wholesale distribution; and (2) retail distribution.

Through its manufacturing and wholesale distribution operations, the Group is a leader in the design, manufacturing, wholesale distribution and marketing of proprietary brands and designer lines of mid to premium priced prescription frames and sunglasses, as well as of performance optics products.

Through its retail operations, as of December 31, 2016, the Company owned and operated 7,158 retail locations worldwide and franchised an additional 819 locations principally through its subsidiaries Luxottica Retail North America Inc., Sunglass Hut Trading, LLC, OPSM Group Limited, Oakley Inc. ("Oakley") and Multiópticas Internacional S.L.

The Company is controlled by Delfin S.à r.l., a company subject to Luxembourg law. The Executive Chairman of the Board and Director Leonardo Del Vecchio is also the controlling shareholder of Delfin S.à.r.l.

These consolidated financial statements were authorized to be issued by the Board of Directors of the Company at its meeting on March 1, 2017 and were audited by the Company's independent registered public accounting firm.

BASIS OF PREPARATION

Pursuant to the Legislative Decree no. 38 issued on February 28, 2005 the consolidated financial statements as of December 31, 2016 have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and endorsed by European Union as of the date of approval of these consolidated financial statements by the Board of Directors of the Company. IFRS are all the international accounting standards ("IAS") and all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously named the Standing Interpretation Committee ("SIC").

The consolidated financial statements as of December 31, 2016 have been prepared in accordance with: (i) CONSOB resolution no. 15519 issued on July 27, 2006, (ii) the CONSOB notice no. 6064293 issued on July 27, 2006; (iii) CONSOB notice no. 0003907 issued on January 15, 2015, (iv) CONSOB notice no. 0007780/16 issued on January 28, 2016; (v) paper 2 and 4 issued by CONSOB, Banca d'Italia and ISVAP in 2009 and 2010; and (vi) paper 5 issued by CONSOB, Banca d'Italia and ISVAP in 2012.

The principles and standards utilized in preparing these consolidated financial statements have been consistently applied through all periods presented, with the exception of the new standards and amendments that are effective for reporting periods beginning on January 1, 2016 as disclosed in Note 2

These consolidated financial statements are composed of a consolidated statement of income, a consolidated statement of comprehensive income, a consolidated statement of financial position, a consolidated statement of cash flows, a consolidated statement of changes in equity and related notes to the Consolidated Financial Statements.

The Company's reporting currency for the presentation of the consolidated financial statements is the Euro. Unless otherwise specified, the figures in the statements and within these Notes to the Consolidated Financial Statements are expressed in thousands of Euro.

The Company presents its consolidated statement of income using the function of expense method. The Company presents current and non current assets and current and non current liabilities as separate classifications in its consolidated statements of financial position. This presentation of the consolidated statement of income and of the consolidated statement of financial position is believed to provide the most relevant information. The consolidated statement of cash flows was prepared and presented utilizing the indirect method.

The financial statements were prepared using the historical cost convention, with the exception of certain financial assets and liabilities for which measurement at fair value is required.

The consolidated financial statements have been prepared on a going concern basis. Management believes that there are no financial or other indicators presenting material uncertainties that may cast significant doubt upon the Group's ability to meet its obligations in the foreseeable future and in particular in the next 12 months.

1. Consolidation principles, composition of the group and significant accounting policies

CONSOLIDATION PRINCIPLES

SUBSIDIARIES

Subsidiaries are any entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Power is generally presumed with an ownership of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is measured as the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition by acquisition basis, the Group recognizes any non controlling interest in the acquiree at either fair value or the non controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the Group makes a new assessment of the net assets acquired and any residual difference is recognized directly in the consolidated statement of income.

In business combinations achieved in stages, the Group remeasures its previously held equity interest in the acquiree at its acquisition date fair value and recognizes the resulting gain or loss in the consolidated statement of income as extraordinary income or expenses.

Inter company transactions, balances and unrealized gains and losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The individual financial statements used in the preparation of the consolidated financial statements are prepared and approved by the administrative bodies of the individual companies.

TRANSACTIONS WITH EQUITY OWNERS

Transactions such as contributions from owners in their capacity as owners of the entity are recorded in equity.

Transactions with non controlling interests, related to the selling or acquisition in subsidiaries, are treated as transactions with equity owners of the Group. For purchases from non controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss.

ASSOCIATES

Associates are any entities over which the Group has significant influence but not control, generally with ownership of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost.

The Group's share of its associates' post acquisition profits or losses is recognized in the consolidated statement of income, and its share of post acquisition movements in other comprehensive income is recognized in other comprehensive income. The cumulative post acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in associates are tested for impairment in case there are indicators that their recoverable amount is lower than their carrying value.

OTHER COMPANIES

Investments in entities in which the Group does not have either control or significant influence, generally with ownership of less than 20%, are originally recorded at cost and subsequently measured at fair value. Changes in fair value are recorded in the consolidated statement of comprehensive income.

TRANSLATION OF THE FINANCIAL STATEMENTS OF FOREIGN COMPANIES

The Group records transactions denominated in foreign currency in accordance with IAS 21 - *The Effect of Changes in Foreign Exchange Rates*.

The results and financial position of all the Group entities (none of which have the currency of a hyper inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that consolidated statement of financial position
- Income and expenses for each consolidated statement of income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions)
- All resulting exchange differences are recognized in other comprehensive income

Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

The exchange rates used in translating the results of foreign operations are reported in the *Exchange Rates Attachment* to the Notes to the Consolidated Financial Statements.

COMPOSITION OF THE GROUP

During 2016, the composition of the Group changed due to the acquisition of the remaining 63.2% of Salmoiraghi & Viganò S.p.A. ("Salmoiraghi & Viganò"), in accordance with the agreement signed in 2012 with Fenix S.r.l.

Please refer to Note 4 *Business Combinations*, and Note 12 *Goodwill and Intangible Assets* for a description of the primary changes to the composition of the Group.

SIGNIFICANT ACCOUNTING POLICIES

CASH AND CASH EQUIVALENTS

Cash comprises cash on hand and demand deposits and are carried at nominal amount, equal to fair value. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Investments qualify as cash equivalents only when they have a maturity of three months or less from the date of the acquisition.

ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

Accounts receivable and other receivables are carried at amortized cost. Losses on receivables are measured as the difference between the receivables' carrying amount and the present value of estimated future cash flows discounted at the receivables' original effective interest rate computed at the time of initial recognition. The carrying amount of the receivables is reduced through an allowance for doubtful accounts. The amount of the losses on written off accounts is recorded in the consolidated statement of income within selling expenses.

Subsequent collections of previously written off receivables are recorded in the consolidated statement of income as a reduction of selling expenses.

ASSETS AVAILABLE FOR SALE

Assets available for sale are carried at the lower of historical cost and fair value less cost to sell the assets.

INVENTORIES

Inventories are stated at the lower of the cost determined by using the average annual cost method by product line, which approximates the weighted average cost, and the net realizable value. The net realizable value represents the estimated sales price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Provisions for write downs for raw materials, work in process and finished goods which are considered obsolete or slow moving are computed taking into account their expected future utilization and their net realizable value. The Group also considers other reasons that the cost of inventories may not be recoverable such as damage, declines in selling price, increased costs of completion and increased costs to be incurred to make the sale. In addition when the Group performs its assessment of the net realizable value at the end of each reporting period, it considers whether the circumstances that previously caused inventories to be written down no longer exist or whether there is clear evidence of an increase in net realizable value because of changed economic circumstances and, if necessary, reverses the amount of the write-down so that the new carrying amount is the lower of the cost and the revised net realizable value.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at historical cost. Historical cost includes expenditures that are directly attributable to the acquisition of the items. After initial recognition, property, plant and equipment is carried at cost less accumulated depreciation, calculated from the date the asset is available for use, and any accumulated impairment loss. The depreciable amount of the items of property, plant and equipment, measured as the difference between their cost and their residual value, is allocated on a straight line basis over their estimated useful lives as follows:

Category	Useful life
Buildings	From 10 to 40 years
Machinery and equipment	From 3 to 20 years
Aircraft	20 years
Other equipment	From 2 to 10 years
Leasehold Improvements	The lower of useful life and the residual duration of the lease contract

Land is not subject to depreciation. Depreciation ceases when property, plant and equipment is classified as held for sale, in compliance with IFRS 5 - *Non Current Assets Held for Sale and Discontinued Operations*.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. Repair and maintenance costs are charged to the consolidated statement of income during the financial period in which they are incurred.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying item of property, plant and equipment are capitalized as part of the cost of that asset.

The net carrying amount of the qualifying items of property, plant and equipment is assessed, in the case of impairment indicators, at each balance sheet date. The Group would record a writedown of the net carrying amount if it is higher than the recoverable amount. Assets' useful lives are assessed at each balance sheet date.

Upon disposal or when no future economic benefits are expected from the use of an item of property, plant and equipment, its carrying amount is derecognized. The gain or loss arising from derecognition is included in profit and loss.

FINANCE AND OPERATING LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of income on a straight line basis over the lease term.

Leases where lessees bear substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each finance lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in "long term debt", split by current and non-current liabilities, in the consolidated statement of financial position. The interest element of the finance cost is charged to the consolidated statement of income over the lease period. The assets acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

INTANGIBLE ASSETS

a. Goodwill

   Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested at least annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity or a cash generating unit include the carrying amount of goodwill relating to the entity sold.

b. Trademarks and other intangible assets

   Separately acquired trademarks and licenses are shown at historical cost. Trademarks, licenses and other intangible assets, including distribution networks and franchisee agreements, acquired in a business combination are recognized at fair value at the acquisition date. Trademarks and licenses have a finite useful life and are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is calculated using the straight line method to allocate the cost of trademarks and licenses over their estimated useful lives.

Contractual customer relationships acquired in a business combination are recognized at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized over the expected life of the customer relationship.

All intangible assets are subject to impairment tests, as required by IAS 36 - *Impairment of Assets*, if there are indications that the assets may be impaired.

Trademarks are amortized on a straight line basis over periods ranging between 15 and 25 years. Distributor network, contractual customer relationships and lists are amortized on a straight line basis or on an accelerated basis (projecting diminishing cash flows) over periods ranging between 20 and 23 years. Other intangible assets are amortized on a straight line basis over periods ranging between 3 and 7 years.

IMPAIRMENT OF ASSETS

Intangible assets with an indefinite useful life, for example goodwill, are not subject to amortization and are tested at least annually for impairment.

All other assets within the scope of IAS 36 are tested for impairment whenever there are indicators that those assets may be impaired. If such indicators exist, the assets' net carrying amount is compared to their estimated recoverable amount. An impairment loss is recognized if the carrying amount is higher than the recoverable amount.

Tangible assets and intangible assets with a definite useful life are subject to amortization and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, tangible and intangible assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Intangible assets with a definite useful life are reviewed at each reporting date to assess whether there is an indication that an impairment loss recognized in prior periods may no longer exist or has decreased. If such an indication exists, the loss is reversed and the carrying amount of the asset is increased to its recoverable amount, which may not exceed the carrying amount that would have been determined if no impairment loss had been recorded. The reversal of an impairment loss is recorded in the consolidated statement of income.

FINANCIAL ASSETS

The financial assets of the Group fall into the following categories:

a. *Financial assets at fair value through profit and loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current or non current assets based on their maturity and are initially recognized at fair value.

Transaction costs are immediately recognized in the consolidated statement of income. After initial recognition, financial assets at fair value through profit and loss are measured at their fair value each reporting period. Gains and losses deriving from changes in fair value are recorded in the consolidated statement of income in the period in which they occur. Dividend income from financial assets at fair value through profit or loss is recognized in the consolidated statement of income as part of other income when the Group's right to receive payments is established.

b. *Loans and receivables*

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months or which are not expected to be repaid within 12 months after the end of the reporting period. These are classified as non current assets. The Group's loans and receivables are comprised of trade and other receivables. Loans and receivables are initially measured at their fair value plus transaction costs. After initial recognition, loans and receivables are measured at amortized cost, using the effective interest method.

c. *Financial assets available for sale*

Available for sale financial assets are non derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. Financial assets available for sale are initially measured at their fair value plus transaction costs. After initial recognition, financial assets available for sale are carried at fair value. Any changes in fair value are recognized in other comprehensive income. Dividend income from financial assets held for sale is recognized in the consolidated statement of income as part of other income when the Group's right to receive payments is established.

A regular way purchase or sale of financial assets is recognized using the settlement date. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

The fair value of listed financial instruments is based on the quoted price on an active market. If the market for a financial asset is not active (or if it refers to non listed securities), the Group defines the fair value by utilizing valuation techniques. These techniques include using recent arms length market transactions between knowledgeable willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flows analysis, and pricing models based on observable market inputs, which are consistent with the instruments under valuation.

The valuation techniques are primarily based on observable market data as opposed to internal sources of information.

At each reporting date, the Group assesses whether there is objective evidence that a financial asset is impaired. In the case of investments classified as financial assets held for sale, a prolonged or significant decline in the fair value of the investment below its cost is also considered an indicator that the asset is impaired. If any such evidence exists for an available for sale financial asset, the cumulative loss, measured as the difference between the cost of acquisition and the current fair value, net any impairment loss previously recognized in the consolidated statement of income, is removed from equity and recognized in the consolidated statement of income. Any impairment loss recognized on an investment classified as an available for sale financial asset is not reversed.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are accounted for in accordance with IAS 39 - *Financial Instruments: Recognition and Measurement*.

At the date the derivative contract is entered into, derivative instruments are accounted for at their fair value and, if they are not designated as hedging instruments, any changes in fair value after initial recognition are recognized as components of net income for the year. If, on the other hand, derivative instruments meet the requirements for being classified as hedging instruments, any subsequent changes in fair value are recognized according to the following criteria, as illustrated below.

The Group designates certain derivatives as instruments for hedging specific risks associated with highly probable transactions (cash flow hedges).

For each derivative financial instrument designated as a hedging instrument, the Group documents the relationship between the hedging instrument and the hedged item, as well as the risk management objectives, the hedging strategy and the methodology to measure the hedging effectiveness. The hedging effectiveness of the instruments is assessed both at the hedge inception date and on an ongoing basis. A hedging instrument is considered highly effective when both at the inception date and during the life of the instrument, any changes in fair value of the derivative instrument offset the changes in fair value or cash flows attributable to the hedged items.

If the derivative instruments are eligible for hedge accounting, the following accounting criteria are applicable:

- **Fair value hedge** - when a derivative financial instrument is designated as a hedge of the exposure to changes in fair value of a recognized asset or liability ("hedged item"), both the changes in fair value of the derivative instrument as well as changes in the hedged item are recorded in the consolidated statement of income. The gain or loss related to the ineffective portion of the derivative instrument is recognized as financial income/expense.

- **Cash flow hedge** - when a derivative financial instrument is designated as a hedge of the exposure to variability in future cash flows of recognized assets or liabilities or highly probable forecasted transactions ("cash flow hedge"), the effective portion of any gain or loss on the derivative financial instrument is recognized directly in other comprehensive income ("OCI"). The cumulative gain or loss is removed from OCI and recognized in the consolidated statement of income at the same time as the economic effect arising from the hedged item affects income. The gain or loss related to the ineffective portion of the derivative instrument is recognized in the consolidated statement of income. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated statement of income. When a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in OCI at that time remains in equity, and is recognized when the economic effect arising from the hedged item affects income. The Group utilizes derivative financial instruments, primarily Interest Rate Swap and Currency Swap contracts, as part of its risk management policy in order to reduce its exposure to interest rate and exchange rate fluctuations. Despite the fact that certain currency swap contracts are used as an economic hedge of the exchange rate risk, these instruments do not fully meet the criteria for hedge accounting pursuant to IAS 39 and are marked to market at the end of each reporting period, with changes in fair value recognized in the consolidated statement of income.

ACCOUNTS PAYABLE AND OTHER PAYABLES

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less from the reporting date. If not, they are presented as non current liabilities. Accounts payable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

SHORT AND LONG TERM DEBT

Short and long term debt is initially recorded at fair value, less directly attributable transaction costs, and subsequently measured at its amortized cost by applying the effective interest method. If there is a change in expected cash flows, the carrying amount of the long term debt is recalculated by computing the present value of estimated future cash flows at the financial instrument's original effective interest rate. Long term debt is classified under non current liabilities when the Group retains the unconditional right to defer the payment for at least 12 months after the balance sheet date and under current liabilities when payment is due within 12 months from the balance sheet date. Short-term debt and cash are offset when the Group has a legal right to set off the recognized amounts and intends to do so.

Short- and long term debt is removed from the statement of financial position when it is extinguished, i.e. when the obligation specified in the contract is discharged, canceled or expires.

CURRENT AND DEFERRED TAXES

The tax expense for the period comprises current and deferred tax.

Tax expenses are recognized in the consolidated statement of income, except to the extent that they relate to items recognized in OCI or directly in equity. In this case, tax is also recognized in OCI or directly in equity, respectively. The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. Interest and penalties associated with these positions are included in "provision for income taxes" within the consolidated statement of income.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted as of the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred tax liabilities where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

EMPLOYEE BENEFITS

The Group has both defined benefit and defined contribution plans.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive upon retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognized in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognized past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

Actuarial gains and losses due to changes in actuarial assumptions or to changes in the plan's conditions are recognized as incurred in the consolidated statement of comprehensive income.

Prior period's service costs are immediately recognized in the consolidated statements of income.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefits expenses when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available

PROVISIONS FOR RISKS

Provisions for risks are recognized when:

- The Group has a present obligation, legal or constructive, as a result of a past event
- It is probable that the outflow of resources will be required
- The amount of the obligation can be reliably estimated

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Risks that are possible are disclosed in the notes. Risks that are remote are not disclosed or provided for.

Restructuring costs are recorded when the general criteria for recording a provision are met. The Group has a constructive obligation when (i) a detailed formal plan identifies at least the business or part of the business impacted, the principal locations affected and the location, function and approximate number of employees who will be compensated for the termination of their services and (ii) a valid expectation that the restructuring will be carried out has been raised by the Group with those parties affected by the restructuring.

SHARE BASED PAYMENTS

The Company operates a number of equity settled, share based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options or units). The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the options or units granted.

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting and performance conditions are to be satisfied. At the end of each reporting period, the Company revises its estimates of the number of options that are expected to vest based on the non market vesting conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated statement of income, with a corresponding adjustment to equity.

RECOGNITION OF REVENUES

Revenue is recognized in accordance with IAS 18 - *Revenue*. Revenue includes: (i) sales of goods (both Wholesale and Retail); (ii) rendering of services such as insurance and administrative fees associated with the Group's managed vision care business, eye exams and related professional services; and (iii) sales of goods to franchisees along with other revenues from franchisees such as royalties based on sales and initial franchise fee revenues.

Revenue from the sale of goods is recognized when all of the following conditions have been satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership of the goods
- The amount of revenue can be measured reliably
- It is probable that the economic benefits associated with the transaction will flow to the Group
- The costs incurred or to be incurred in respect of the transaction can be measured reliably

Revenue from rendering of services is recognized by reference to the stage of completion of the transaction involving the rendering of services at the reporting date and when the outcome of the transaction can be estimated reliably. In particular, when all of the following conditions have been satisfied:

- The amount of revenues can be measured reliably
- It is probable that the economic benefits associated with the transaction will flow to the Group
- The stage of completion of the transaction at the end of the reporting period can be measured reliably
- The costs incurred for the transaction and the costs to compete the transaction can be measured reliably.

Wholesale division revenues are recognized at the time goods are delivered to the customer. The Group records an accrual for the estimated amounts to be returned against revenue. This estimate is based on the Group's right of return policies and practices along with historical data and sales trends. There are no other post shipment obligations other than the product warranty, if required by the law. Revenues received for the shipping and handling of goods are included in sales and the costs associated with shipments to customers are included in operating expenses.

Retail division revenues are recognized upon receipt of the goods by the customer at the Retail location. In some countries, the Group allows Retail customers to return goods for a period of time and, as such, the Group records an accrual for the estimated amounts to be returned against revenue. This accrual is based on the historical return rate as a percentage of net sales and the timing of the returns from the original transaction date, and is periodically reassessed. There are no other post shipment obligations other than the product warranty, if required by the law. Additionally, the Retail division enters into discount programs and similar relationships with third parties that have terms of twelve or more months. Customers who present a valid membership card typically receive a fixed percentage discount off the Retail prices for a specified range of product and/or services. Revenues under these arrangements are recognized upon receipt of the products or services by the customer at the Retail location. Advance payments and deposits from customers are not recorded as revenues until the product is delivered. The Retail division also includes managed vision care revenues consisting of both fixed fee and fee for service managed vision care plans. For fixed fee plans, the plan sponsor pays the Group a monthly premium for each enrolled subscriber. Premium revenue is recognized as earned during the benefit coverage period. Premiums are generally billed in the month of benefit coverage. Any unearned premium revenue is deferred and recorded within other current liabilities on the consolidated statement of financial position. For fee for service plans, the plan sponsor pays the Company a fee to process its claims. Revenue is recognized as the services are rendered. For these programs, the plan sponsor is responsible for funding the cost of claims. Accruals are established for amounts due under these relationships estimated to be uncollectible.

Franchise revenues based on sales by unconsolidated franchisees (such as royalties) are accrued and recognized as earned. Initial franchise fees are recorded as revenue when all material services or conditions relating to the sale of the franchise have been substantially performed or satisfied by the Group and when the related store begins operations. Allowances are established for amounts due under these relationships when they are determined to be uncollectible.

The Group licenses to third parties the rights to certain intellectual property and other proprietary information and recognizes royalty revenues when earned.

Free frames given to customers as part of a promotional offer are recorded in cost of sales at the time they are delivered to the customer. Trade discounts and coupons tendered by customers are recorded as a reduction of revenue at the date of sale.

USE OF ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions which influence the value of assets and liabilities as well as revenues and costs reported in the consolidated statement of financial position and in the consolidated statement of income, respectively or the disclosures included in the notes to the consolidated financial statements in relation to potential assets and liabilities existing as of the date the consolidated financial statements were authorized for issue.

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

The most significant accounting principles which require a higher degree of judgment from management are illustrated below.

a. **Valuation of receivables** - Receivables from customers are adjusted by the related allowance for doubtful accounts in order to take into account their recoverable amount. The determination of the amount of write downs requires judgment from management based on available documentation and information, as well as the solvency of the customer, and based on past experience and historical trends

b. **Valuation of inventories** - Inventories which are obsolete and slow moving are periodically evaluated and written down in the case that their net realizable value is lower than their carrying amount. Write downs are calculated on the basis of management assumptions and estimates which are derived from experience and historical results

c. **Valuation of deferred tax assets** - The valuation of deferred tax assets is based on forecasted results which depend upon factors that could vary over time and could have significant effects on the valuation of deferred tax assets

d. **Income taxes** - The Group is subject to different tax jurisdictions. The determination of tax liabilities for the Group requires the use of assumptions with respect to transactions whose fiscal consequences are not yet certain at the end of the reporting period. The Group recognizes liabilities which could result from future inspections by the fiscal authorities on the basis of an estimate of the amounts expected to be paid to the taxation authorities. If the result of the abovementioned inspections differs from that estimated by Group management, there could be significant effects on both current and deferred taxes

e. **Valuation of goodwill** - Goodwill is subject to an annual impairment test. This calculation requires management's judgment based on information available within the Group and the market, as well as on past experience

f. **Valuation of intangible assets with a definite useful life (trademarks and other intangibles)** - The useful lives and the amortization method of these intangible assets are assessed for appropriateness on an annual basis

g. **Benefit plans** - The Group participates in benefit plans in various countries. The present value of pension liabilities is determined using actuarial techniques and certain assumptions. These assumptions include the discount rate, the expected return on plan assets, the rates of future compensation increases and rates relative to mortality and resignations. Any change in the abovementioned assumptions could result in significant effects on the employee benefit liabilities, and

h. **Valuation of provision for risks** - The determination of the amount of the accruals requires judgment by management based on available documentation and information on potential liabilities

EARNINGS PER SHARE

The Company determines earnings per share and earnings per diluted share in accordance with IAS 33 - *Earnings per Share*. Basic earnings per share are calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity by the weighted average number of shares outstanding during the period. For the purpose of calculating the diluted earnings per share, the Company adjusts the profit and loss attributable to ordinary equity holders, and the weighted average number of shares outstanding, for the effect of all dilutive potential ordinary shares.

TREASURY SHARES

Treasury shares are recorded as a reduction of stockholders' equity. The original cost of treasury shares, as well as gains or losses on the purchase, sale or cancellation of treasury shares, are recorded in the consolidated statement of changes in equity.

2. New accounting principles

New and amended accounting standards and interpretations, if not early adopted, must be adopted in the financial statements issued after the applicable effective date.

New standards and amendments that are effective for reporting periods beginning on January 1, 2016

The application of the new accounting standards and amendments did not have a significant impact on the consolidated financial statements of the Group.

Amendments to IAS 19 - Defined Benefit Plans: Employee Contributions. The amendment reduce current services costs for the period by contributions paid by employees or by third parties during the period that are not related to the number of years of service, instead of allocating these contributions over the period when the services are rendered.

Annual Improvements to IFRSs - 2010-2012 Cycle. The amendments adopted impact: (i) IFRS 2, clarifying the definition of "vesting condition" and introducing the definitions of conditions of service and results; (ii) IFRS 3, clarifying that obligations that correspond to contingent considerations, other than those covered by the definition of equity instrument, are measured at fair value at each balance sheet date, with changes recognized in the income statement; (iii) IFRS 8, requiring information to be disclosed regarding the judgments made by management in the aggregation of operating segments that describes how the segments have been aggregated and the economic indicators that have been evaluated in order to determine that the aggregated segments have similar economic characteristics; (iv) IAS 16 and IAS 38, clarifying the procedures for determining the gross carrying amount of assets when a revaluation is determined as a result of the revaluation model; and (v) IAS 24, establishing the disclosures to be provided when there is a related party entity that provides key management personnel services to the reporting entity.

Amendments to IFRS 11 - Accounting for Acquisitions of Interests in Joint Operations. The amendments advise on how to account for acquisitions of interests in joint operations.

Amendments to IAS 1 - Disclosure Initiative. The amendments concern materiality, aggregation of items, structure of the notes, information about accounting policies and presentation of other comprehensive income arising from the measurement of equity method investments.

Amendments to IAS 27 - Equity Method in Separate Financial Statements. The amendments clarify that an entity can apply the equity method to account for investments in subsidiaries, joint ventures and associates in its separate financial statements retrospectively.

Amendments to IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortization. The amendments clarify the use of the "revenue-based method" to calculate the depreciation of an asset

Amendments to IFRS 10, IFRS 12 and IAS 28 - Investment Entities: Applying the Consolidation Exception. The changes clarify the application of the exception to consolidation for investment entities.

Annual Improvements to IFRSs - 2012-2014 Cycle. The amendments modify: (i) IFRS 5, clarifying that the reclassification of an asset (or disposal group) from held for sale to held for distribution (or vice versa) should not be considered as a change in the original disposal plan; (ii) IFRS 7, clarifying that: (A) excluding the presumption that the right to earn a fee for servicing a financial asset is generally continuing involvement and specifying that the entity should define the nature of the fee in accordance with the guidance of IFRS 7, and (B) the offsetting disclosures are not applicable to condensed interim financial statements unless they provide a significant update to the disclosure included in the most recent annual financial statements; (iii) IAS 19, clarifying that the depth of the market for high-quality corporate bonds should be assessed based on the currency in which the bond is denominated as opposed to the country in which the bond is located (in case a deep market of high-quality corporate bonds in a specific currency does not exist, corporate bonds should be considered); and (iv) IAS 34, clarifying that the required disclosures should be included either in the interim financial report or by cross-reference to other sections of the interim report (i.e. the management report). The disclosure included in the interim report should be available at the same time as the interim financial report.

New standards and amendments that are effective for reporting periods beginning after January 1, 2016 and not early adopted

The Group is assessing the impact of the new accounting standards and amendments and on its consolidated financial statements.

Amendments to IAS 12 - Recognition of Deferred Tax Assets on Unrealized Losses. The amendments provide clarifications on the recognition of deferred tax assets on debt instruments measured at fair value. The amendments are applicable to periods beginning on or after January 1, 2017 unless changed after the European Union endorsement, which has not yet occurred as of the date this Financial Report was authorized for issue.

Amendments to IAS 7 - Disclosure Initiatives. The amendments will require entities to provide disclosures that enable investors to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes The amendments are applicable to periods beginning on or after January 1, 2017 unless changed after the European Union endorsement, which has not yet occurred as of the date this Financial Report was authorized for issue.

IFRS 15 - Revenue from Contracts with Customers. This standard replaces IAS 18—Revenues, IAS 11—Construction Contracts, IFRIC 13—Customer Loyalty Programs, IFRIC 15—Agreements for Constructions of Real Estate, IFRIC 18—Transfers of Assets from Customers and SIC 31—Revenue—Barter Transactions Involving Advertising Services. Revenue is recognized when the customer obtains control over goods or services and, therefore, when it has the ability to direct the use of and obtain the benefit from them. If an entity agrees to provide goods or services for consideration that varies upon certain future events occurring or not occurring, an estimate of this variable consideration is included in the transaction price only if highly probable. The consideration in multiple element transactions is allocated based on the price an entity would charge a customer on a stand-alone basis for each good or service. Entities sometimes incur costs, such as sales commissions, to obtain or fulfill a contract. Contract costs that meet certain criteria are capitalized as an asset and amortized as revenue is recognized. The standard also specifies that an entity should adjust the transaction price for the time value of money in case the contract includes a significant financing component. IFRS 15 is applicable from the first quarter of periods beginning on or after January 1, 2018 unless changed after the European Union endorsement.

Based on the business the Group operates and the preliminary analysis of contracts with customers signed by the Group, the impact of the new and amended accounting standard would not be significant.

Clarifications to IFRS 15—Revenue from Contracts with Customers. The objective of the document is to clarify the guidance in IFRS 15 in respect of issues arising from the discussions of the Transition Resource Group for Revenue Recognition (TRG). The clarifications are applicable to periods beginning on or after January 1, 2018 unless changed after the European Union endorsement.

IFRS 9 - Financial instruments. This standard was issued in July 2014. The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39—Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for classifying and measuring financial assets. The new standard reduces the number of categories of financial assets pursuant to IAS 39 and requires that all financial assets be: (i) classified on the basis of the model which a company has adopted in order to manage its financial activities and on the basis of the cash flows from financing activities; (ii) initially measured at fair value plus any transaction costs in the case of financial assets not measured at fair value through profit and loss; and (iii) subsequently measured at their fair value or at the amortized cost. IFRS 9 also provides that embedded derivatives which fall within the scope of IFRS 9 must no longer be separated from the primary contract which contains them and states that a company may decide to directly record - within the consolidated statement of comprehensive income - any changes in the fair value of investments which fall within the scope of IFRS 9. The new model introduced by IFRS 9 eliminates the threshold for the recognition of expected impairment losses, so that it is no longer necessary for a trigger event to have occurred before impairment losses are recognized, and requires an entity to recognize expected impairment losses at all times and to update the amount of expected impairment losses at each reporting date to reflect changes in the credit risk of the financial instrument. IFRS 9 contains a three-stage approach to account for impairment losses. Each stage dictates how an entity measures impairment losses. IFRS 9 aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. The new standard enables an entity to use information produced internally as a basis for hedge accounting. The standard is not applicable until January 1, 2018, unless changes after the European Union endorsement which has not yet occurred as of the date this Financial Report was authorized for issue.

Amendments to IFRS 2 - Clarification and Measurement of Shared-based Payment Transaction. The amendments define the accounting treatments in relation to share-based payment transactions. The amendments are applicable to periods beginning on or after January 1, 2018 unless changed after the European Union endorsement, which has not yet occurred as of the date this Financial Report was authorized for issue.

Amendments to IFRS 4 - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts. These amendments clarify the accounting treatment in relation to insurance contracts applying IFRS 9. The amendments are applicable to periods beginning on or after January 1, 2018 unless changed after the European Union endorsement, which has not yet occurred as of the date this Financial Report was authorized for issue.

Annual Improvements to IFRSs 2014-2016 Cycle. The amendment modifies (i) IFRS 1, clarifying exemptions for first-time adopters; (ii) IAS 28, clarifying accounting treatment for joint ventures and affiliates; and (iii) IFRS 12, clarifying the standard's applicability. The standard is not applicable until January 1, 2018 unless changed after the European Union endorsement, which has not yet occurred as of the date this Financial Report was authorized for issue.

IFRIC Interpretation 22 - Foreign currency transactions and advance considerations. These amendments clarify the accounting treatment in relation to profits or losses arising from foreign currency transactions. The standard is not applicable until January 1, 2018 unless changed after the European Union endorsement, which has not yet occurred as of the date this Financial Report was authorized for issue.

IFRS 16 - Leases - The standard replaces IAS 17 - "Leases" and requires all leases to be recorded on the balance sheet as assets and liabilities considering the substantial part of the contract. IFRS 16 is applicable to periods beginning on or after January 1, 2019. An entity can apply IFRS 16 before that date but only if it also applies IFRS 15 "Revenue from Contracts with Customers".

The Group is analyzing its lease contracts with particular focus on rental agreements in the Retail division and is analyzing if there will be a significant impact on the Group's financial statements from application of the new and amended accounting standards.

Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. These amendments clarify the accounting treatment in relation to profits or losses arising from transactions with joint ventures or associates accounted for using the equity method. The periods for which the amendments are applicable have not yet been defined.

3. Financial risks

The assets of the Group are exposed to different types of financial risk: market risk (which includes exchange rate risks, interest rate risk relative to fair value variability and cash flow uncertainty), credit risk and liquidity risk. The risk management strategy of the Group aims to stabilize the results of the Group by minimizing the potential effects due to volatility in financial markets. The Group uses derivative financial instruments, mainly interest rate and currency swap agreements, as part of its risk management strategy.

Financial risk management is centralized within the Treasury department which identifies, evaluates and implements financial risk hedging activities, in compliance with the Financial Risk Management Policy guidelines approved by the Board of Directors. The Policy defines the guidelines for any kind of risk, such as the exchange rate risk, the interest rate risk, credit risk and the utilization of derivative and non derivative instruments. The Policy also specifies the management activities, the permitted instruments, the limits and proxies for responsibilities.

EXCHANGE RATE RISK

The Group operates at the international level and is therefore exposed to exchange rate risk related to the various currencies with which the Group operates. The Group only manages transaction risk. The transaction exchange rate risk derives from commercial and financial transactions in currencies other than the functional currency of the Group, i.e., the Euro.

The primary exchange rate to which the Group is exposed is the Euro/USD exchange rate.

The exchange rate risk management policy defined by the Group's management states that transaction exchange rate risk must be hedged for a percentage between 50% and 100% by trading forward currency contracts or permitted option structures with third parties.

This exchange rate risk management policy is applied to all subsidiaries, including companies which have been recently acquired.

If the Euro/USD exchange rate increases by 10% as compared to the 2016 and 2015 actual average exchange rates and all other variables remain constant, the impact on income before taxes would have been a decrease of Euro 104.0 million and Euro 99.4 million in 2016 and 2015, respectively. If the Euro/USD exchange rate decreases by 10% as compared to the actual 2016 and 2015 average exchange rates and all other variables remain constant, the impact on income before taxes would have been an increase of Euro 104.0 million and Euro 99.4 million in 2016 and 2015, respectively. Even if exchange rate derivative contracts are stipulated to hedge future commercial transactions as well as assets and liabilities previously recorded in the financial statements in foreign currency, these contracts, for accounting purposes, may not be accounted for as hedging instruments.

PRICE RISK

The Group is generally exposed to price risk associated with investments in bond securities which are classified as assets at fair value through profit and loss. As of December 31, 2016 and 2015, the Group investment portfolio was fully divested. As a result, there was no exposure to price risk on such dates.

CREDIT RISK

Credit risk exists in relation to accounts receivable, cash, financial instruments and deposits in banks and other financial institutions.

CREDIT RISK RELATED TO COMMERCIAL COUNTERPARTIES

The credit risk related to commercial counterparties is locally managed and monitored by a group credit control department for all entities included in the Wholesale distribution segment. Credit risk which originates within the Retail segment is locally managed by the companies included in the Retail segment.

Losses on receivables are recorded in the financial statements if there are indicators that a specific risk exists or as soon as risks of potential insolvency arise, by determining an adequate accrual for doubtful accounts.

The allowance for doubtful accounts used for the Wholesale segment and in accordance with the credit policy of the Group is determined by assigning a rating to customers according to the following categories:

- "GOOD" (active customers), for which no accrual for doubtful accounts is recorded for accounts receivable overdue for less than 90 days. Beyond 90 days overdue a specific accrual is made in accordance with the customer's credit worthiness (customers "GOOD UNDER CONTROL"); and

- "RISK" (no longer active customers), for which the outstanding accounts receivable are fully provided. The following are examples of events that may fall into the definition of RISK:

  a. Significant financial difficulties of the customers

  b. A material contract violation, such as a general breach or default in paying interest or principal

  c. The customer declares bankruptcy or is subject to other insolvency proceedings; and

  d. All cases in which there is documented proof certifying the non recoverability of the receivables (i.e., the inability to trace the debtor, seizures)

Inoltre, per definire l'ammontare del fondo svalutazione crediti si considerano anche le perdite subite dal Gruppo negli anni precedenti.

Furthermore, the assessment of the losses incurred in previous years is taken into consideration in order to determine the balance of the bad debt provision.

The Group does not have significant concentrations of credit risk. In any case, there are proper procedures in place to ensure that the sales of products and services are made to reliable customers on the basis of their financial position as well as past experience. Credit limits are defined according to the thresholds approved by the Board of Directors and internal and external evaluations of the customer's reliability. The utilization of credit limits is regularly monitored through automated controls.

Moreover, prior to October 2015, the Group had an agreement with an insurance company in order to cover the credit risk associated with customers in those countries where the Group does not have a direct presence. For 2016, a new global insurance agreement had not yet been finalized.

CREDIT RISK RELATED TO THE MANAGEMENT OF FINANCIAL RESOURCES AND CASH AVAILABILITIES

With regards to credit risk related to the management of financial resources and cash availabilities, the risk is managed and monitored by the Group Treasury Department through financial guidelines to ensure that all the Group subsidiaries maintain relations with primary bank counterparties. Credit limits with respect to the primary financial counterparties are based on evaluations and analyses that are implemented by the Group Treasury Department.

Within the Group there are various shared guidelines governing the relations with the bank counterparties, and all the companies of the Group comply with the "Financial Risk Policy" directives.

Usually, the bank counterparties are selected by the Group Treasury Department and cash availabilities can be deposited, over a certain limit, only with counterparties with elevated credit ratings, as defined in the Financial Risk Policy. Operations with derivatives are limited to counterparties with solid and proven experience in the trading and execution of derivatives and with elevated credit ratings, as defined in the policy, in addition to being subordinate to the undersigning of an ISDA (International Swaps and Derivatives Association) Master Agreement.

In particular, counterparty risk of derivatives is mitigated through the diversification of the counterparty banks with which the Group deals. In this way, the exposure with respect to each bank is never greater than 25% of the total notional amount of the derivatives portfolio of the Group.

During the course of the year, there were no situations in which credit limits were exceeded. Based on the information available to the Group, there were no potential losses deriving from the inability of the abovementioned counterparties to meet their contractual obligations.

LIQUIDITY RISK

The management of the liquidity risk which originates from the normal operations of the Group involves the maintenance of an adequate level of cash availabilities as well as financial availabilities through an adequate amount of committed credit lines.

With regards to the policies and actions that are used to mitigate liquidity risks, the Group takes adequate actions in order to meet its obligations. In particular, the Group:

- Utilizes debt instruments or other credit lines in order to meet liquidity requirements
- Utilizes different sources of financing and, as of December 31, 2016, had unused lines of credit of approximately Euro 651 million
- Is not subject to significant concentrations of liquidity risk, both from the perspective of financial assets as well as in terms of financing sources
- Utilizes different sources of bank financing but also a liquidity reserve in order to promptly meet any cash requirements
- Implements systems to concentrate and manage the cash liquidity (Cash Pooling) in order to more efficiently manage the Group financial flows, thereby avoiding the dispersal of liquid funds and minimizing financial charges; and
- Monitors, through the Treasury Department, forecasts on the utilization of liquidity reserves of the Group based on expected cash flows

The following tables include a summary, by maturity date, of assets and liabilities at December 31, 2016 and December 31, 2015. The reported balances are contractual and undiscounted figures. With regards to forward foreign currency contracts, the tables relating to assets report the flows relative to receivables only. These amounts will be counterbalanced by payables, as reported in the tables relating to liabilities.

(Euro/000)	Less than 1 year	From 1 to 3 years	From 3 to 5 years	Beyond 5 years
As of December 31, 2016				
Cash and cash equivalents	866,864	-	-	-
Derivatives receivable	6,428	-	-	-
Accounts receivable	932,340	-	-	-
Other current assets	162,412	-	-	-

(Euro/000)	Less than 1 year	From 1 to 3 years	From 3 to 5 years	Beyond 5 years
As of December 31, 2015				
Cash and cash equivalents	864,852	-	-	-
Derivatives receivable	2,055	-	-	-
Accounts receivable	858,053	-	-	-
Other current assets	93,316	-	-	-

(Euro/000)	Less than 1 year	From 1 to 3 years	From 3 to 5 years	Beyond 5 years
As of December 31, 2016				
Debt owed to banks and other financial institutions	154,094	723,232	450,116	515,795*
Derivatives payable	2,856	-	-	-
Accounts payable	944,402	-	-	-
Other current liabilities	672,814	-	-	-

(Euro/000)	Less than 1 year	From 1 to 3 years	From 3 to 5 years	Beyond 5 years
As of December 31, 2015				
Debt owed to banks and other financial institutions	44,882	226,556	672,588	825,153*
Derivatives payable	2,173	-	-	-
Accounts payable	927,186	-	-	-
Other current liabilities	601,572	-	-	-

(*) Excludes the balance of the amortized costs of Euro (8.2) million in 2016 and (9.2) in 2015.

INTEREST RATE RISK

The interest rate risk to which the Group is exposed primarily originates from long term debt. Such debt accrues interest at both fixed and floating rates.

With regard to the risk arising from fixed rate debt, the Group does not apply specific hedging policies since it does not deem the risk to be material.

Floating rate debt exposes the Group to a risk from the volatility of the interest rates (cash flow risk). In relation to this risk, and for the purposes of the related hedging, the Group utilized derivate contracts, specifically Interest Rate Swap (IRS) agreements, which exchange the floating rate for a fixed rate, thereby reducing the risk from interest rate volatility.

On the basis of various scenarios, the Group calculates the impact of rate changes on the consolidated statement of income. For each scenario, the same interest rate change is utilized for all currencies. The various scenarios only include those liabilities at floating rates that are not hedged with fixed interest rate swaps. As of December 31, 2016, the following floating-rate debt was outstanding, which was incurred by Salmoiraghi & Viganò prior to the time that the Company acquired it:

Bank loan - Line A - outstanding amount of Euro 25.5 million, with a maturity date of September 30, 2021, repayment in installments, interest rate of 6 month Euribor plus a margin of 2.60%.

Bank loan - Line B - outstanding amount of Euro 20 million, with a maturity date of September 30, 2022, repayment in installments, interest rate of 6 month Euribor plus a margin of 2.80%.

The impact as of December 31, 2016 and net of tax effect of an increase of 100 basis points on net income, in a situation with all other variables unchanged, would have been a maximum increase/decrease of Euro 1.6 million (Euro 1.1 million net of tax effect).

For the purposes of fully disclosing information about financial risks, a reconciliation between classes of financial assets and liabilities and the types of financial assets and liabilities identified on the basis of IFRS 7 requirements is reported below (in thousands of Euro):

(Euro/000)	Financial Assets at fair value through profit and loss	Loans and receivables	Investment held until maturity	Financial assets available for sales	Financial liabilities at fair value through profit and loss	Hedging derivatives	Total	Note*
As of December 31, 2016								
Cash and cash equivalent	-	866,864	-	-	-	-	866,864	6
Accounts receivable	-	932,340	-	-	-	-	932,340	7
Other current assets	6,428	111,128	-	51,284	-	-	168,840	9
Other non current assets		84,689	-	-	-	-	84,689	14
Short term borrowings	-	208,813	-	-	-	-	208,813	16
Current portion of long term debt	-	154,094	-	-	-	-	154,094	17
Accouts payable	-	944,402	-	-	-	-	944,402	18
Other current liabilities	-	672,814	-	-	2,856	-	675,670	21
Long term debt	-	1,680,951	-	-	-	-	1,680,951	22
Other non current liabilities	-	79,783	-	-	-	-	79,783	25

(*) The notes reported above refer to the paragraphs within these notes to the consolidated financial statements in which the financial assets and liabilities are further explained.

(Euro/000)	Financial Assets at fair value through profit and loss	Loans and receivables	Investment held until maturity	Financial assets available for sales	Financial liabilities at fair value through profit and loss	Hedging derivatives	Total	Note*
As of December 31, 2015								
Cash and cash equivalents	-	864,852	-	-	-	-	864,852	6
Accounts receivable	-	858,053	-	-	-	-	858,053	7
Other current assets	2,055	93,316	-	-	-	-	95,372	9
Other non current assets	-	84,800	-	-	-	-	84,800	14
Short term borrowings	-	110,450	-	-	-	-	110,450	16
Current portion of longterm debt	-	44,882	-	-	-	-	44,882	17
Accounts payable	-	927,186	-	-	-	-	927,186	18
Other current liabilities	-	601,572	-	-	2,173	-	603,745	21
Long term debt	-	1,715,104	-	-	-	-	1,715,104	22
Other non current liabilities	-	91,391	-	-	-	-	91,391	25

(*) The notes reported above refer to the paragraphs within these notes to the consolidated financial statements in which the financial assets and liabilities are further explained.

DEFAULT RISK: NEGATIVE PLEDGES AND FINANCIAL COVENANTS

The financing agreements of the Group (see Note 22) require compliance with negative pledges and financial covenants, as set forth in the respective agreements, with the exception of the Group's bond issues dated March 19, 2012 and February 10, 2014, which require compliance only with negative pledges.

With regards to negative pledges, in general, the clauses prohibit the Company and its subsidiaries from granting any liens or security interests on any of their assets in favor of third parties without the consent of the lenders over a threshold equal to 20% of the Group consolidated stockholders' equity. In addition, the sale of assets of the Company and its subsidiaries is limited to a maximum threshold of 10% of consolidated assets.

Default with respect to the abovementioned clauses and following a grace period during which the default can be remedied, would be considered a material breach of the contractual obligations pursuant to the financing agreements of the Group.

Financial covenants require the Group to comply with specific levels of financial ratios. The most significant covenants establish a threshold for the ratio of net debt of the Group to EBITDA (Earnings before interest, taxes, depreciation and amortization) as well as EBITDA to financial charges and priority debt to share equity. The covenants are reported in the following table:

Financial Ratios	
Net Financial Position/Pro forma EBITDA	<3.5
EBITDA/ Pro forma financial charges	>5
Priority Debt/Share Equity	<20%

An explanation of the covenants referenced above is provided as follows:

- *"Net Financial Position/Pro Forma EBITDA"* is an indicator of the prospective sustainability of debt repayments; the lower the absolute value, the greater a company's ability to repay the debt (as indicated by the Net Financial Position) through the generation of gross cash flows from ordinary operations (as indicated by the amount of EBITDA);

- *"EBITDA / Pro forma Financial Charges"* is an indicator of financial leverage; the higher the value, the greater a company's ability to produce adequate resources to cover finance-related expenses; and

- *"Priority Debt/Share Equity"* is an indicator of the ability to achieve financial equilibrium between internal and third-party sources of funding; the lower the ratio, the greater a company's ability to fund itself.

In the case of a failure to comply with the abovementioned ratios, the Group may be called upon to pay the outstanding debt if it does not correct such default within the period indicated in the applicable agreement.

Compliance with these covenants is monitored by the Group at the end of each quarter and, as of December 31, 2016, the Group was fully in compliance with these covenants. The Company also analyzes the trend of these covenants in order to monitor its compliance and, as of today, the analysis indicates that the ratios of the Group are below the thresholds which would result in default.

FAIR VALUE

In order to determine the fair value of financial instruments, the Group utilizes valuation techniques which are based on observable market prices (Mark to Model). These techniques therefore fall within Level 2 of the hierarchy of Fair Values identified by IFRS 13 - *Fair Value*.

IFRS 13 refer to valuation hierarchy techniques that are based on three levels:

- Level 1: Inputs are quoted prices in an active market for identical assets or liabilities
- Level 2: Inputs used in the valuations, other than the prices listed in Level 1, are observable for each financial asset or liability, both directly (prices) and indirectly (derived from prices); and
- Level 3: Unobservable inputs used when observable inputs are not available in situations where there is little, if any, market activity for the asset or liability

In order to select the appropriate valuation techniques to utilize, the Group uses the above valuation hierarchy.

The Group determined the fair value of the derivatives existing on December 31, 2016 through valuation techniques which are commonly used for instruments similar to those traded by the Group. The models applied to value the instruments are based on a calculation obtained from the Bloomberg information service. The input data used in these models are based on observable market prices (the Euro and USD interest rate curves as well as official exchange rates on the date of valuation) obtained from Bloomberg.

The following table summarizes the financial assets and liabilities of the Group valued at fair value:

Description			Fair Value Measurements at Reporting Date Using		
(Euro/000)	Classification	December 31, 2016	Level 1	Level 2	Level 3
Foreign Exchange Contracts	Other current assets	6,428	-	6,428	-
Assets held for sale	Other current assets	100,000	-	-	100,000*
Foreign Exchange Contracts	Other current liabilities	2,856	-	2,856	-

(*) Assets held for sale include the property owned by the Group sold in march 2017. The fair value was determined based on the selling price agreed upon by the parties.

Description			Fair Value Measurements at Reporting Date Using		
(Euro/000)	Classification	December 31, 2015	Level 1	Level 2	Level 3
Foreign Exchange Contracts	Other current assets	2,055	-	2,055	-
Assets held for sale	Other current assets	19,289	-	-	19.289*
Foreign Exchange Contracts	Other current liabilities	2,173	-	2,173	-

(*) Assets held for sale include the aircraft owned by the Group and sold in January 2016. The fair value was determined based on the selling price agreed upon by the parties.

The Group maintains policies and procedures with the aim of valuing the fair value of assets and liabilities using valuation techniques based on observable market data.

The Group portfolio of foreign exchange derivatives includes only forward foreign exchange contracts on the most traded currency pairs with maturity less than one year. The fair value of the portfolio is valued using internal models that use observable market inputs including Yield Curves and Spot and Forward prices.

4. Business combinations

Pursuant to the agreement signed in 2012 (the "Contract") with Fenix S.r.l., which was renamed Salmoiraghi & Viganò Holding on November 25, 2016, the Group exercised the call option to acquire the remaining 63.2% Salmoiraghi & Viganò S.p.A. ("Salmoiraghi & Viganò" or "S&V"). As a result, beginning on November 25, 2016, the Group controlled Salmoiraghi & Viganò. Therefore, the interests in Salmoiraghi & Viganò prior to November 24, 2016 were considered and evaluated in accordance with the equity method of accounting and beginning on November 25, 2016 were consolidated in accordance with IFRS 10 - Consolidated Financial Statements.

The acquisition of the control of Salmoiraghi & Viganò represents a business combination achieved in stages, as stated in IFRS 3 - Business Combinations. For this reason, at the acquisition date the Group (i) measured the previous interests in the acquiree (36.8%) at its fair value (Euro 87.5 million) and booked a gain in the Profit and Loss Statement in other income (Euro 35.7 million); and (ii) recognized and measured the identifiable assets acquired and the liabilities assumed at their fair value.

In accordance with IFRS 3 - Business Combinations the fair value of assets acquired and liabilities assumed have been determined on a provisional basis because the valuation has not yet been completed.

These amounts could be modified within 12 months from the acquisition date.

On December 28, 2016, the Company paid Euro 150.3 million for the 63.2% of the share capital acquired in S&V. The price was determined in accordance with the terms of the Contract.

The accounting effects of this business combination in accordance with IFRS 3 - Business Combinations - are as follows:

(Euro/000)	S&V
Acquisition value 100% (A)	237,830
Total net identifiable assets (B)	47,850
Goodwill (C = A – B)	**189,980**
Cash paid (D)	150,308
Acquiree cash (E)	(22,792)
Net out flow of cash – investing activities (F=D+E)	**127,516**

The fair values on a provisional basis are as follows:

(Euro/000)	*Fair value*
Cash and cash equivalents (E)	22,792
Trade receivables	10,591
Inventories	36,874
Other current assets	5,838
Fixed Assets	20,192
Intangible assets	123,619
Investments	65
Other non-current assets	1,456
Total identifiable assets (G)	**221,427**
Financial liabilities	10,321
Trade payables	60,509
Short-term provisions for risk	644
Other current liabilities	19,055
Long-term loans	36,353
Long-term provisions for risk	10,177
Deferred tax liabilities	30,637
Pension funds	5,881
Total identifiable liabilities (H)	**173,577**
Total net identifiable assets (B=G-H)	**47,850**

The goodwill is not tax deductible and primarily reflects the synergies that the Group estimates it will derive from the acquisition.On an unaudited pro forma basis, had the acquisition occurred at the beginning of the year, net sales and operating income contributed by Salmoiraghi & Viganò would have been Euro 217.1 million and Euro 20.3 million respectively.

5. Segment information

In accordance with IFRS 8 - *Operating segments*, the Group operates in two operating segments: (1) Manufacturing and Wholesale Distribution ("Wholesale") and (2) Retail Distribution ("Retail").The criteria applied to identify the operating segments are consistent with the way the Group is managed. In particular, the disclosures are consistent with the information regularly reviewed by the Group's Executive Chairman Leonardo Del Vecchio, in his role as Chief Operating Decision Maker ("CODM"), to make decisions about resources to be allocated to the segments and assessing their performance.

Total assets and liabilities for each operating segment are no longer disclosed as they are not regularly reviewed by the CODM. Prior to January 2016, the Group's Chief Executive Officers were identified as the Chief Operating Decision Makers. In January 2016, our Board of Directors approved the assignment of responsibility for Markets, a role formerly held by Mr. Adil Mehboob Khan, to Mr. Leonardo Del Vecchio, the Company's Chairman of the Board and majority shareholder, as Executive Chairman. In connection therewith, the Board of Directors granted to the Executive Chairman additional responsibility and management authority (as compared to the CEO for Product and Operations) and, as a result, he has ultimate authority over operating decisions for the Group and assessing the operations of the Group.

Due to this change, the Executive Chairman is the sole CODM, assisted in his role by the CEO for Product and Operations Massimo Vian. This change did not impact the operating segments as the information provided and reviewed by the CODM has not changed.

(Euro/000)	Manufacturing and Wholesale Distribtuion	Retail Distribution	Inter- Segment transactions and corporate adjustments [c]	Consolidated
As of December 31, 2016				
Net Sales [a]	3,527,662	5,558,045	-	9,085,707
Income from operations [b]	806,113	729,569	(190,436)	1,345,267
Interest income	-	-	-	15,469
Interest expenses	-	-	-	(81,528)
Other net	-	-	-	39,486
Income before provision for income taxes	-	-	-	1,318,693
Provision for income taxes	-	-	-	(466,373)
Net income	**-**	**-**	**-**	**852,321**
of which attributable to				
- Luxottica stockholders	-	-	-	*850,524*
- non controlling interests	-	-	-	*1,797*
Capital expenditures	310,066	341,493	-	651,559
Depreciation, amortization and write-down	167,115	260,019	85,708	512,842
As of December 31, 2015				
Net Sales [a]	3,592,555	5,244,023	-	8,836,578
Income from operations [b]	807,213	789,355	(220,123)	1,376,445
Interest income	-	-	-	11,190
Interest expenses	-	-	-	(106,439)
Other net	-	-	-	(3,281)
Income before provision for income taxes	-	-	-	1,277,914
Provision for income taxes	-	-	-	(471,042)
Net income	**-**	**-**	**-**	**806,873**
of which attributable to				
- Luxottica stockholders	-	-	-	*804,119*
- non controlling interests	-	-	-	*2,753*
Capital expenditures	211,023	302,552	-	513,575
Depreciation, amortization and write-down	157,081	231,056	88,752	476,888

(a) Net sales of both the Manufacturing and Wholesale Distribution segment and the Retail Distribution segment include sales to third party customers only.

(b) Income from operations of the Manufacturing and Wholesale Distribution segment is related to net sales to third party customers only, excluding the "manufacturing profit" generated on the inter company sales to the Retail Distribution segment. Income from operations of the Retail Distribution segment is related to retail sales, considering the cost of goods acquired from the Manufacturing and Wholesale Distribution segment at manufacturing cost, thus including the relevant "manufacturing profit" attributable to those sales.

(c) Inter segment transactions and corporate adjustments include corporate costs not allocated to a specific segment and amortization of acquired intangible assets not allocated to a specific segment, as well as elimination of transactions between segments.

INFORMATION BY GEOGRAPHIC AREA

The geographic segments include Europe, North America (which includes the United States of America, Canada and Caribbean islands), Asia Pacific (which includes Australia, New Zealand, China, Hong Kong, Singapore and Japan), Latam (which includes South and Central America) and Other (which includes all other geographic locations, including the Middle East). Sales are attributed to geographic segments based on the customer's location, whereas long lived assets, net are the result of the combination of legal entities located in the same geographic area.

Sales and fixed assets (Euro/000)	Europe (1)	North America (2)	Asia Pacific (3)	Latin America	Other	Consolidated
2016						
Net Sales	1,700,314	5,369,665	1,157,837	551,874	306,018	9,086,707
Long lived assets (at year end)	374,312	916,743	315,460	60,039	5,998	1,672,553
2015						
Net Sales(4)	1,630,948	5,151,178	1,177,926	542,983	333,546	8,836,578
Long lived assets (at year end)	356,816	728,507	292,886	52,744	4,571	1,435,524

(1) Long lived assets located in Italy represented 20% and 22% of the Group's total fixed assets as of December 31, 2016 and 2015, respectively. Net sales recorded in Italy were Euro 0.3 billion and Euro 0.3 billion in 2016 and 2015, respectively.

(2) Long lived assets located in the United States represented 55% and 48% of the Group's total fixed assets as of December 31, 2016 and 2015, respectively. Net sales recorded in the United States were Euro 5 billion and Euro 4.9 billion in 2016 and 2015, respectively.

(3) Long lived assets located in China represented 14% and 15% of the Group's total fixed assets as of December 31, 2016 and 2015, respectively.

(4) Net sales for the year ended December 31, 2015 for European Wholesale and Other Wholesale have been revised to reflect a reclassification of certain geographic markets, which the Group considers immaterial.

Information on the consolidated statements of financial position

Current assets

6. Cash and cash equivalents

Cash and cash equivalents are comprised of the following items (amounts in thousands of Euro):

Cash and cash equivalent (Euro/000)	December 31, 2016	December 31, 2015
Cash at bank	856,948	856,611
Checks	7,355	5,596
Cash and cash equivalents on hand	2,561	2,645
Total	**866,864**	**864,852**

See Note 22 and the consolidated statements of cash flows for further details.There is no restricted cash.

7. Accounts receivable

Accounts receivable consist exclusively of trade receivables and are recognized net of allowances to adjust their carrying amount to the estimated realizable value. Accounts receivable are due within 12 months (amounts in thousands of Euro):

Accounts receivale		
(Euro/000)	December 31, 2016	December 31, 2015
Accounts receivable	983,348	895,555
Allowance for doubtful accounts	(51,008)	(37,501)
Total accounts receivable	**932,340**	**858,053**

The increase in accounts receivable is mainly due to the growth of net sales in 2016 and the acquisition of Salmoiraghi & Viganò (Euro 9 million).

The following table shows the allowance for doubtful accounts roll forward (amounts in thousands of Euro):

Bad Debts Fund		
(Euro/000)	December 31, 2016	December 31, 2015
Balance as January 1	**37,501**	**38,904**
Increases	13,591	6,555
Decreases	(8,069)	(6,872)
Translation difference and other	(7,984)	(1,086)
Balance as December 31	**51,008**	**37,501**

The book value of the accounts receivable approximates their fair value.

As of December 31, 2016, the gross amount of accounts receivable was equal to Euro 983.3 million (Euro 895.6 million as of December 31, 2015). The bad debt fund as of December 31, 2016 amounted to Euro 51.0 million (Euro 37.5 million as of December 31, 2015).

Write downs of accounts receivable are determined in accordance with the Group credit policy described in Note 3 - *Financial Risks*.

Accruals and reversals of the allowance for doubtful accounts are recorded within selling expenses in the consolidated statement of income.

The maximum exposure to credit risk, as of the end of the reporting date, was represented by the fair value of accounts receivable which approximates their carrying amount.

The Group believes that its exposure to credit risk does not call for other guarantees or credit enhancements.

The table below summarizes the quantitative information required by IFRS 7 based on the categories of receivables pursuant to Group policies:

(Euro/000)	Gross receivables	Allowance for doubtful accounts	Maximum exposure to credit risk	Accounts receivable overdue but not included in the allowance for doubtful accounts	Overdue accounts receivable not included in the allowance for doubtful accounts 0-30 days overdue	Overdue accounts receivable not included in the allowance for doubtful accounts >30 days overdue
As of December 31, 2016						
Receivables of the Wholesale segment classified as GOOD	648,015	(4,304)	643,716	51,066	30,638	20,428
Receivables of the wholesale segment classified as GOOD-UNDER CONTROL	22,034	(3,304)	18,729	3,684	1,589	2,095
Receivable of the Wholesale segment classified as RISK	36,773	(33,170)	3,603	1,366	167	1,199
Receivables of the Retail segment	276,526	(10,230)	266,292	44,091	35,915	9,272
Total	**983,348**	**(51,008)**	**932,340**	**100,207**	**68,309**	**32,994**

(Euro/000)	Gross receivables	Allowance for doubtful accounts	Maximum exposure to credit risk	Accounts receivable overdue but not included in the allowance for doubtful accounts	Overdue accounts receivable not included in the allowance for doubtful accounts 0-30 days overdue	Overdue accounts receivable not included in the allowance for doubtful accounts >30 days overdue
As of December 31, 2015						
Receivables of the Wholesale segment classified as GOOD	643,326	(5,785)	637,541	64,961	33,033	31,928
Receivables of the wholesale segment classified as GOOD-UNDER CONTROL	15,273	(1,055)	14,218	1,221	542	679
Receivable of the Wholesale segment classified as RISK	27,035	(23,994)	3,041	2,230	65	2,165
Receivables of the Retail segment	209,921	(6,667)	203,254	20,042	10,368	9,962
Total	**895,555**	**(37,501)**	**858,053**	**88,454**	**44,008**	**44,734**

As of December 31, 2016, the amount of overdue receivables which were not included in the bad debt fund was equal to 10.2% of gross receivables (9.9% as of December 31, 2015) and 10.7% of receivables net of the bad debt fund (10.3% as of December 31, 2015). The Group does not expect any additional losses over amounts already provided for.

The accounts receivable in the Retail division are mainly related to the insurance business of the Group.

8. Inventories

Inventories are comprised of the following items (amounts in thousands of Euro):

Inventory (Euro/000)	December 31, 2016	December 31, 2015
Raw materials	198,038	200,336
Work in progress	38,054	51,828
Finished goods	798,413	711,009
Less: inventory obsolescence reserves	(141,032)	(129,901)
Total	**893,472**	**833,272**

The increase in inventories in 2016 (Euro 71.3 million) was aimed at improving the quality of the customer experience by having inventory levels in line with customer demand. This amount is partially offset by an increase in inventory obsolescence reserves equal to 11.1 million that is consistent with the prior period.

The movements in the allowance for inventories reserve are as follows:

(Euro/000)	December 31, 2016	December 31, 2015
Balance at beginning of period	**129,901**	**133,163**
Provision	67,965	65,077
Utilization	(64,004)	(67,834)
Other [(1)]	7,170	(505)
Balance at end of period	**141,032**	**129,901**

(1) Other includes translation differences for the period.

9. Other assets

Other assets comprise the following items:

Other current assets (Euro/000)	December 31, 2016	December 31, 2015
Sales taxes receivable	59,514	38,016
Prepaid expenses	461	1,458
Other financial current assets	57,581	55,896
Total financial assets	**117,556**	**95,370**
Income tax receivables	79,591	70,038
Advances to suppliers	14,194	15,070
Prepaid expenses	65,654	72,985
Other assets	6,664	19,468
Total non-financial assets	**166,102**	**177,561**
Total other assets	**283,659**	**272,932**

The increase in financial assets, equal to Euro 22.2 million, is mainly relate to: (i) the increase of receivables for commercial taxation in Italy and Brazil (Euro 21.5 million); and (ii) the increase in the fair value of a derivatives contract (Euro 4.4 million). The increases described above are partially offset by the incoming payment of the receivables related to the sale of the airplane owned by Luxottica Leasing S.r.l. (Euro 19.3 million)

Other financial assets include receivables from foreign currency derivatives amounting to Euro 6.4 million as of December 31, 2016 (Euro 2.0 million as of December 31, 2015), assets held for sale of Euro 51.3 million, as well as other financial assets of the North America retail division totaling Euro 17 million as of December 31, 2016 (Euro 12.1 million as of December 31, 2015).

The change in other assets, equal to Euro 11.5 million, is mainly related to: (i) the increase in tax receivables principally reclassified on the tax-related receivables in Luxottica Group. This increase is partially offset by the increase on tax receivables for the North American and Australian Group companies (Euro 9.5 million); (ii) the decrease in active prepayments of Euro 7.3 million; and (iii) the decrease in the other non-financial activity related to the payment of royalties (Euro 12.8 million).

Other assets include the short term portion of advance payments made to certain designers for future contracted minimum royalties totaling Euro 6.6 million as of December 31, 2016 (Euro 19.5 million as of December 31, 2015).

The net book value of financial assets is approximately equal to their fair value and this value also corresponds to the maximum exposure of the credit risk. The Group has no guarantees or other instruments to manage credit risk.

10. Assets held for sale

The assets held for sale, at December 31, 2016, were Euro 51.3 million. This amount includes the value of a building owned by Luxottica Group S.p.A. sold in March 2017.

Non current assets

11. Property, plant and equipment

Changes in items of property, plant and equipment are reported below:

Property, Plant and Equipment (Euro/000)	Land and buildings, including leasehold improvements	Machinery and equipment	Aircraft	Other equipment	Total
Historical cost	1,032,956	1,303,833	46,300	700,746	3,083,835
Accumulated depreciation	(536,643)	(816,474)	(13,047)	(400,053)	(1,766,218)
Total as of January 1, 2015	**496,313**	**487,359**	**33,253**	**300,693**	**1,317,617**
Increases	89,892	101,950	-	170,633	362,475
Decreases/writedowns	(8,311)	(2,105)	(1,537)	(7,758)	(19,711)
Translation difference and other	38,714	51,795	(19,255)	(22,611)	48,643
Depreciation expense	(73,834)	(124,405)	(1,965)	(73,295)	(273,499)
Total as of December 31, 2015	**542,774**	**514,594**	**10,496**	**367,662**	**1,435,524**
Of which:					
- Historical cost	*1,160,057*	*1,456,077*	*11,362*	*825,695*	*3,453,190*
- Accumulated depreciation	*(617,283)*	*(941,482)*	*(865)*	*(458,033)*	*(2,017,664)*
Total as of December 31, 2015	**542,774**	**514,595**	**10,496**	**367,662**	**1,435,524**
Increases	145,841	118,820	-	283,988	548,649
Decreases/writedowns	(4,209)	(3,373)	-	(13,905)	(21,487)
Business combinations	3,847	15,703	-	643	20,192
Translation difference and other	(19,442)	58,023	-	(60,006)	(21,425)
Depreciation expense	(80,637)	(127,609)	(568)	(80,088)	(288,902)
Total as of December 31, 2016	**588,175**	**576,156**	**9,928**	**498,293**	**1,672,552**
Of which:					
- Historical cost	*1,270,763*	*1,677,540*	*11,361*	*1,014,331*	*3,973,995*
- Accumulated depreciation	*(682,588)*	*(1,101,384)*	*(1,433)*	*(516,038)*	*(2,031,443)*
Total as of December 31, 2016	**588,175**	**576,156**	**9,928**	**498,293**	**1,672,552**

Of the total depreciation expense of Euro 288.9 million in 2016 (Euro 273.5 million in 2015), Euro 99.4 million (Euro 94.1 million in 2015) is included in cost of sales, Euro 142.6 million (Euro 133.6 million in 2015) is included in selling expenses, Euro 14.1 million (Euro 11.6 million in 2015) is included in advertising expenses and Euro 32.8 million (Euro 34.2 million in 2015) is included in general and administrative expenses.

Capital expenditures in 2016 and 2015 mainly relate to technology upgrades associated with manufacturing capacity, enhancements to IT infrastructure, opening of new stores and the remodeling of older stores. In 2016 increases included Euro 65.8 million related to the purchase price of a building in New York of which Euro 6.5 million was paid during 2015; this amount is included in assets under construction. In 2016 increases include Euro 14.7 million related capital additions not yet paid for as of year-end.

Other equipment includes Euro 233.3 million for assets under construction as of December 31, 2016 (Euro 108.5 million as of December 31, 2015) mainly relating to: (i) investments in manufacturing facilities in Italy and China (Euro 34.4 million and Euro 32.8 million respectively); (ii) the construction of a new distribution center near Atlanta (Euro 36.3 million); and (iii) and to the opening and renovation of North America retail stores (Euro 23.6 million).

Leasehold improvements totaled Euro 252.5 million and Euro 202.9 million as of December 31, 2016 and December 31, 2015, respectively.

12. Goodwill and intangible assets

Changes in goodwill and intangible assets for the years ended December 31, 2015 and 2016, were as follows:

Goodwill and Intangible Assets (Euro/000)	Goodwill	Trade names and trademarks	Customer relations, contracts and lists	Franchise agreements	Other	Total
Historical cost	3,351,263	1,628,250	258,145	23,639	829,944	6,091,241
Accumulated depreciation	-	(854,562)	(118,507)	(11,529)	(370,880)	(1,355,477)
Total as of January 1, 2015	**3,351,263**	**773,688**	**139,638**	**12,110**	**459,064**	**4,735,764**
Increases	-	402	-	-	151,187	151,590
Decreases/writedowns	-	-	-	-	(3,157)	(3,157)
Business combinations	18,342	-	-	-	1,509	19,851
Translation difference and other	227,378	62,644	9,064	1,370	38,026	338,482
Depreciation expense	-	(72,868)	(15,638)	(1,293)	(113,590)	(203,389)
Total as of December 31, 2015	**3,596,983**	**763,866**	**133,064**	**12,187**	**533,031**	**5,039,131**
Of which:						
- Historical cost	*3,596,983*	*1,745,004*	*277,266*	*26,362*	*1,020,028*	*6,665,643*
- Accumulated depreciation	*-*	*(981,138)*	*(144,202)*	*(14,175)*	*(486,997)*	*(1,626,512)*
Total as of December 31, 2015	**3,596,983**	**763,866**	**133,064**	**12,187**	**533,031**	**5,039,131**
Increases	-	-	-	-	103,006	103,006
Decreases/writedowns	-	(676)	-	-	(669)	(1,345)
Business combinations	189,980	93,505	16,252	-	13,861	313,599
Translation difference and other	84,478	17,828	4,924	335	10,761	118,309
Depreciation expense	-	(69,444)	(14,832)	(1,296)	(138,385)	(223,940)
Total as of December 31, 2016	**3,871,442**	**805,078**	**139,408**	**11,226**	**521,605**	**5,348,759**
Of which:						
- Historical cost	*3,871,442*	*1,883,690*	*302,957*	*27,227*	*1,164,267*	*7,249,583*
- Accumulated depreciation	*-*	*(1,078,612)*	*(163,549)*	*(16,001)*	*(642,662)*	*(1,900,824)*
Total as of December 31, 2016	**3,871,442**	**805,078**	**139,408**	**11,226**	**521,605**	**5,348,759**

The 2016 increases in goodwill and intangible assets due to business combinations is due to the acquisitions of Salmoiraghi & Viganò in 2016 and Sunglass Warehouse for Euro 18.3 million in November 2015. Please refer to Note 4 "Business Combinations" for further details.

Of the total amortization expense of intangible assets of Euro 223.9 million in 2016 (Euro 203.4 million in 2015), Euro 182.8 million (Euro 178.1 million 2015) is included in general and administrative expenses, Euro 26.1 million (Euro 19.0 million in 2015) is included in selling expenses and Euro 15 million (Euro 6.3 million in 2015) is included in cost of sales.

The increase in other intangible assets is mostly due to the continued implementation of the IT infrastructure of the Group, which accounted for Euro 80.6 million of the 2016 total.

IMPAIRMENT OF GOODWILL

As of December 31, 2016 and 2015 goodwill totaled Euro 3,871.4 million and Euro 3,597.0 million, respectively. The increase is mainly due to the acquisition of Salmoiraghi & Viganò for Euro 190 million and to the strengthening of the main currencies in which the Group operates (Euro 84.4 million).

In 2015 management assessed the aggregation of cash generating units ("CGUs") previously identified for testing the impairment of its goodwill in light of the organizational changes that occurred in the retail business during the year. As a result of the analysis, management determined that the CGUs Retail North America, Retail Asia Pacific and Retail Other were no longer representative of the way the goodwill is monitored and, therefore, identified the following new CGUs: Retail Optical, Retail Sun & Luxury and Retail Oakley. The CGU Wholesale was not impacted by the change.

These CGU's remain unchanged for 2016.

The value of goodwill allocated to each CGU is reported in the following table (amounts in thousands of Euro).

	December 31, 2016	December 31, 2015
Wholesale	1,435,106	1,398,104
Retail Optical	1,206,609	995,864
Retail Sun & Luxury	1,041,805	1,021,066
Retail Oakley	187,921	181,949
Total	**3,871,442**	**3,596,983**

The information required by paragraph 134 of IAS 36 is provided below.

The recoverable amount of each CGU has been verified by comparing its net assets carrying amount to its value in use calculated using discountes cash flows (DCF) method. The main assumptions for determining the value in use are reported below:

CGUs Rates	WACC	G-Rate
Wholesale	6,94%	2,36%
Retail Optical	6,48%	2,33%
Retail Sun & Luxury	6,59%	2,23%
Retail Oakely	6,22%	1,84%

The discount rate has been determined on the basis of market information on the cost of money and the specific risk of the industry (Weighted Average Cost of Capital, WACC).

In particular, the Group used a methodology to determine the discount rate which was in line with that utilized in the previous year, considering the rates of return on long term government bonds and the average capital structure of a group of comparable companies.

The growth rate use to determine the terminal value is in line with the long-term expected inflation in the counties the Group operates.

The recoverable amount of CGUs has been determined by utilizing post tax cash flow forecasts based on the Group's 2017 2019 three year plan approved by management, on the basis of the results attained in previous years as well as management expectations - split by geographical area - regarding future trends in the eyewear market for both the Wholesale and Retail distribution segments. At the end of the three year projected cash flow period, a terminal value was estimated in order to reflect the value of the CGU in future years. The terminal values were calculated as a perpetuity at the same growth rate as described above and represent the present value, in the last year of the forecast, of all future perpetual cash flows. The impairment test performed as of the balance sheet date resulted in a recoverable value greater than the carrying amount (net operating assets) of the above mentioned CGUs. In percentage terms, the surplus of the recoverable amount of the CGU over the carrying amount was equal to 511%, 20%, 12% and 5% of the carrying amount of the Wholesale, Retail Optical, Retail Sun & Luxury and Retail Oakley CGUs, respectively. A reduction in the recoverable amount of the CGU to a value that equals its carrying amount would require either of the following: (i) an increase in the discount rate to approximately 28.4% for Wholesale, 7.3% for Retail Optical, 7.2% for Retail Sun & Luxury and 6.7% for Retail Oakley; or (ii) change in the growth rate to a negative percentage for Wholesale, approximately 1.4% for the Retail Optical, to approximately 1.6% for the Retail Sun & Luxury, and to approximately 1.3% for the Retail Oakley.

In addition, reasonable changes to the abovementioned assumptions used to determine the recoverable amount (i.e., growth rate changes of +/−0.5 percent and discount rate changes of +/−0.5 percent) would not significantly affect the impairment test results.

13. Investments

Investments amounted to Euro 20.2 million as of December 31, 2016 (Euro 65.4 million as of December 31, 2015). The balance mainly related to the investment in Eyebiz Laboratories Pty Limited (a joint venture formed in 2010 between Luxottica and Essilor International that provides most of the Australian lab requirements) for Euro 6.7 million (Euro 6.0 million as of December 31, 2015). The decrease from December 31, 2015 to December 31, 2016 is mainly driven by the change of the consolidation method for Salmoiraghi & Viganò after the acquisition of the remaining shares. See note 4 "Business Combinations".

14. Other non-current assets

Other non current assets (Euro/000)	December 31, 2016	December 31, 2015
Other financial assets	84,689	84,800
Other assets	12,611	20,774
Total other non-current assets	**97,300**	**105,574**

Other financial assets primarily include security deposits totaling Euro 39 million (Euro 38.8 million as of December 31, 2015).

Other assets primarily include advance payments made to certain licensees for future contractual minimum royalties totaling Euro 12.6 million (Euro 20.8 million as of December 31, 2015). The decrease is mainly due to the reclassification to other current assets of royalties that were due in 2016.

15. Deferred tax assets and deferred tax liabilities

The balance of deferred tax assets and liabilities as of December 31, 2016 and December 31, 2015 is as follows:

Deferred Tax (Euro/000)	December 31, 2016	December 31, 2015
Deferred tax assets	133,369	174,433
Deferred tax liabilities	257,036	277,327
Deferred tax liabilities (net)	**123,667**	**102,894**

The analysis of deferred tax assets and deferred tax liabilities, without taking into consideration the off-setting of balances within the same tax jurisdiction, is as follows:

(Euro/000)	December 31, 2016	December 31, 2015
Deferred tax assets:		
Deferred tax assets to be recovered within 12 months	290,958	250,465
Deferred tax assets to be recovered after 12 months	181,616	204,923
Total other non-current assets	**472,573**	**455,388**
Deferred tax liabilities:		
Deferred tax liabilities to be recovered within 12 months	14,459	15,094
Deferred tax liabilities to be recovered after 12 months	581,781	543,189
Total other non-current assets	**596,240**	**558,283**
Deferred tax liabilities (net)	**123,667**	**102,894**

The gross movement in the deferred income tax accounts, during 2016 and 2015 is as follows:

Deferred tax liabilities (net) (Euro/000)	Financial Year 2016	Financial Year 2015
As of January 1	**102,894**	**78,697**
Exchange rate difference and other movements	7,229	43,463
Business combinations	30,923	-
Income statements	(16,007)	(13,609)
Tax charge/(credit) directly to equity	(1,372)	(5,658)
At December 31	**123,667**	**102,894**

The movement of deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets (Euro/000)	As of January 1, 2016	Exchange rate difference and other movements	Business combinations	Income statements	Tax charged/ (credited) to equity	As of December 31, 2016
Inventories	141,977	8,996	564	17,830	-	169,367
Self insurance reserves	13,936	329	-	(812)	-	13,453
Net operating loss carry forwards	32,926	(1,166)	9,162	(3,161)	-	37,761
Rights of return	19,769	558	1,328	(2,596)	-	19,059
Employee related reserves	91,090	(6,140)	457	(5,646)	1,369	81,130
Occupancy reserves	22,824	(124)	-	624	-	23,324
Trade names	72,071	(10,093)	1,395	(6,399)	-	56,974
Fixed assets	9,811	(860)	927	(428)	-	9,450
Other	50,984	4,366	923	5,778	3	62,054
Total	**455,388**	**(4,134)**	**14,756**	**5,190**	**1,372**	**472,573**

Deferred tax liabilities (Euro/000)	As of January 1, 2016	Exchange rate difference and other movements	Business combinations	Income statements	Tax charged/ (credited) to equity	As of December 31, 2016
Dividends	7,827	-	-	5,936	-	13,763
Trade names	218,955	1,584	32,374	(18,406)	-	234,507
Fixed assets	79,257	7,785	-	496	-	87,538
Other intangibles	231,640	(520)	12,733	(1,933)	-	241,920
Other	20,604	(5,754)	572	3,090	-	18,512
Total	**558,283**	**3,095**	**45,679**	**(10,817)**	**-**	**596,240**

Deferred tax assets (Euro/000)	As of January 1, 2015	Exchange rate difference and other movements	Business combinations	Income statements	Tax charged/ (credited) to equity	As of December 31, 2015
Inventories	125,120	4,568	-	12,289	-	141,977
Self insurance reserves	12,881	1,437	-	(382)	-	13,936
Net operating loss carry forwards	28,079	(5,173)	-	10,020	-	32,926
Rights of return	21,450	(782)	-	(899)	-	19,769
Employee related reserves	82,358	(4,635)	-	6,910	6,456	91,089
Occupancy reserves	16,534	5,057	-	1,234	-	22,825
Trade names	67,429	11,468	-	(6,826)	-	72,071
Fixed assets	10,799	129	-	(1,117)	-	9,811
Other	58,409	(6,186)	-	(1,238)	-	50,885
Total	**423,059**	**5,883**	**-**	**19,991**	**6,456**	**455,388**

Deferred tax liabilities (Euro/000)	As of January 1, 2015	Exchange rate difference and other movements	Business combinations	Income statements	Tax charged/ (credited) to equity	As of December 31, 2015
Dividends	12,899	-	-	(5,072)	-	7,827
Trade names	216,175	20,673	-	(17,894)	-	218,955
Fixed assets	67,344	(2,014)	-	13,927	-	79,257
Other intangibles	188,147	44,501	-	(1,008)	-	231,640
Other	17,190	(13,814)	-	16,429	798	20,604
Total	**501,755**	**49,346**	**-**	**6,382**	**798**	**558,283**

Deferred income tax assets are recognized for tax loss carry forwards to the extent that the realization of the related tax benefit through future profit is probable. The Group did not recognize deferred income tax assets of Euro 42.6 million in respect of losses amounting to Euro 160.8 million, that can be carried forward against future taxable income. These losses are indefinite for Euro 89.0 million whereas for Euro 71.8 million there is a breakdown of the net operating losses by expiration date is as follows:

(Euro/000)	Amount
As of December 31	
2017	16,704
2018	17,313
2019	20,624
2020	11,250
2021	2,862
Subsequent years	3,062
Total	**71,816**

The Group does not provide for an accrual for income taxes on undistributed earnings of its non Italian operations to the related Italian parent company of Euro 3.8 billion and Euro 3.6 billion in 2016 and 2015, respectively, that are intended to be permanently invested. In connection with the 2016 earnings of certain subsidiaries, the Group has provided for an accrual for income taxes related to dividends from earnings to be paid in 2017.

Current liabilities

16. Short term borrowings

Short term borrowings at December 31, 2016 and 2015, reflect current account overdrafts with various banks as well as uncommitted short term lines of credit with different financial institutions. The interest rates on these credit lines are floating. The credit lines may be used, if necessary, to obtain letters of credit.

As of December 31, 2016 and 2015, the Company had unused short term lines of credit of approximately Euro 651.0 million and Euro 632.0 million, respectively.

The Company and its wholly owned Italian subsidiaries Luxottica S.r.l., Luxottica Italia S.r.l. and Salmoiraghi & Viganò maintain unsecured lines of credit with primary banks for an aggregate maximum credit of Euro 349.4 million. These lines of credit are renewable annually, can be cancelled at short notice and have no commitment fees. At December 31, 2016, an aggregate of Euro 100.0 million was outstanding under these credit lines.

Luxottica U.S. Holdings Corp. ("U.S. Holdings") maintains unsecured lines of credit with two separate banks for an aggregate maximum credit of Euro 118.5 million (USD 124.9 million). These lines of credit are renewable annually, can be cancelled at short notice and have no commitment fees. At December 31, 2016, these credit lines were not utilized. There was Euro 50.8 million of standby letters of credit outstanding.

The book value of short term borrowings is approximately equal to their fair value.

17. Current portion of long term debt

This item consists of the current portion of loans granted to the Company, as further described below in Note 22 - *Long term Debt*.

18. Accounts payable

Accounts payable were Euro 944.4 million as of December 31, 2016 (Euro 927.2 million as of December 31, 2015). The increase in 2016 as compared to 2015 is mainly due to the growth of the business and to the strengthening of the foreign currencies in which the Group operates compared to the Euro.

The carrying value of accounts payable is approximately equal to their fair value.

19. Income taxes payable

The balance is detailed below:

Income taxes payable (Euro/000)	December 31, 2016	December 31, 2015
Current year income taxes payable	45.584	76,787
Income taxes advance payment	(28.346)	(42,608)
Total	**17.238**	**34,179**

20. Short-term provisions for risks and other charges

The balance as of December 31, 2016 and December 31, 2015 is detailed below:

Short term risk funds (Euro/000)	December 31, 2016	December 31, 2015
Legal Risk	3,243	2,032
Self Insurance	8,540	8,314
Tax Provision	42,421	25,146
Returns	55,761	49,191
Other Risks	35,735	34,096
Total	**145,701**	**118,779**

The roll-forward of short-term provision for risks as of December 31, 2015 and 2016, is as follows (amounts in thousands of Euro):

Short term risk funds (Euro/000)	Legal Risk	Self Insurance	Tax Provision	Other Risks	Returns	Total
Balance as of December 31, 2015	**2,032**	**8,314**	**25,146**	**34,096**	**49,191**	**118,779**
Increases	1,074	6,199	17,591	15,745	23,546	64,155
Decreases	(268)	(6,310)	(648)	(12,889)	(18,397)	(38,522)
Foreign translation difference and other movements	404	338	333	(1,206)	1,421	1,290
Balance as of December 31, 2016	**3,243**	**8,540**	**42,421**	**35,735**	**55,761**	**145,701**

Legal risk includes provisions for various litigated matters that have occurred in the ordinary course of business of the Group.

The Company is self-insured for certain losses relating to workers' compensation, general liability, auto liability, and employee medical benefits for claims filed and for claims incurred but not reported. The Company's liability is estimated using historical claims experience and industry averages; however, the final cost of the claims may not be known for over five years.

21. Other liabilities

The balance as of December 31, 2016 and December 31, 2015 is as follows:

Other current Liabilities		
(Euro/000)	December 31, 2016	December 31, 2015
Salaries payable	340,754	334,519
Sales taxes payable	49,493	36,119
Due to social security authorities	70,180	37,976
Leasing rental	26,398	23,823
Insurance	12,164	11,521
Sales commissions payable	7,064	7,314
Premiums and discounts	4,322	4,066
Royalties payable	3,034	3,003
Derivative financial liabilities	2,856	2,173
Other financial liabilities	159,406	143,231
Total financial liabilities	**675,670**	**603,745**
Deferred income	69,596	60,998
Other liabilities	655	6,681
Total liabilities	**70,251**	**67,679**
Total other current liabilities	**745,921**	**671,424**

The increase in salaries payable is mainly due to the higher accruals for the acquisition of Salmoiraghi & Viganò, which led to an increase of Euro 7.7 million.

The increase in social security payables is determined by the higher "social security" related to the companies situated in North America for Euro 11.5 million.

The increase in sales taxes payables is mainly due to the increase in liabilities of our Brazilian subsidiary of Euro 16.1 million and, in general, to the increase of sales.

The increase in the prepayments is determined by the increase on the advances to customers of Euro 7.7 million.

Non current liabilities

22. Long term debt

Long term debt was Euro 1,835.0 million (including Euro 154.1 million due in 2017) and Euro 1,760.0 million (Euro 44.9 million due in 2016) as of December 31, 2016 and 2015, respectively.

The roll forward of long term debt as of December 31, 2016 and 2015, is as follows (amounts in thousands of Euro):

Long Term debt (Euro/000)	Luxottica Group S.p.A. credit agreement with various financial institutions	Senior unsecured guaranteed notes	Other loans with banks and other third parties, interest at various rates, payable in installments through 2016	Total
Balance as of January 1, 2016	**-**	**1,725,967**	**34,019**	**1,759,986**
Proceeds from new and existing loans/leases	-	-	18,081	18,081
Repayments	-	-	(12,696)	(12,696)
Loans assumed in business combinations	-	-	46,674	46,674
Amortization of fees and interests	-	1,924	-	1,924
Translation difference	-	19,941	1,132	21,076
Balance as of December 31, 2016	**-**	**1,747,832**	**87,210**	**1,835,045**

Long Term debt (Euro/000)	Luxottica Group S.p.A. credit agreement with various financial institutions	Senior unsecured guaranteed notes	Other loans with banks and other third parties, interest at various rates, payable in installments through 2015	Total
Balance as of January 1, 2015	**-**	**2,271,171**	**44,032**	**2,315,203**
Proceeds from new and existing loans/leases	-	-	14,410	14,410
Repayments	-	(614,465)	(28,502)	(642,967)
Amortization of fees and interests	-	(3,609)	-	(3,609)
Translation difference	-	72,870	4,079	76,949
Balance as of December 31, 2015	**-**	**1,725,967**	**34,019**	**1,759,986**

The Group uses debt financing to raise financial resources for long term business operations and to finance acquisitions. The Group continues to seek debt refinancing at favorable market rates and actively monitors the debt capital markets in order to take action to issue debt, when appropriate. The Group's debt agreements contain certain covenants (for more details see Note 3 - Default risk: negative pledges and financial covenants). As of December 31, 2016, the Group was in compliance with these financial covenants.

The table below summarizes the Group's long term debt as of December 31, 2016.

Type	Series	Issuer/ borrower	Issue date	CCY	Amount	Outstanding amount at the reporting date	Fair Value (€/ml)	Coupon/ Pricing	Interest rate as of December 31, 2016	Maturity
Private Placement	D	Luxottica US Holdings	January 29, 2010	USD	50,000,000	50,000,000	48.6	5.190%	5.190%	January 29, 2017
Private Placement	G	Luxottica Group S.p.A.	September 30, 2010	EUR	50,000,000	50,000,000	52.0	3.750%	3.750%	September 15, 2017
Private Placement	C	Luxottica US Holdings	July 1, 2008	USD	128,000,000	128,000,000	135.3	6.770%	6.770%	July 1, 2018
Private Placement	F	Luxottica US Holdings	January 29, 2010	USD	75,000,000	75,000,000	78.4	5.390%	5.390%	January 29, 2019
Bond (Listed on Luxembourg Stock Exchange/no covenants)		Luxottica Group S.p.A.	March 19, 2012	EUR	500,000,000	500,000,000	555.7	3.625%	3.625%	March 19, 2019
Private Placement	E	Luxottica USHoldings	January 29, 2010	USD	50,000,000	50,000,000	54.2	5.750%	5.750%	January 29, 2020
Private Placement	H	Luxottica Group S.p.A.	September 30, 2010	EUR	50,000,000	50,000,000	58.6	4.250%	4.250%	September 15, 2020
Private Placement	I	Luxottica US Holdings	December 15, 2011	USD	350,000,000	350,000,000	367.5	4.350%	4.350%	December 15, 2021
Bond (Listed on Luxembourg Stock Exchange/no covenants)		Luxottica Group S.p.A.	February 10, 2014	EUR	500,000,000	500,000,000	582.9	2.625%	2.625%	February 10, 2024
Bank Loan		Salmoiraghi & Viganò S.p.A.	December, 23 2015	EUR	30,000,000	25,500,000	26.8	2.60%	2.60%	September, 30 2021
Bank Loan		Salmoiraghi & Viganò S.p.A.	December, 23 2015	EUR	20,000,000	20,000,000	22.2	2.80%	2.80%	September, 30 2022

On March 19, 2012, the Group completed an offering in Europe to institutional investors of Euro 500 million of senior unsecured guaranteed notes due March 19, 2019. The Notes are listed on the Luxembourg Stock Exchange under ISIN XS0758640279. Interest on the Notes accrues at 3.625% per annum. The Notes are guaranteed on a senior unsecured basis by U.S. Holdings and Luxottica S.r.l. On January 20, 2014, the Notes were upgraded to an "A-" credit rating by Standard & Poor's.

On April 29, 2013, the Group's Board of Directors authorized a Euro 2 billion "Euro Medium Term Note Programme" pursuant to which Luxottica Group S.p.A. may from time to time offer notes to investors in certain jurisdictions (excluding the United States, Canada, Japan and Australia). The notes issued under this program are listed on the Luxembourg Stock Exchange.

On February 10, 2014, the Group completed an offering in Europe to institutional investors of Euro 500 million of senior unsecured guaranteed notes due February 10, 2024 under the Group's Euro Medium Term Note Programme. The Notes are listed on the Luxembourg Stock Exchange under ISIN XS1030851791. Interest on the Notes accrues at 2.625% per annum. The Notes were assigned an "A-" credit rating by Standard & Poor's.

Salmoiraghi & Viganò, at the time that it was acquired by the Group, was a borrower under the following loan facilities:

- Line A: a term loan in an outstanding amount of Euro 25.5 million accrues interest at a rate of six months Euribor (floored at zero) plus a margin of 2.60% with an amortized repayment schedule and maturity on September 30, 2021.
- Line B: a term loan in an outstanding amount of Euro 20 million accrues interest at a rate of six months Euribor (floored at zero) plus a margin of 2.80% with an amortized repayment schedule and maturity on September 30, 2022.
- Line C: a revolving credit facility in an available amount of Euro 10 million, which was not utilized at December 31, 2016.
- Line RCF: a revolving credit facility in an available amount of Euro 10 million, which was not utilized at December 31, 2016.

The above term loans were repaid in full and the revolving credit facilities were cancelled on February 9, 2017.

On March 10, 2017, our subsidiary U.S. Holdings gave notice to each of the purchasers of the Series I Private Placement Bond that the Notes have been called for prepayment prior to maturity on April 10, 2017 (the "Prepayment Date"), at the principal amount thereof plus accrued interest up to but not including such Prepayment Date plus a make-whole amount which is calculated in accordance with the terms of the purchase agreement governing the Notes.

The fair value of long term debt as of December 31, 2016 was equal to Euro 1,982.2 million (Euro 1,907.1 million as of December 31, 2015). The fair value of the debt equals the present value of future cash flows, calculated by utilizing the market rate currently available for similar debt and adjusted in order to take into account the Group's current credit rating (Level 2 of the valuation hierarchy). The above fair value does not include capital lease obligations of Euro 42.4 million.

Long term debt, including capital lease obligations, as of December 31, 2016 matures as follows:

(Euro/000)	Amount
As of December 31	
2017	154,094
2018	137,956
2019	585,276
2020	107,802
Subsequent years	858,109
Effect deriving from the adoption of the amortized cost method	(8,192)
Total	**1,835,045**

The net financial position and disclosure required by the CONSOB communication n. DEM/6064293 dated July 28, 2006 and by the CESR recommendation dated February 10, 2005 “Recommendation for the consistent application of the European Commission regulation on Prospectus” is as follows:

Net Financial Postition (Euro/000)	Note	December 31, 2016	December 31, 2015
A. Cash and cash equivalents	6	866,864	864,852
B. Other availabilities		-	-
C. Hedging instruments on foreign exchange rates	9	6,428	2,055
D. Availabilities (A) + (B) + (C)		**873,292**	**866,907**
E. Current Investments		**-**	**-**
F. Bank overdrafts	16	208,813	110,450
G. Current portion of long term debt	17	154,094	44,882
H. Hedging instruments on foreign exchange rates	22	2,856	2,173
I. Hedging instruments on interest rates		-	-
J. Current Liabilities (F) + (G) + (H) +(I)		**365,762**	**157,505**
K. Net liquidity (J) - (E) - (D)		**(507,530)**	**(709,402)**
L. Long term debt	22	36,135	415
M. Notes payables	22	1,614,519	1,690,599
N. Hedging instruments on interest rates		-	-
O. Other non–debt	22	30,297	24,090
P. Total Non Current Liabilities (L) + (M) + (N) + (O)		**1,680,951**	**1,715,104**
Q. Net Financial Position (K) + (P)		**1,173,421**	**1,005,702**

A reconciliation between the net financial position above and the net financial position presented in the Management Report is as follows:

Net Financial Positions (Euro/000)	December 31, 2016	December 31, 2015
Net Financial Positions, as presented in the Notes	**1.173.421**	**1,005,702**
Hedging instruments on foreign exchange rates	6.428	2,055
Hedging instruments on foreign exchange rates	(2.856)	(2,173)
Net Financial Positions	**1.176.993**	**1,005,584**

Interest accrued and not yet paid of Euro 35.8 million (Euro 35.2 million as of December 31, 2015) is classified under current liabilities. Our net financial position with respect to related parties is not material.

Long term debt includes finance lease liabilities of Euro 42.4 million (Euro 33.6 million as of December 31, 2015):

Financial Leases (Euro/000)	December 31, 2016	December 31, 2015
Gross finance lease liabilities:		
No later than 1 year	*13.734*	*10,600*
Later than 1 year and no later than 5 years	*31.869*	*22,184*
Later than 5 years	*58*	*3,843*
Finance lease liabilities	**45.661**	**36,627**
Future finance charges on finance lease liabilities	3.264	3,072
Present values of finance lease liabilities	**42.397**	**33,555**

The present value of finance lease liabilities is as follows:

(Euro/000)	December 31, 2016	December 31, 2015
No later than 1 year	12.100	9,467
Later than 1 year and no later than 5 years	30.242	20,414
Later than 5 years	55	3,674
Present values of finance lease liabilities	**42.397**	**33,555**

23. Employee benefits

Employee benefits amounted to Euro 159.4 million (Euro 136.2 million as of December 31, 2015). The balance mainly included: (i) liabilities for termination indemnities of Euro 56.3 million (Euro 47.8 million as of December 31, 2015); (ii) liabilities for employee benefits of the U.S. subsidiaries of the Group of Euro 98.5 million (Euro 88.4 million as of December 31, 2015); (iii) liabilities related to the long-term incentive plan approved by the Board of Director on October 2016 (Euro 4.6 million). The increase is mainly due to a decrease in the discount rates used to determine the liability offset by the strengthening of the U.S. dollar compared to the Euro. Actuarial losses recorded in the statement of other comprehensive income which will never reverse into P&L in future years total Euro 15.2 million.

LIABILITIES FOR EMPLOYEE BENEFITS FOR THE ITALIAN COMPANIES

Liabilities for termination indemnities mainly include post employment benefits of the Italian companies' employees (hereinafter "TFR"), which at December 31, 2016 amounted to Euro 44.7 million (Euro 38.0 million as of December 31, 2015).

Effective January 1, 2007, the TFR system was reformed, and under the new law, employees are given the ability to choose where the TFR compensation is invested, whereas such compensation otherwise would be directed to the National Social Security Institute for Pension Funds. As a result, contributions under the reformed TFR system are accounted for as a defined contribution plan. The liability accrued until December 31, 2006 and continues to be considered a defined benefit plan. Therefore, each year, the Group adjusts its accrual based upon headcount and inflation, excluding changes in compensation level.

This liability as of December 31, 2016 represents the estimated future payments required to settle the obligation resulting from employee service, determined using the actuarial techniques required by IAS 19, excluding the component related to the future salary increases.

Contribution expense to pension funds was Euro 25.0 million and Euro 22.2 million for the years 2016 and 2015, respectively.

In application of IAS 19, the valuation of TFR liability accrued as of December 31, 2006 was based on the Projected Unit Credit Cost method. The main assumptions utilized are reported below:

Economic Assumptions	2016	2015
Discount rate	1.31%	2.00%
Annual TFR increase rate	2.63%	2.81%
Mortality tables:	Those determined by the General Accounting Department of the Italian Government, named RG48	Those determined by the General Accounting Department of the Italian Government, named RG48
Retirement probability:	Assuming the attainment of the first of the retirement requirements applicable for the Assicurazione Generale Obbligatoria (General Mandatory Insurance)	Assuming the attainment of the first of the retirement requirements applicable for the Assicurazione Generale Obbligatoria (General Mandatory Insurance)

Movements in liabilities during the course of the year are detailed in the following table:

TFR Liability (Euro/000)	December 31, 2016	December 31, 2015
Liabilities at the beginning of the period	**38.019**	**41,771**
Expenses for interests	746	614
Change in the revaluation rate	-	-
Actuarial loss (income)	1.617	(2,611)
Benefits paid	(1.484)	(1,755)
Business combination	5.832	-
Liabilities at the end of the period	**44,729**	**38,019**

The sensitivity of the employee benefits obligation to changes in the significant assumptions is (amounts in thousands):

(Euro/000)	Actuarial valuation rate		Annual inflation rate		Annual tournover rate	
Sensitivity	+0,5%	-0,50%	+0,25%	-0,25%	+2,00%	-2,00%
Past Service Liability	**37.169**	**40.759**	**39.426**	**38.379**	**38.492**	**39.376**

The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur. When calculating the sensitivity of the employee benefit obligations to significant actuarial assumptions, the same method has been applied as when calculating the liabilities recognized within the statements of financial position.

PENSION FUNDS

Qualified Pension Plans - U.S. Holdings sponsors a qualified noncontributory defined benefit pension plan, the Luxottica Group Pension Plan ("Lux Pension Plan"), which provides for the payment of benefits to eligible past and present employees of U.S. Holdings upon retirement. Pension benefits are gradually accrued based on length of service and annual compensation under a cash balance formula. Participants become vested in the Lux Pension Plan after three years of vesting service as defined by the Lux Pension Plan. In 2013, the Lux Pension Plan was amended so that employees hired on or after January 1, 2014 would not be eligible to participate.

Nonqualified Pension Plans and Agreements - U.S. Holdings also maintains a nonqualified, unfunded supplemental executive retirement plan ("Lux SERP") for participants of its qualified pension plan to provide benefits in excess of amounts permitted under the provisions of prevailing tax law. The pension liability and expense associated with this plan are accrued using the same actuarial methods and assumptions as those used for the qualified pension plan. This plan's benefit provisions mirror those of the Lux Pension Plan.

U.S. Holdings also sponsors the Cole National Group, Inc. Supplemental Pension Plan - This plan is a nonqualified unfunded SERP for certain participants of the former Cole pension plan who were designated by the Board of Directors of Cole on the recommendation of Cole's chief executive officer at such time. This plan provides benefits in excess of amounts permitted under the provisions of the prevailing tax law. The pension liability and expense associated with this plan are accrued using the same actuarial methods and assumptions as those used for the qualified pension plan.

All plans operate under the U.S. regulatory framework - The plans are subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). The Luxottica Group ERISA Plans Compliance and Investment Committee controls and manages the operation and administration of the plans. The plans expose the Company to actuarial risks, such as longevity risk, currency risk, and interest rate risk. The Lux Pension Plan exposes the Company to market (investment) risk.

The following tables provide key information pertaining to the Lux Pension Plan and SERPs (amounts in thousands of Euro).

Lux Pension Plan (Euro/000)	Benefit Obligation	Plan Assets	Total
As of January 1, 2015	**683,753**	**(609,389)**	**74,364**
Service Cost	31,033	2,434	33,467
Interest expense/(income)	30,603	(28,334)	2,270
Return on plan assets	-	36,190	36,190
(Gain)/loss from financial assumption changes	(36,263)	-	(36,263)
(Gain)/loss from demographic assumption changes	(3,865)	-	(3,865)
Experience (gains)/losses	(6,967)	-	(6,967)
Employer contributions	-	(32,660)	(32,660)
Benefit payment	(23,790)	23,790	-
Translation difference	78,580	(70,164)	8,416
As of December 31, 2015	**753,083**	**(678,133)**	**74,950**

Lux Pension Plan (Euro/000)	Benefit Obligation	Plan Assets	Total
As of January 1, 2016	**753,083**	**(678,133)**	**74.950**
Service Cost	27,099	2,927	30,026
Interest expense/(income)	27,781	(25,380)	2,401
Return on plan assets	-	(28,999)	(28,999)
(Gain)/loss from financial assumption changes	23,812	-	23,812
(Gain)/loss from demographic assumption changes	(3,321)	-	(3,321)
Experience (gains)/losses	20,914	-	20,914
Employer contributions	-	(43,409)	(43,409)
Benefit payment	(24,142)	24,142	-
Translation difference	28,414	(25,876)	2,539
As of December 31, 2016	**853,640**	**(774,729)**	**78,912**

SERP (Euro/000)	Benefit Obligation	Plan Assets	Total
As of January 1, 2015	**9,870**	**-**	**9,870**
Service Cost	518	-	518
Interest expense/(income)	407	-	407
Loss/(gain) due to settlement	-	-	-
(Gain)/loss from financial assumption changes	90	-	90
(Gain)/loss from demographic assumption changes	(19)	-	(19)
Experience (gains)/losses	(503)	-	(503)
Employer contributions	-	(1,557)	(1,557)
Benefit payment	(31)	31	-
Settlements	(1,526)	1,526	-
Translation difference	1,112	-	1,112
As of December 31, 2015	**9,918**	**-**	**9,918**

SERP (Euro/000)	Benefit Obligation	Plan Assets	Total
As of January 1, 2016	**9,918**	**-**	**9,918**
Service Cost	790	-	790
Interest expense/(income)	407	-	407
Loss/(gain) due to settlement	-	-	-
(Gain)/loss from financial assumption changes	207	-	207
(Gain)/loss from demographic assumption changes	(25)	-	(25)
Experience (gains)/losses	(2,226)	-	2,226
Employer contributions	-	(469)	(469)
Benefit payment	(32)	32	-
Settlements	(437)	437	-
Translation difference	484	(1)	483
As of December 31, 2016	**13,539**	**-**	**13,539**

During 2016 and 2015, the Lux SERP settled a portion of its benefit obligations through lump sum cash payments to certain plan participants.

The following tables show the main assumptions used to determine the benefit obligation for the periods indicated below:

	Pension Plan		SERPs	
(Euro/000)	FY 2016	FY 2015	FY 2016	FY 2015
Weighted average assumptions used to determine benefit obligations:				
Discount rate	4.28%	4.56%	3.87/3.98%	4.05/4.30%
Rate of compensation increase	7%/4%/3%	7%/4%/3%	7%/4%/3%	7%/4%/3%
Mortality Table	Static 2016	Static 2015	Static 2016	Static 2015

U.S. Holdings' discount rate is developed using a third party yield curve derived from non callable bonds of at least an AA rating by Moody's Investor Services or at least an AA rating by Standard & Poor's. Each bond issued is required to have at least USD 250 million outstanding. The yield curve compares the future expected benefit payments of the Lux Pension Plan to these bond yields to determine an equivalent discount rate. U.S. Holdings uses an assumption for salary increases based on a graduated approach of historical experience. U.S. Holdings' experience shows salary increases that typically vary by age.

The sensitivity of the defined benefit obligation to changes in the significant assumptions is (amounts in thousands):

		Impact on defined benefit obligation			
		Increase in assumption		Decrease in assumption	
(Euro/000)	Change in assumption	Pension Plan	SERPs	Pension Plan	SERPs
Discount rate	1.0%	(91,584)	(955)	110,336	1,155
Rate of compensation increase	1% for each age group	8,758	952	(7,854)	(750)

The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur. When calculating the sensitivity of the defined benefit obligations to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the liabilities recognized within the statements of financial position.

Plan Assets - The Plan's assets are invested in accordance with an Investment Policy that describes the guidelines and principles that the Luxottica Group ERISA Plans Compliance and Investment Committee intends to follow when making decisions on the management and investment of assets of the Plan. The Plan's long-term investment objectives are to generate investment returns that provide adequate assets to meet the Plan's benefit obligations and to maintain sufficient liquidity to pay benefits and administrative expenses.

In 2014, a new investment policy was implemented which applies a dynamic asset allocation strategy. A dynamic asset allocation strategy invests in both return-seeking assets and liability-hedging assets and the allocation between these asset classes varies based upon the Plan's funded ratio. Return-seeking assets consist of funds focused on U.S. equity, global equity, non-US equity and global REITs. Liability-hedging assets are fixed income investments. As the funded ratio of the Plan increases, the weight of liability-hedging assets increases. As of December 31, 2016, the Plan's asset allocation was within the guidelines described in the investment policy. The table below shows the asset classes as percentage of total assets:

Asset Category	Asset Class as a Percent of Total Assets
Fixed income Funds	35%
U.S. Equity Funds	22%
International and Global Equity Funds	37%
Global real estate funds	6%
Money market funds	0%
Cash and Equivalents	0%

Plan assets are invested in various funds which employ both passive and active management strategies. Passive strategies involve investment in an exchange-traded fund that closely tracks a particular index while active strategies employ investment managers seeking to manage the fund's performance. Certain transactions and securities are not authorized to be conducted or held in the pension trusts, such as purchase or sale of commodity contracts, illiquid securities or real estate, nonagency mortgage, and American Depositary Receipts (ADR) or common stock of the Company's parent, Luxottica Group S.pA. Risk is further controlled both at the asset class and manager level by assigning benchmarks and performance objectives. The investment managers are monitored on an ongoing basis to evaluate performance against these benchmarks and performance objectives.

Contributions - U.S. Holdings expects to contribute Euro 32 million to its pension plan and Euro 1.5 million to the SERP in 2017.

Duration - The weighted average duration of the pension defined benefit obligations is 11.7 years while the weighted average duration of the SERPs is 7.5 years. The following table provides the undiscounted estimated future benefit payments (amounts in thousands):

Estimated Future Benefit Payments (Euro/000)	Pension Plan	SERP
2017	33,237	1,537
2018	34,463	1,506
2019	42,998	872
2020	49,070	608
2021	51,044	760
Subsequent years	288,907	6.057

Other Benefits - U.S. Holdings provides certain post employment medical, disability and life insurance benefits. The Group's accrued liability related to this obligation as of December 31, 2016 and 2015, was Euro 1.0 million and Euro 0.8 million, respectively.

U.S. Holdings sponsors the following additional benefit plans, which cover certain present and past employees of some of its US subsidiaries:

a. U.S. Holdings provides, under individual agreements, post employment benefits for continuation of health care benefits and life insurance coverage to former employees after employment. As of each of December 31, 2016 and 2015, the accrued liability related to these benefits was Euro 0.7 million and Euro 0.6 million, respectively.

b. U.S. Holdings maintains the Cole National Group, Inc. Supplemental Retirement Benefit Plan, which provides supplemental retirement benefits for certain highly compensated and management employees who were previously designated by the former Board of Directors of Cole as participants. This is an unfunded noncontributory defined contribution plan. Each participant's account is credited with interest earned on the average balance during the year. This plan was frozen as to future salary credits on the effective date of the Cole acquisition in 2004. The plan liability was Euro 0.4 million and Euro 0.5 million at December 31, 2016 and 2015, respectively.

U.S. Holdings sponsors certain defined contribution plans for its United States and Puerto Rico employees. The cost of contributions incurred in 2016 and 2015 was Euro 14.9 million and Euro 13.2 million, respectively, and was recorded in general and administrative expenses in the consolidated statement of income.

In Australia and Hong Kong, the Group makes mandatory contributions to superannuation retirement funds. The plans provide benefits on a defined contribution basis for employees upon retirement, resignation, disablement or death. Contributions to defined contribution superannuation plans are recognized as an expense as the contributions are paid or become payable to the fund. Contributions are accrued based on legislated rates and annual compensation.

Health Benefit Plans - U.S. Holdings partially subsidizes health care benefits for eligible retirees. Employees generally become eligible for retiree health care benefits when they retire from active service between the ages of 55 and 65. Benefits are discontinued at age 65. During 2009, U.S. Holdings provided for a one time special election of early retirement to certain associates age 50 or older with 5 or more years of service. Benefits for this group are also discontinued at age 65 and the resulting special termination benefit is immaterialLa passività maturata in relazione al piano, pari, rispettivamente, a Euro

The plan liability of Euro 1.1 million and Euro 1.1 million at each of December 31, 2016 and 2015, is included in other non-current liabilities on the consolidated statement of financial position.

The cost of this plan in 2016 and 2015 as well as the 2017 expected contributions are immaterial. For 2017, a 6.8% (7.2% for 2016) increase in the cost of covered health care benefits was assumed. This rate was assumed to decrease gradually to 4.5% for 2024 and remain at that level thereafter. The health care cost trend rate assumption could have a significant effect on the amounts reported. A 1.0% increase or decrease in the health care trend rate would not have a material impact on the consolidated financial statements. The weighted average discount rate used in determining the accumulated postretirement benefit obligation was 4.3% at December 31, 2016 and 4.49% at December 31, 2015. A 1.0% increase or decrease in the discount rate would not have a material impact on the postretirement benefit obligation.

24. Non-current provisions for risk and other charges

The balance is detailed below (amounts in thousands of Euro):

Long term risk funds (Euro/000)	December 31, 2016	December 31, 2015
Legal Risk	13,069	9,943
Self-insurance	25,735	26,922
Tax Provision	40,945	35,640
Guarantees	7,059	6,807
Other Risks	35,299	25,196
Total	**122,107**	**104,508**

Short-term risk fund details are as follows:

Long term risk funds (Euro/000)	Legal Risk	Self insurance	Tax Provision	Guarantees	Other Risks	Total
Balance as of December 31, 2015	**9,943**	**26,922**	**35,640**	**6,807**	**25,196**	**104,508**
Increases	2,317	7,166	4,242	2,578	18,262	34.564
Decreases	(2,856)	(9,091)	(20)	(1,504)	(19,623)	(33.094)
Translation difference and other movements	3,666	738	1,083	(821)	11,464	16.129
Balance as of December 31, 2016	**13,069**	**25,735**	**40,945**	**7,059**	**35,299**	**122,107**

Other risks include (i) accruals for risks related to sales agents of certain Italian companies of Euro 6.0 million (Euro 5.8 million as of December 31, 2015) and (ii) accruals for decommissioning the costs of certain subsidiaries of the Group operating in the Retail Segment of Euro 0.7 million (Euro 0.5 million as of December 31, 2015).

Other risks include the effects of the business combination with Salmoiraghi & Viganò. For further details please refer to Note 4 - *Business Combination*.

The Company is self insured for certain types of losses (please refer to Note 20 Short term *Provisions for Risks and Other Charges* for further details).

25. Other non current liabilities

The balance of other non current liabilities was Euro 79.8 million and Euro 91.4 million as of December 31, 2016 and 2015, respectively. The balance mainly includes "Other liabilities" of the North American Retail divisions of Euro 43.4 million and Euro 44.9 million as of December 31, 2016 and 2015, respectively.

26. Luxottica group stockholders' equity

CAPITAL STOCK

The share capital of Luxottica Group S.p.A. as of December 31, 2016 amounted to Euro 29,050,564.98 and was comprised of 484,176,083 ordinary shares with a par value of Euro 0.06 each.

The share capital of Luxottica Group S.p.A. as of January 1, 2016 amounted to Euro 28,019,199.98 and was comprised of 483,653,333 ordinary shares with a par value of Euro 0.06 each.

Following the exercise of 522,750 options to purchase ordinary shares granted to employees under existing stock option plans, the share capital increased by Euro 31,365 during 2016.

The total options exercised in 2016 were 522,750, of which 5,000 refer to the 2007 grant, 42,000 refer to the 2008 grant, 9,750 refer to the 2009, 211,000 refer to the 2009 extraordinary grant (reassignment of the 2006 performance grant), 50,500 refer to the 2009 ordinary grant (reassignment of the 2006 and 2007 ordinary grants), 37,000 refer to the 2010 ordinary grant, 54,500 refer to the 2011 ordinary grant and 113,000 refer to the 2012 ordinary grant.

LEGAL RESERVE

This reserve represents the portion of the Company's earnings that are not distributable as dividends, in accordance with Article 2430 of the Italian Civil Code.

ADDITIONAL PAID IN CAPITAL

This reserve increases with the expensing of options or excess tax benefits from the exercise of options.

RETAINED EARNINGS

These include subsidiaries' earnings that have not been distributed as dividends and the amount of consolidated companies' equities in excess of the corresponding carrying amounts of investments. This item also includes amounts arising as a result of consolidation adjustments.

TRANSLATION RESERVE

Translation differences are generated by the translation into Euro of financial statements prepared in currencies other than Euro.

TREASURY SHARES

Treasury shares were equal to Euro 269,8 million as of December 31, 2016 (Euro 68.6 million as of December 31, 2015). The increase of Euro 201.1 million was primarily due to the purchase of 4,053,273 treasury shares for Euro 217.8 million. This amount was partially offset by the grants to certain top executives equaling 830,054 treasury shares in the amount of Euro 16.7 million as a result of the Group having achieved the financial targets identified by the Board of Directors under the 2013 Performance Share Plan ("PSP"). As a result, the number of Group treasury shares increased from 3,145,865 as of December 31, 2015 to 7,199,138 as of December 31, 2016.

27. Non controlling interests

Equity attributable to non controlling interests was Euro 5.9 million and Euro 5.2 million as of December 31, 2016 and December 31, 2015, respectively. The increase was mainly due to net income for the period of Euro 1.8 million and changes in the translation reserve of Euro 1.2 million. The increase was partially offset by the payment of dividends to non-controlling interests for Euro 2.3 million.

28. Information on the consolidated statement of income

REVENUES BY CATEGORY

The break-down of revenues by category is as follows (amounts in thousands of Euro):

(Euro/000)	December 31, 2016	December 31, 2015
Sales of products	8,263,373	8,315,968
Vison care business	664,641	382,828
Eye-exam and related professional fees	113,017	113,461
Franchisee revenues	44,676	24,321
Total net sales	**9,085,707**	**8,836,578**

ANALYSIS OF EXPENSES BY NATURE

The reconciliation of the expenses by function to the expenses by nature is as follows:

(Euro/000)	December 31, 2016	December 31, 2015
Cost of sales	3,153,264	2,835,426
Selling and advertising	3,626,962	3,537,224
General and administrative	960,214	1,087,484
Total expenses by function	**7,740,440**	**7,460,134**
Employee benefits expense	2,643,472	2,619,390
Consumption	1,483,179	1,447,548
Production costs	628,412	427,596
Operating lease expense	713,383	684,445
Depreciation and amortization	512,842	476,888
Advertising media and promotion expenses	331,782	341,749
Logistics costs	188,829	185,791
Trade marketing	180,801	185,192
Royalties	169,890	168,669
Share-based compensation expense	9,577	49,692
Other	878,272	873,174
Total expenses by nature	**7,740,440**	**7,460,134**

OTHER INCOME/EXPENSE

The composition of other income/(expense) is as follows (amounts in thousands of Euro):

Interest Expense (Euro/000)	December 31, 2016	December 31, 2015
Interest expense on bank overdrafts	(1,131)	(902)
Interest expense on loans	(68,042)	(92,138)
Financial expense on derivatives	(7,841)	(8,322)
Other interest expense	(4,514)	(5,077)
Total interest expense	**(81,528)**	**(106,439)**

Interest Income (Euro/000)	December 31, 2016	December 31, 2015
Interest income on bank accounts	8,969	8,100
Financial income on derivatives	3,205	1,666
Interest income on loans	3,296	1,424
Total interest income	**15,469**	**11,190**
Other – net from derivative financial instruments and translation differences	1,261	(4,794)
Other – net	38,225	1,512
Total other – net	**39,486**	**(3,282)**

The decrease in financial expenses is due primarily to the repayment in November 2015 of Euro 500 million of bonds issued by the Company.

The net amount of other income and expenses relate to the capital gain realized as a result of the revaluation at fair value of the 36.8% interest acquired in Salmoiraghi & Viganò. For additional details please refer to paragraph 4 - *Business Combination*.

PROVISION FOR INCOME TAXES

The income tax provision is as follows:

Income Tax Provision (Euro/000)	December 31, 2016	December 31, 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:

Effective Rate (Euro/000)	December 31, 2016	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%**

For an analysis of the principal changes in 2016 as compared to 2015 please refer paragraph 3 *Financial Results* of the Management Report.

29. Commitments and risks

LICENSING AGREEMENTS

The Group has entered into licensing agreements with certain designers for the production, design and distribution of sunglasses and prescription frames.

Under these licensing agreements the Group is required to pay a royalty generally ranging from 5% to 14% of net sales of the related collection. Certain contracts also provide for the payment of minimum annual guaranteed amounts and a mandatory marketing contribution (the latter typically amounts to between 5% and 15% of net sales of the related collection). These agreements-which typically have terms ranging from 4 to 10 years-can typically be terminated early by either party for certain reasons, including but not limited to non payment of royalties, failure to reach minimum sales thresholds or management objectives and, under certain conditions, a change in control of Luxottica Group S.p.A.

Minimum payments required in each of the years subsequent to December 31, 2016 are detailed as follows (amounts in thousands of Euro):

(Euro/000)	Amount
As of December 31	
2017	143,194
2018	147,972
2019	133,625
2020	133,562
2021	111,739
Subsequent years	353,582
Total	**1,023,674**

RENTALS, LEASING AND LICENSES

The Group leases through its worldwide subsidiaries various Retail stores, plants, warehouses and office facilities as well as certain of its data processing and automotive equipment under operating lease arrangements. These agreements expire between 2017 and 2027 and provide for renewal options under various conditions. The lease arrangements for the Group's U.S. Retail locations often include escalation clauses and provisions requiring the payment of incremental rentals, in addition to any established minimum contingent upon the achievement of specified levels of sales volume. The Group also operates departments in various host stores, paying occupancy costs solely as a percentage of sales. Certain agreements which provide for operations of departments in a major Retail chain in the United States contain short term cancellation clauses.

Total rental expense for each year ended December 31 is as follows:

(Euro/000)	December 31, 2016	December 31, 2015
Minimum lease payments	452,000	434,172
Additional lease payments	158,883	153,792
Sublease payments received	(32,692)	(28,502)
Total	**578,190**	**559,462**

Future rental commitments, including contracted rent payments and contingent minimums, are as follows:

(Euro/000)	Amount
As of December 31	
2017	385,609
2018	301,284
2019	237,196
2020	188,651
2021	143,459
Subsequent years	287,326
Total	**1,543,525**

OTHER COMMITMENTS

The Group is committed to pay amounts in future periods for endorsement contracts, supplier purchase and other long term commitments. Endorsement contracts are entered into with selected athletes and others who endorse Oakley products. Supplier commitments have been entered into with various suppliers in the normal course of business. Other commitments mainly include auto, machinery and equipment lease commitments.

Future minimum amounts to be paid for endorsement contracts and supplier purchase commitments are as follows:

(Euro/000)	Endorsement Contracts	Supply Commitments	Other Commitments
As of December 31			
2017	8,616	76,209	36,803
2018	3,189	14,330	33,754
2019	660	11,863	30,866
2020	812	5,483	24,154
2021	37	4,956	14,823
Subsequent years	-	549	126
Total	**13,314**	**113,391**	**140,526**

GUARANTEES

A wholly owned U.S. subsidiary guaranteed future minimum lease payments for lease agreements on certain stores. The lease agreements were signed directly by the franchisees as part of certain franchising agreements. Total minimum guaranteed payments under this guarantee were Euro 3.8 million (USD 4.0 million) at December 31, 2016 (Euro 7.8 million at December 31, 2015). The commitments provided for by the guarantee arise if the franchisee cannot honor its financial commitments under the lease agreements. A liability has been accrued using an expected present value calculation. Such amount is immaterial to the consolidated financial statements as of December 31, 2016. The liability expires at various dates through January 31, 2020.

LITIGATION

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 (the "FCA") relating to pricing and sales practices in the industry. In May 2015, the Company and the French Subsidiaries received a statement of objections from the FCA (the "Statement of Objections"). The Statement of Objections contained the FCA's preliminary position on alleged anti-competitive practices and did not prejudice its final decision.

In August 2015, the Company 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.

Given the current status of this investigation, the Company, 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 any such action is inherently uncertain, and there can be no assurance that such action, if adversely determined, will not have a material adverse effect on the results of operations and financial condition.

OTHER PROCEEDINGS

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

30. Related party transactions

LICENSE AGREEMENTS

The Group executed an exclusive worldwide license for the production and distribution of Brooks Brothers brand eyewear. The brand is held by Brooks Brothers Group, Inc. ("BBG"), which is owned and controlled by Claudio Del Vecchio, a son of the Company's Executive Chairman and majority stockholder. The license expired on December 31, 2015 and has been renewed until December 31, 2019. Royalties paid under this agreement to BBG were Euro 0.9 million in 2016 and Euro 0.9 million in 2015. Management believes that the terms of the license agreement are fair to the Company.

LEASE OF THE OFFICE BUILDING IN MILAN

On April 29, 2014, the Board of Directors of Luxottica Group authorized the Company to enter into an agreement to lease a building located in Piazzale Cadorna 3, Milan, Italy. The lease is for a period of seven years and five months and may be renewed for an additional six years. The building is owned by Beni Stabili SIIQ S.p.A., which is a related party of Delfin S.à r.l., an entity that is controlled by the Company's Executive Chairman, Leonardo Del Vecchio. In accordance with the procedure on related parties adopted by the Company and CONSOB regulation no. 17221/2010 and in light of the lease value, the agreement qualifies as a minor transaction with related parties. On March 31, 2014, the Risk and Control Committee, which is composed solely of independent directors, unanimously expressed a favorable opinion regarding the Company's interest in entering into the lease as well as on the convenience and fairness of the related conditions. The Company incurred lease expenses in 2016 and 2015 of Euro 4.7 million and Euro 3.8 million, respectively.

RELATED PARTY TRANSACTIONS

A summary of related party transactions as of December 31, 2016 and 2015 is provided below.

Related parties	Consolidated statement of income		Consolidated statement of financial position	
(Euro/000)	Revenue	Costs	Assets	Liabilities
As of December 31, 2016				
Brooks Brothers Group, Inc.	152	916	4	265
Eyebiz Laboratories Pty Limited	1,127	44.342	11,940	13,362
Salmoiraghi & Viganò*	21,876	46	-	-
Milleri's Group**	-	1,616	10,296	5,155
Others	336	7,554	2,765	2,377
Total	**23,491**	**54.474**	**25,005**	**21,159**

(*) Until date control was acquired. For additional details please refer to note 4 – "Business Combinations".
(**) Relating to capital expenses since date the counterparty had been indentified as related party

Related parties	Consolidated statement of income		Consolidated statement of financial position	
(Euro/000)	Revenue	Costs	Assets	Liabilities
As of December 31, 2015				
Brooks Brothers Group, Inc.	416	768	29	336
Eyebiz Laboratories Pty Limited	5,563	53,104	10,682	16,358
Salmoiraghi & Viganò	16,848	1	56,361	517
Others	2,457	8,947	10,384	552
Total	**25,284**	**62,820**	**77,456**	**17,763**

Total remuneration due to key managers amounted to approximately Euro 24.7 million and Euro 50.8 million in 2016 and 2015 respectively.

Lux Pension Plan, described in Note 23 - Employee benefits has been identified as a party transaction. The expenses to manage the plan amounts to Euro 1 million in 2016.In 2016 and in 2015, transactions with related parties resulted in a cash outflow of approximately Euro 21.1 million and Euro 54.6 million.

31. Earnings per share

Basic and diluted earnings per share were calculated as the ratio of net income attributable to the stock-holders of the Company for 2016 and 2015 amounting to Euro 850.5 million and Euro 804.1 million, respectively, to the number of outstanding shares - basic and dilutive of the Company.

Basic earnings per share in 2016 were equal to Euro 1.77 compared to Euro 1.68 in 2015. Diluted earnings per share in 2016 were equal to Euro 1.77 compared to Euro 1.67 in 2015.

The table reported below provides the reconciliation between the average weighted number of shares utilized to calculate basic and diluted earnings per share:

Stock options (Euro/000)	December 31, 2016	December 31, 2015
Weighted average shares outstanding-basic	479,225,730	479,553,693
Effect of dilutive stock options	799,801	2,519,669
Weighted average shares outstanding-dilutive	480,025,531	482,073,361
Options not included in calculation of dilutive shares as the average value was greater than the average price during the respective period or performance measures related to the awards have not yet been met	1,433,625	2,015,627

32. Atypical and/or unusual operations

There were no atypical and/or unusual transactions, as defined by the CONSOB communication no. 6064293 dated July 28, 2006, that occurred in 2016 or 2015.

33. Derivative financial instruments

Derivatives are classified as current or non current assets and liabilities. The fair value of derivatives is classified as a long term asset or liability for the portion of cash flows expiring after 12 months, and as a current asset or liability for the portion expiring within 12 months.

The table below shows the assets and liabilities related to derivative contracts in effect as of December 31, 2016 and 2015 (amounts in thousands of Euro):

Derivative financial instruments	December 31, 2016		December 31, 2015	
(Euro/000)	Assets	Liabilities	Assets	Liabilities
Interest rate swaps - cash flow hedge	-	-	-	-
Forward contracts - cash flow hedge	6,428	2,856	2,055	2,173
Total current portion	**6,428**	**2,856**	**2,055**	**2,173**
Interest rate swaps - cash flow hedge	-	-	-	-
Forward contracts - cash flow hedge	-	-	-	-
Total non-current portion	**-**	**-**	**-**	**-**
Total derivative financial instruments	**6,428**	**2,856**	**2,055**	**2,173**

INTEREST RATE SWAPS

As of December 31, 2016 and 2015, there were no interest rate swap instruments.

34. Non recurring transactions

During 2016, the Group incurred:

- non-recurring expenses of Euro 17.4 million (Euro 11.9 million impact on net income) related to (i) the termination of the employment of Mr. Adil Mehboob-Khan the former Group CEO for Markets and (ii) the Oakley integration.

- non-recurring income of Euro 35.7 million related to the acquisition of Salmoiraghi & Viganò. For further details please refer to Note 4 - Business Combination.

During 2015, the Group incurred non recurring expenses of Euro 66.4 million (Euro 49.8 million impact on net income) related to the integration of Oakley and other minor projects. These costs primarily related to severance expenses and asset write offs.

35. Share-based payments

Beginning in April 1998, certain officers and other key employees of the Company and its subsidiaries were granted stock options of Luxottica Group S.p.A. under the Company's stock option plans (the "plans"). In order to strengthen the loyalty of some key employees - with respect to individual targets, and in order to enhance the overall capitalization of the Company - the Company's stockholders meetings approved three stock capital increases on March 10, 1998, September 20, 2001 and June 14, 2006, respectively, through the issuance of new common shares to be offered for subscription to employees. On the basis of these stock capital increases, the authorized share capital was equal to Euro 29,457,295.98. These options become exercisable at the end of a three year vesting period. Certain options may contain accelerated vesting terms if there is a change in ownership (as defined in the plans).

The stockholders' meeting has delegated the Board of Directors to effectively execute, in one or more installments, the stock capital increases and to grant options to employees. The Board can also:

- Establish the terms and conditions for the underwriting of the new shares.

- Request the full payment of the shares at the time of their underwriting.

- Identify the employees to grant the options based on appropriate criteria.

- Regulate the effect of the termination of the employment relationships with the Company or its subsidiaries and the effects of the employee death on the options granted by specific provision included in the agreements entered into with the employees.

Upon execution of the proxy received from the Stockholders' meeting, the Board of Directors has granted a total of 55,909,800 options of which, as of December 31, 2016, 33,676,083 have been exercised.

In total, the Board of Directors approved the following stock option plans:

Plan	Granted	Exercised
1998 Ordinary Plan	3.380.400	2,716,600
1999 Ordinary Plan	3.679.200	3,036,800
2000 Ordinary Plan	2.142.200	1,852,533
2001 Ordinary Plan	2.079.300	1,849,000
2002 Ordinary Plan	2.348.400	2,059,000
2003 Ordinary Plan	2.397.300	2,199,300
2004 Ordinary Plan	2.035.500	1,988,300
2005 Ordinary Plan	1.512.000	1,332,000
2006 Ordinary Plan*	1.725.000	70,000
2007 Ordinary Plan*	1.745.000	20,000
2008 Ordinary Plan	2.020.500	1,624,300
2009 Ordinary Plan	1.050.000	753,000
2009 Ordinary Plan: reassignment of options granted under the 2006 and 2007 Ordinary Plans to non US beneficiaries	2.060.000	1,797,000
2009 Ordinary Plan: reassignment of options granted under the 2006 and 2007 Ordinary Plans to US beneficiaries	825.000	625,000
2002 Performance Plan	1.170.000	-
2004 Performance Plan	1.000.000	1,000,000
2006 Performance Plan – US beneficiaries*	3.500.000	-
2006 Performance Plan – non US beneficiaries*	9.500.000	1,100,000
2009 Performance Plan: reassignment of options granted under the 2006 performance plans to non US domiciled beneficiaries	4.250.000	4,036,000
2009 Performance Plan: reassignment of options granted under the 2006 performance plans to US domiciled beneficiaries	1.450.000	1,325,000
2010 Ordinary Plan	1.924.500	1,459,000
2011 Ordinary Plan	2.039.000	1,524,000
2012 Ordinary Plan	2.076.500	1,309,250
Total	**55,909,800**	**33,676,083**

(*) The plan was reassigned in 2009

On April 29, 2013, a Performance Shares Plan for senior managers within the Company as identified by the Board (the "2013 PSP") was adopted. The beneficiaries of the 2013 PSP are granted the right to receive ordinary shares, without consideration, if certain financial targets set by the Board are achieved over a specified three year period.

On April 29, 2014, the Board granted certain of the Group's key employees 1,004,400 rights to receive ordinary shares, which may be increased by 20% up to a maximum of 1,205,280 units if certain consolidated cumulative earnings per share targets are achieved over the three year period from 2014 through 2016. As of December 31, 2016, 209,640 of the maximum units granted had been forfeited.

On May 4, 2015, the Board of Directors granted certain of the Group's key employees 1,318,300 rights to receive ordinary shares, which may be increased by 20% up to a maximum of 1,581,960 units if certain consolidated cumulative earnings per share targets are achieved over the three year period from 2015 through 2017. As of December 31, 2016, 552,120 of the maximum units granted had been forfeited.

The information required by IFRS 2 on stock option plans is reported below. Movements reported in the various stock option and performance share plans in 2016 are set forth below:

Stock options and Performance Share Plan	Exercise price	Currency	No. of options outstanding as of December 31, 2015	Granted options	Forfeited options	Exercised options/ vested units	Expired options	No. of options outstanding as of December 31, 2016
2007 Ordinary Plan	24.03	Euro	5,000	-	-	(5,000)	-	-
2008 Ordinary Plan	18.08	Euro	86,700	-	(5,000)	(42,000)	-	39,700
2009 Ordinary plan for citizens not resident in the U.S.	13.45	Euro	30,000	-	-	(6,000)	-	24,000
2009 Ordinary plan for citizens resident in the U.S.	14.99	Euro	16,750	-	-	(3,750)	-	13,000
2009 Plan—reassignment of 2006/2007 plans for citizens not resident in the U.S.	13.45	Euro	68,000	-	-	(25,000)	-	43,000
2009 Plan—reassignment of 2006/2007 plans for citizens resident in the U.S.	15.03	Euro	40,500	-	(5,000)	(25,500)	-	10,000
2009 Plan—reassignment of STR 2006 plans for citizens not resident in the U.S.	13.45	Euro	400,000	-	-	(186,000)	-	214,000
2009 Plan—reassignment of STR 2006 plans for citizens resident in the U.S.	15.11	Euro	50,000	-	-	(25,000)	-	25,000
2010 Ordinary Plan—for citizens not resident in the U.S.	20.72	Euro	115,000	-	-	(37,000)	-	78,000
2010 Ordinary Plan—for citizens resident in the U.S.	21.23	Euro	33,000	-	-	-	-	33,000
2011 Ordinary Plan—for citizens not resident in the U.S.	22.62	Euro	135,000	-	-	(41,500)	-	93,500
2011 Ordinary Plan—for citizens resident in the U.S.	23.18	Euro	84,000	-	-	(13,000)	-	71,000
2012 Ordinary Plan—for citizens not resident in the U.S.	26.94	Euro	439,000	-	(33,500)	(88,500)	-	317,000
2012 Ordinary Plan—for citizens resident in the U.S.	28.32	Euro	158,750	-	(5,000)	(24,500)	-	129,250
PSP 2012	-	Euro	-	-	-	-	-	-
PSP 2013	-	Euro	1,066,680	-	(236,626)	(830,054)	-	-
PSP 2014	-	Euro	1,083,180	-	(82,920)	-	-	1,000,260
PSP 2015 (ordinary)	-	Euro	848,880	-	(92,640)	-	-	756,240
PSP 2015 (extraordinary)	-	Euro	601,200	-	(327,600)	-	-	273,600
Total	**-**		**5,261,640**	**-**	**(788,286)**	**(1,352,804)**	**-**	**3,120,550**

Options exercisable on December 31, 2016 are summarized in the following table:

Stock options and Performance Share Plan	Number of options exercisable as of December 31, 2016
2007 Plan	-
2008 Plan	39,700
2009 Ordinary plan – for citizens not resident in the U.S.	24,000
2009 Ordinary plan – for citizens resident in the U.S.	13,000
2009 Plan – reassignment of 2006/2007 plans for citizens not resident in the U.S.	43,000
2009 Plan – reassignment of 2006/2007 plans for citizens resident in the U.S.	10,000
2009 Plan – reassignment of 2006 plans for citizens not resident in the U.S.	214,000
2009 Plan – reassignment of 2006 plans for citizens resident in the U.S.	25,000
2010 Plan – for citizens not resident in the U.S.	78,000
2010 Plan – for citizens resident in the U.S.	33,000
2011 Plan – for citizens not resident in the U.S.	93,500
2011 Plan – for citizens resident in the U.S.	71,000
2012 Plan – for citizens not resident in the U.S.	317,000
2012 Plan – for citizens not resident in the U.S.	129,250
Total	**1,090,450**

The remaining contractual life of plans in effect on December 31, 2016 is highlighted in the following table:

Remaining contractual life in years	December 31, 2016
2008 Ordinary Plan	0.20
2009 Ordinary plan for citizens not resident in the U.S.	1.35
2009 Ordinary plan for citizens resident in the U.S.	1.35
2009 Plan – reassignment of 2006/2007 plans for citizens resident in the U.S.	0.25
2009 Plan – reassignment of 2006/2007 plans for citizens not resident in the U.S.	1.35
2009 Plan – reassignment of 2006 plans for citizens not resident in the U.S.	1.35
2009 Plan – reassignment of 2006 plans for citizens resident in the U.S.	1.45
2010 Ordinary Plan – for citizens not resident in the U.S.	2.33
2010 Ordinary Plan – for citizens resident in the U.S.	2.33
2011 Ordinary Plan – for citizens not resident in the U.S.	3.33
2011 Ordinary Plan – for citizens resident in the U.S.	3.33
2012 Ordinary Plan – for citizens not resident in the U.S.	4.35
2012 Ordinary Plan – for citizens resident in the U.S.	4.35

With regards to the options exercised during the course of 2016, the weighted average share price of the shares in 2016 was equal to Euro 47.715.

The Group did not record expenses for the ordinary stock option plans in 2016 (Euro 1.6 million in 2015). For the 2010, 2011, 2012, 2013, 2014 and 2015 PSPs, the Group recorded expenses of Euro 9.5 million and Euro 40.7 million in 2016 and 2015, respectively.

The PSP plans are conditional upon satisfying service as well as performance conditions.

36. Dividends

In May 2016, the Company distributed aggregate dividends to its stockholders of Euro 427.7 million equal to Euro 0.89 per ordinary share. Dividends distributed to non controlling interests totaled Euro 2.3 million.

In May 2015, the Company distributed aggregate dividends to its stockholders of Euro 689.7 million equal to Euro 1.44 per ordinary share. Dividends distributed to non controlling interests totaled Euro 2.1 million.

37. Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue, as a going concern, to provide returns to shareholders and benefit to other stockholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Group also monitors capital on the basis of a gearing ratio that is calculated as net financial position divided by total capital. Net financial position is calculated as total borrowings (including short term borrowings and current and non current portions of long term debt) less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated statement of financial position, plus net financial position.

The table below provides the Group's gearing ratio for 2016 and 2015 as follows:

Gearing ratio (amounts in millions of Euro)	**December 31, 2016**	**December 31, 2015**
Total borrowings (notes 16, 17 and 22)	2,043.9	1,870.4
Less cash and cash equivalents (note 6)	(866.9)	(864.9)
Net financial position (note 22)	**1,177.0**	**1,005.6**
Total equity (note 26)	5,754.4	5,417.7
Capital	**6,931.4**	**6,423.3**
Gearing ratio	**17.0%**	**15.7%**

38. Subsequent events

On January 16, 2017, a strategic combination of Essilor's and Luxottica's businesses was announced by Essilor and Delfin (the "Combination") consisting of (i) Delfin S.à r.l. ("Delfin"), an entity that is controlled by Luxottica's Executive Chairman, Leonardo Del Vecchio, contributing its entire equity ownership in Luxottica (approximately 62.54% of Luxottica's ordinary shares) to Essilor in exchange for newly-issued Essilor shares (which shall be approved by the Essilor shareholders' meeting), on the basis of an exchange ratio of 0.461 Essilor share for each Luxottica share (the "Contribution"), and (ii) Essilor subsequently making a mandatory public exchange offer, in accordance with applicable provisions of Italian law, to acquire all of the remaining issued and outstanding shares of Luxottica pursuant to the same exchange ratio.

As a result of the above, and as a result of the "hive-down" of all or substantially all of its operating activities into a wholly owned subsidiary to be called "Essilor International", Essilor would become a holding company with the new name "EssilorLuxottica".

Following the Contribution Delfin would own a shareholding comprised between 31% and 38% of the share capital of EssilorLuxottica and would be its largest shareholder. As part of the transaction, Essilor general shareholders' meeting shall approve an amendment to its by-laws providing, among others, (a) a cap at 31% of voting rights applying to any shareholder, and (b) the cancellation of the double voting rights currently provided by Essilor by-laws.

The Board of Directors of Luxottica unanimously acknowledged that the transaction is in the best interest of Luxottica and shared the strategic rationale of the Combination.

The conditions precedent to the transaction completion, among others, include: (a) the decision of the Autorité des marchés financiers - the French securities regulator ("AMF") - to waive Delfin's obligation to file a mandatory tender offer for Essilor's shares, (b) the approval of the transaction by Essilor shareholders convened for a general meeting, and by holders of double voting rights convened for a special meeting, and (c) clearance from relevant antitrust authorities.

As disclosed on January 16, 2017 and on March 27, 2017 by Delfin, for a period of approximately three years as from the date of the completion of the Contribution, Luxottica's Executive Chairman, Leonardo Del Vecchio, would serve as Executive Chairman and CEO of EssilorLuxottica. Essilor's Chairman and CEO, Hubert Sagnières, would serve as Executive Vice Chairman and Deputy CEO of EssilorLuxottica, with equal powers to those of the Executive Chairman and CEO.

Leonardo Del Vecchio would act as director with executive powers of Luxottica for as long as he is EssilorLuxottica Executive Chairman (or may designate any other person to act as chief executive officer of Luxottica), and Hubert Sagnières would act as chief executive officer of Essilor International for as long as he is EssilorLuxottica Executive Vice Chairman (or may designate any other person to act as chief executive officer of Essilor International).

The EssilorLuxottica Board of Directors would consist of sixteen members. Essilor International - after completing the hive-down noted above - and Luxottica should maintain their respective Boards of Directors currently in office (except, with respect to Essilor International, for the two directors representing the employees who will remain at the level of EssilorLuxottica).

On March 22, 2017, the Board of Directors of Essilor approved the signing of the contribution agreements relating to the Combination, the filing and registration with the AMF of the information document describing the transaction and the principal terms of the Combination agreement and draft resolutions to be submitted for the approval at Essilor's general shareholders' meeting convened on May 11, 2017, including the names of the directors who would, subject to Essilor shareholders' approval, comprise the Board of Directors of EssilorLuxottica as of the closing date of the Contribution, namely:

- Leonardo Del Vecchio, Executive Chairman and CEO of EssilorLuxottica;

- Hubert Sagnières, Executive Vice Chairman and Deputy CEO of EssilorLuxottica;

- Three representatives of Delfin: Romolo Bardin, Giovanni Giallombardo and Francesco Milleri;

- Four indipendent directors designated by Delfin: Rafaella Mazzoli, Gianni Mion, Lucia Morselli and Cristina Scocchia;

- Two directors representing Essilor employees who will be appointed by the Works Council by the end of October 2017;

- Juliette Favre, Essilor employee shareholders representative and Chairman of Valoptec Association, an employee shareholders organization of Essilor;

- Four directors from the current Board of Directors of Essilor: Henrietta Fore, Bernard Hours, Annette Messemer and Olivier Pécoux.

Essilor will hold two shareholders' meetings (a special meeting of holders of shares with double voting rights attached and a general shareholders' meeting) on May 11, 2017 to approve, among others things, the transaction.

Closing is expected in second half of 2017, subject to satisfaction of all conditions precedent, to be followed by EssilorLuxottica's mandatory exchange offer for all remaining issued and outstanding Luxottica shares.

On January 29, 2017 Luxottica US Holding repaid the D series private placement issued on January 29, 2010. For further details please refer to Note 22 - Long-Term Debt.

On January 30, 2017 the Board of Directors of Luxottica Group authorized the early repayment of Luxottica US Holding's Series I Notes issued in a private placement on December 15, 2011. For further details please refer to Note 22 - Long-Term Debt.

On January 30, 2017, Luxottica Group signed an agreement with the current shareholders of Óticas Carol under which Luxottica will acquire 100% of Óticas Carol, one of the largest optical franchisors in Brazil with approximately 950 locations. Established in 1997, Óticas Carol sells a broad range of prescription frames and sunglasses. The transaction remains subject to customary regulatory approvals and is expected to close in the second half of 2017.

On February 9, 2017, Salmoiraghi & Viganò prepaid and cancelled its revolving credit facilities. For further details, please refer to Note 22 - Long-Term Debt.

On February 23, 2017, the Group announced the signing of a multi-year licensing agreement with Ferrari S.p.A. for the design, manufacture, distribution and sale of a range of Ferrari and Ray-Ban branded eyewear.

On February 24, 2017, the Company received notice from the French Competition Authority regarding its decision about the legal proceeding described in Note 29. Please refer to Note 29 for additional details.

On March 10, 2017, we entered into two Euro 250 million term facility agreements each guaranteed by our subsidiary, Luxottica U.S. Holdings Corp., with Banca IMI S.p.A. in its capacity as mandated lead arranger and Intesa Sanpaolo S.p.A. in its capacity as original lender (the "IMI/Intesa Facility") and with Natixis S.A. - Milan Branch in its capacity as both mandated lead arranger and original lender (the "Natixis Facility"). The final maturity of each term facility is on March 10, 2022. As of March 15, 2017, Euro 500 million was borrowed under these credit facilities. On the term loans interest accrues at EURIBOR (as defined in the agreement) plus an average margin of 0.70% and 0.62% for the IMI/Intesa Facility and the Natixis Facility, respectively. During the first quarter of 2017 we entered into two interest rate swap transactions with an aggregate notional amount of Euro 500 million with Intesa Sanpaolo S.p.A.. and Natixis S.A. - Milan Branch. The swaps were entered into as a cash flow hedge. The swaps exchanged the floating rate of EURIBOR for an average fixed rate of 0.1185% per annum.

Attachment 1 - Exchange Rates used to translate Financial Statements prepared in currencies other than Euro

EXCHANGE RATES

	Average exchange rate for the year ended December 31, 2016	Final exchange rate as of December 31, 2016	Average exchange rate for the year ended December 31, 2015	Final exchange rate as of December 31, 2015
Argentine Peso	16.3420	16.7488	10.2599	14.0972
Australian Dollar	1.4883	1.4596	1.4777	1.4897
Brazilian Real	3.8561	3.4305	3.7004	4.3117
Canadian Dollar	1.4659	1.4188	1.4186	1.5116
Chilean Peso	748.4766	704.9450	726.4062	772.7130
Chinese Renminbi	7.3522	7.3202	6.9733	7.0608
Colombian Peso	3,376.9331	3,169.4900	3,048.5271	3,456.0100
Croatian Kuna	7.5337	7.5597	7.6137	7.6380
Danish Krone	7.4452	7.4344	7.4587	7.4626
Great Britain Pound	0.8195	0.8562	0.7259	0.7340
Hong Kong Dollar	8.5922	8.1751	8.6014	8.4376
Hungarian Forint	311.4379	309.8300	309.9956	315.9800
Indian Rupee	74.3717	71.5935	71.1956	72.0215
Israeli Shekel	4.2489	4.0477	4.3122	4.2481
Japanese Yen	120.1967	123.4000	134.3140	131.0700
Malaysian Ringgit	4.5835	4.7287	4.3373	4.6959
Mexican Peso	20.6673	21.7719	17.6157	18.9145
Namibian Dollar	16.2645	14,4570	14.1723	16.9530
New Zealand Dollar	1.5886	1.5158	1.5930	1.5923
Norwegian Krona	9.2906	9.0863	8.9496	9.6030
Peruvian Nuevo Sol	3.7356	3.5402	3.5324	3.7083
Polish Zloty	4.3632	4.4103	4.1841	4.2639
Russian Ruble	74.1446	64.3000	68.0720	80.6736
Singapore Dollar	1.5275	1.5234	1.5255	1.5417
Saudi Arabian	4.1517	3.9545	4.1620	4.0862
South African Rand	16.2645	14.4570	14.1723	16.9530
South Korean Won	1,284.1811	1,269.3600	1,256.5444	1,280.7800
Swedish Krona	9.4689	9.5525	9.3535	9.1895
Swiss Franc	1.0902	1.0739	1.0679	1.0835
Taiwan Dollar	35.6892	33.9995	35.2501	35.7908
Thai Baht	39.0428	37.7260	38.0278	39.2480
Turkish Lira	3.3433	3.7072	3.0255	3.1765
U.S. Dollar	1.1069	1.0541	1.1095	1.0887
United Arab Emirates Dirham	4.0634	3.8696	4.0733	3.9966
Fiorino Ungerese	311,4379	309,8300	309,9956	315,9800

***

Milan, March 1, 2017
Luxottica Group S.p.A.

On behalf of the Board of Directors

Leonardo Del Vecchio
Executive Chairman

Massimo Vian
CEO for Product
and Operations

3.7 Certification of the consolidated financial statements pursuant to Article 154-*bis* of Legislative Decree 58/98

1. The undersigned Leonardo Del Vecchio, as Executive President, Massimo Vian, as chief executive officer for Product and Operations, and Stefano Grassi, as chief financial officer of Luxottica Group SpA, having also taken into account the provisions of Article 154-*bis*, paragraphs 3 and 4, of the Italian Legislative Decree 58 of 24 February 1998, hereby certify:

- The adequacy in relation to the characteristics of the Company and

- The effective implementation of the administrative and accounting procedures for the preparation of the consolidated financial statements over the course of the year 2016.

2. The assessment of the adequacy of the administrative and accounting procedures for the preparation of the consolidated financial statements as of December 31, 2016 was based on a process developed by Luxottica Group S.p.A. in accordance with the model Internal Control - Integrated Framework as issued by the Committee of Sponsoring organizations of the Tradeway Commission which is a framework generally accepted internationally.

3. It is also certified that:

3.1 The consolidated financial statements as of December 31, 2016:

a. Have been drawn up in accordance with the international accounting standards recognized in the European Union under the EC regulation 1606/2002 of the European Parliament and of the Council of 19 July 2002, and the provisions which implement Art. 9 of the legislative decree 38/2005b.

b. Is consistent with the entries in the accounting books and records

c. Is capable of providing a true and fair representation of the assets and liabilities, profits and losses and financial position of the issuer and of all the subsidiaries over which the Group has control

3.2 The management report on of the consolidated financial statements includes a reliable analysis of operating trends and the result of the period as well as the situation of the issuer and of the companies included within the scope of consolidation; a description of the primary risks and uncertainties to which the Group is exposed is also included. Management report includes a disclosure on relevant related party transactions.

***

Milan, March 1, 2017
Luxottica Group S.p.A.

On behalf of the Board of Directors

Leonardo Del Vecchio Executive Chairman	**Massimo Vian** CEO for Product and Operations	**Stefano Grassi** Manager charged with preparing the Company's financial reports

3.8 Independent auditors' report

INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE N. 39 OF 27 JANUARY 2010

To the shareholders of
Luxottica Group SpA

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of the Luxottica Group, which comprise the statement of financial position as of 31 December 2016, the statement of income, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, a summary of significant accounting policies and the other notes.

Directors' responsibility for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n. 38/2005.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11 of Legislative Decree n. 39/2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected depend on the auditor professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity preparation of consolidated financial statements that give a true and fair view, to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C .F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

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Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Luxottica Group as of 31 December 2016 and of the result of its operations and cash flows for the year then ended in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n. 38/2005.

Report on compliance with other laws and regulations

Opinion on the consistency with the consolidated financial statements of the management report and of certain information set out in the report on corporate governance and ownership structure

We have performed the procedures required under auditing standard (SA Italia) 720B to express an opinion, as required by law, on the consistency of the management report and of the information set out in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree n. 58/1998, which are the responsibility of the directors of Luxottica Group SpA, with the consolidated financial statements of the Luxottica Group as of 31 December 2016. In our opinion, the management report and the information in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of the Luxottica Group as of 31 December 2016.

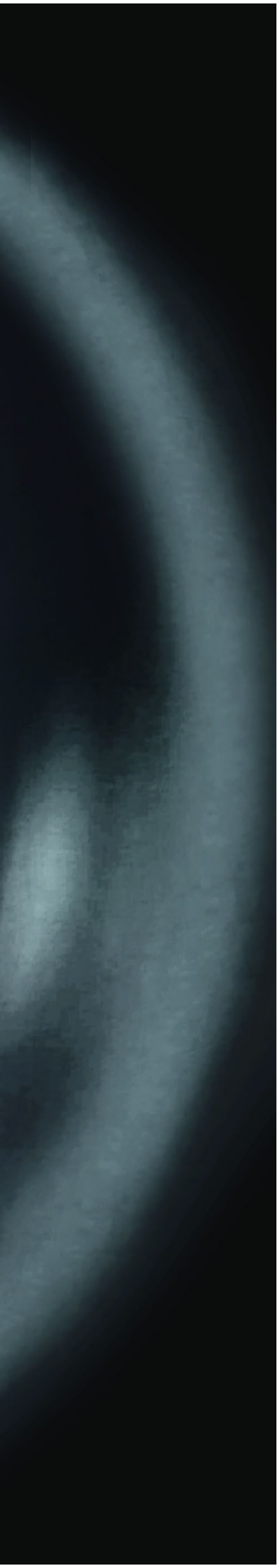
Milan, 5 April 2017

PricewaterhouseCoopers SpA

Signed by

Stefano Bravo
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers



4 Separate financial statements

4.1 Statement of financial position

Asset	Note	December 31, 2016	Of which related parties	December 31, 2015	Of which related parties
Current assets:					
Cash and cash equivalents	4	112,291,774	-	223,181,140	-
Accounts receivable	5	359,059,715	354,432,818	281,524,719	278,708,089
Inventories	6	173,552,316	-	156,727,632	-
Taxes receivable	7	28,427,974	-	18,529,406	-
Derivative financial instruments	8	5,477,275	53,230	1,395,827	12,061
Other assets	9	453,825,441	437,930,517	454,659,236	418,727,889
Assets held for sale	10	51,283,908	-	-	-
Total current assets		**1,183,918,403**	**792,416,565**	**1,136,017,960**	**697,448,039**
Non-current assets:					
Property, plant and equipment	11	72,148,837	-	96,428,265	-
Intangible assets	12	245,473,467	6,329,700	270,232,435	-
Investments in subsidiaries	13	3,080,476,989	3,080,476,989	3,480,317,231	3,480,317,231
Investments in associates	13	1,195,566	1,195,566	45,561,463	45,561,463
Deferred tax assets	14	57,146,165	-	57,772,185	-
Other assets	15	53,195,328	40,000,500	23,578,933	-
Total non-current assets		**3,509,636,352**	**3,128,002,755**	**3,973,890,512**	**3,525,878,694**
Total assets		**4,693,554,755**	**3,920,419,320**	**5,109,908,472**	**4,223,326,733**

Liabilities and Stockholders' equity	Note	December 31, 2016	Of which related parties	December 31, 2015	Of which related parties
Current liabilities:					
Short-term borrowings	16	233,558,850	55,403,024	51,549,539	23,327,608
Short-term provisions for risks and other charges	17	19,866,373	-	13,031,719	-
Accounts payable	18	534,821,265	299,560,918	407,471,569	174,906,679
Income taxes payable	19	12,257,210	-	44,634,383	-
Derivative financial instruments	20	3,215,619	469,469	2,053,891	19,607
Other liabilities	21	180,993,628	129,888,000	664,893,164	608,029,006
Total current liabilities		**984,712,945**	**485,321,411**	**1,183,634,265**	**806,282,900**
Non-current liabilities:					
Long-term debt	22	1,044,913,093	-	1,092,626,239	-
Long-term provisions for risks and other charges	23	3,417,051	-	738,958	-
Employee benefits	24	8,239,578	-	6,877,725	-
Total non-current liabilities		**1,056,569,722**	**-**	**1,100,242,922**	**-**
Stockholders' equity:					
Capital stock	25	29,050,565	-	29,019,200	-
Legal reserve	25	5,804,887	-	5,785,402	-
Other reserves	25	2,432,785,433	-	2,311,812,808	-
Treasury shares	25	(269,754,742)	-	(61,756,887)	-
Net income	25	454,385,945	-	541,170,762	-
Total stockholders' equity		**2,652,272,088**	**-**	**2,826,031,285**	**-**
Total liabilities and stockholders'equity		**4,693,554,755**	**485,321,411**	**5,109,908,472**	**806,282,900**

4.2 Statement of income

	Note	December 31, 2016	Of which related parties	December 31, 2015	Of which related parties
Net sales	26	2,827,120,297	2,807,766,884	2,721,277,830	2,705,847,742
Other revenue and income	27	134,754,625	125,695,416	149,913,938	145,165,705
Changes in inventories	28	16,824,686	-	35,543,151	-
Cost of goods purchased	29	(1,408,915,759)	(1,324,354,037)	(1,365,895,092)	(1,294,463,663)
Service costs	30	(300,239,857)	(75.671.085)	(233,969,153)	(8,205,775)
License and lease costs	31	(240,480,621)	(16,862,730)	(234,301,165)	(17,124,374)
Amortization, depreciation and impairment	32	(213,065,015)	(141,450,126)	(63,392,938)	-
Personnel costs	33	(148,797,306)	23,312,570	(169,032,853)	16,139,411
of which non-recurring costs		*(7,060,000)*	-	-	-
Other operating expenses	34	(22,618,163)	(10,723,289)	(16,978,955)	(2,301,986)
Income from operations		**644,582,887**	**1,387,713,603**	**823,164,763**	**1,545,057,059**
Income and expense from investments	35	98,333,165	98,333,165	19,865,776	19,865,776
Finance income	36	6,000,515	2,560,375	4,809,593	2,723,257
Finance expense	37	(49,527,665)	(4,234,551)	(73,627,929)	(10,522,321)
Foreign currency hedge and exchange difference gains	38	136,316,620	47,885,968	139,276,469	75,902,816
Foreign currency hedge and exchange difference losses	38	(135,374,235)	(41,722,554)	(140,306,317)	(81,676,472)
Total other income and expense		**55,748,400**	**102,822,403**	**(49,982,408)**	**6,293,056**
Income before provision for income taxes		**700,331,287**	**1,490,536,006**	**773,182,355**	**1,551,350,115**
Provision for income taxes	39	(245,945,342)	-	(232,011,593)	-
of which non-recurring		*1,941,500*	-	-	-
Net income		**454,385,945**	**1,490,536,006**	**541,170,762**	**1,551,350,115**

4.3 Statement of comprehensive income

	Note	December 31, 2016	Of which related parties	December 31, 2015	Of which related parties
Net income for the period		**454,385,945**	**-**	**541,170,762**	**-**
Actuarial gains/(losses) on defined benefit pension plans	25	(325,377)	-	363,441	-
of which tax effect		-	-	*134,609*	-
Total other comprehensive income, net of tax		**(325,377)**	**-**	**363,441**	**-**
Comprehensive income for the period		**454,060,568**	**-**	**541,534,203**	**-**

4.4 Statement of changes in equity

	Capital stock										
	Number shares	Amount	Additional paid-in capital	Legal reserve	Extraordinary reserve	IAS reserve	Other reserves	Treasury shares	Equity reserve (merger/ demerger)	Net income for the period	Stockholders' equity
Balances at January 1, 2015	**481,671,583**	**28,900,295**	**396,995,305**	**5,736,259**	**1,148,079,912**	**674,000,669**	**-**	**(73,874,533)**	**148,324,973**	**548,026,086**	**2,876,188,966**
Net income for the period	-	-	-	-	-	-	-	-	-	541,170,762	541,170,762
Other comprehensive income for the period:	-	-	-	-	-	-	-	-	-	-	-
Actuarial gains/losses	-	-	-	-	-	363,441	-	-	-	-	363,441
Total comprehensive income at December 31, 2015	-	-	-	-	-	**363,441**	-	-	-	**541,170,762**	**541,534,203**
Capital increases	1,981,750	118,905	47,560,390	-	-	-	-	-	-	-	47,679,295
Non-cash stock based compensation	-	-	-	-	-	49,738,731	-	-	-	-	49,738,731
Granting of treasury shares	-	-	-	-	(12,117,646)	-	-	12,117,646	-	-	-
Recharge of treasury shares to subsidiaries	-	-	-	-	7,170,508	-	-	-	-	-	7,170,508
Dividends paid Euro 1.44 per share)	-	-	-	-	-	-	-	-	-	(689,713,756)	(689,713,756)
Allocation of prior year net income	-	-	-	49,143	(141,736,813)	-	-	-	-	141,687,670	-
Other changes	-	-	-	-	312,493	-	-	(6,879,155)	-	-	(6,566,662)
Balances at December 31, 2015	**483,653,333**	**29,019,200**	**444,555,695**	**5,785,402**	**1,001,708,454**	**724,102,841**	**-**	**(68,636,042)**	**148,324,973**	**541,170,762**	**2,826,031,285**

	Capital stock		Additional paid-in capital	Legal reserve	Extraordinary reserve	IAS reserve	Other reserves	Treasury shares	Equity reserve (merger/ demerger)	Net income for the period	Stockholders' equity
	Number shares	Amount									
Balances at January 1, 2016	**483,653,333**	**29,019,200**	**444,555,695**	**5,785,402**	**1,001,708,454**	**724,102,841**	**-**	**(68,636,042)**	**148,324,973**	**541,170,762**	**2,826,031,285**
Net income for the period	-	-	-	-	-	-	-	-	-	454,385,945	454,385,945
Other comprehensive income for the period:	-	-	-	-	-	-	-	-	-	-	-
Actuarial gains/losses	-	-	-	-	-	(325,377)	-	-	-	-	(325,377)
Total comprehensive income at December 31, 2016	-	-	-	-	-	**(325,377)**	-	-	-	**454,385,945**	**454,060,568**
Capital increases	522,750	31,365	9,668,862	-	-	-	-	-	-	-	9,700,227
Non-cash stock §based compensation	-	-	-	-	-	9,528,595	-	-	-	-	9,528,595
Granting of treasury shares	-	-	-	-	(16,703,287)	-	-	16,703,287	-	-	-
Recharge of treasury shares to subsidiaries	-	-	-	-	251,511	-	-	-	-	-	251,511
Dividends paid (Euro 0.89 per share)	-	-	-	-	-	-	-	-	-	(427,721,267)	(427,721,267)
Allocation of prior year net income	-	-	-	19,485	113,430,010	-	-	-	-	(113,449,495)	-
Other changes	-	-	-	-	(1,756,844)	-	-	(217,821,987)	-	-	(219,578,831)
Balances at December 31, 2016	**484,176,083**	**29,050,565**	**454,224,557**	**5,804,887**	**1,096,929,844**	**733,306,059**	**-**	**(269,754,742)**	**148,324,973**	**454,385,945**	**2,652,272,088**

4.5 Statement of cash flows

	Note	December 31, 2016	Of which related parties	December 31, 2015	Of which related parties
Income before provision for income taxes, net of dividend income		**600,110,606**	**1,533,652,967**	**681,527,647**	**1,531,484,339**
Stock-based compensation	33	3,013,552	-	24,226,842	-
Amortization, depreciation and impairment	32	218,797,705	141,450,127	135,181,870	-
Finance expense	37	47,407,696	4,081,644	63,269,506	4,654,815
Finance income	36	(5,879,054)	(2,565,724)	(3,065,380)	(1,018,109)
Changes in accounts receivable	5	(77,534,996)	(75,724,729)	133,397,126	133,594,348
Changes in accounts payable	18	130,779,643	124,654,239	67,349,554	50,702,146
Changes in other assets/liabilities		(197,240,017)	21,579,398	53,787,034	16,387,615
Changes in inventories	6	(16,824,684)	-	(35,543,153)	-
Total non-cash adjustments		**102,519,845**	**213,474,956**	**438,603,399**	**204,320,815**
Interest paid		(50,788,703)	(6,997,524)	(61,720,267)	(3,393,923)
Interest received		5,542,102	5,248,176	2,923,942	668,745
Taxes paid		(289,347,524)	-	(275,091,837)	-
Dividend income	35	86,020,681	86,020,681	91,654,708	91,654,708
Total cash adjustments		**(248,573,443)**	**84,271,334**	**(242,233,454)**	**88,929,530**
A. Cash provided by operating activities		**454,057,007**	**1,831,399,256**	**877,897,592**	**1,824,734,684**
(Purchase)/disposal of property, plant and equipment:					
- Purchase	11	(35,799,373)	-	(11,666,534)	-
- Disposal	11	59,674	-	146,064	-
(Purchase)/disposal of intangible assets:					
- Purchase	12	(44,873,795)	(4,685,407)	(36,776,383)	-
- Disposal	12	3,323,147	-	2,772,834	-
Changes in investments in subsidiaries:					
- Increases	13	(244,184,176)	(244,184,176)	(83,474,493)	(83,474,493)
- Liquidations	13	534,116,447	534,116,447	5,248,727	5,248,727
Dividends paid	25	(427,721,267)	-	(689,713,756)	-
B. Cash provided by (used in) investing activities		**(215,079,343)**	**285,246,864**	**(813,463,541)**	**(78,225,766)**

	Note	December 31, 2016	Of which related parties	December 31, 2015	Of which related parties
Long-term debt:					
- Proceeds	22	3,362,712	-	23,861,699	-
- Repayments	22	(1,138,216)	(1,138,216)	(527,373,036)	(27,211,725)
Long-term loans given:					
- Disbursements	15	(40,000,000)	(40,000,000)	-	-
- Repayments	15	311,411	-	2,761,699	-
Short-term borrowings:					
- Proceeds	16	85,477,666	35,477,666	-	-
- Repayments	16	(3,402,250)	(3,402,250)	-	-
Short-term loans given:					
- Disbursements	9	(41,530,601)	(41,530,601)	-	-
- Repayments	8	5,317,997	5,317,997	-	-
Change in cash pooling payables and receivables	9/21	(417,962,229)	(417,962,229)	221,245,054	221,245,054
Capital increase	25	9,700,227	-	47,679,295	-
C. Cash provided by (used in) financing activities		**(399,863,283)**	**(463,237,633)**	**(231,825,289)**	**194,033,329**
D. Cash and cash equivalents, beginning of period		**223,180,344**	**-**	**390,571,582**	**-**
E. Total cash flow generated (used) in period (A+B+C)		**(160,885,619)**	**1,653,408,487**	**(167,391,238)**	**1,940,542,247**
Cash and cash equivalents, end of period (D+E)		**62,294,725**	**-**	**223,180,344**	**-**

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Milan, March 1, 2017
Luxottica Group S.p.A.

On behalf of the Board of Directors

Leonardo Del Vecchio
Executive Chairman

Massimo Vian
CEO for Product
and Operations

LUXOTTICA GROUP S.p.A.
Headquarter and registered office: Piazzale Luigi Cadorna, 3 - 20123 Milan, Italy
Capital Stock: € 29,050,564.98
Authorized and issued.

4.6 Notes to the separate Financial Statements as of December 31, 2016

GENERAL INFORMATION

Luxottica Group S.p.A. (the "Company") is a corporation listed on the Italian Stock Exchange and on the New York Stock Exchange, with its registered office located at Piazzale Cadorna 3, Milan (Italy).

The Company is organized under the laws of the Republic of Italy, has been incorporated with an indefinite term and is controlled by Delfin S.à r.l., a Luxembourg-registered company.

During the period, the Company carried on its business of marketing prescription frames, sunglasses and eyewear and related products, through assuming and holding investments in other companies, as well as its activity of coordinating the Group's companies and managing its brands.

Luxottica Group S.p.A. and its subsidiaries (the "Group" or the "Luxottica Group") operate in two industry segments, from which the Group derives its revenue: (1) manufacturing and Wholesale distribution and (2) Retail distribution. Its manufacturing and Wholesale distribution operations position the Group as world leader in the design, manufacture and distribution of house brand and designer prescription frames and sunglasses in the mid to premium segments of the market, and of sports eyewear, with a product range extending from high-end sunglasses to sports masks and prescription frames.

On January 29, 2016, Mr. Adil Mehboob-Khan left his position as CEO for Markets. On the same day, the Board of Directors approved a change in the governance model aimed at simplifying the management structure and it delegated the responsibilities of the position of CEO Markets to Mr. Leonardo Del Vecchio, the Company's Executive Chairman and majority stockholder. Massimo Vian continues in his role as CEO for Product and Operations, assisting the Executive Chairman.

On February 11, 2016, the Company signed an agreement with Galeries Lafayette, France's leading department store, to roll out the Sunglass Hut Retail concept to 57 Galeries Lafayette and BHV MARAIS department stores across France. The first locations opened in February 2016, with the full roll-out due to be completed by the end of 2016.

On February 23, 2016, the Company and the Valentino fashion house signed an exclusive license agreement for the design, manufacture and worldwide distribution of Valentino sunglasses and eyeglasses. The ten-year agreement is effective from January 2017. The first collection presented under the agreement has been available on the market since the start of 2017.

At the Stockholders' Meeting on April 29, 2016, Group's stockholders approved the statutory financial statements of Luxottica Group S.p.A. as of December 31, 2015, as proposed by the Board of Directors, and the distribution of a cash dividend of Euro 0.89 per ordinary share. The aggregate amount of the dividend of Euro 427.7 million was paid in full in May 2016.

On May 12, 2016, Luxottica Group S.p.A. announced the launch of a share buyback program for up to 1 million ordinary shares. An intermediary was appointed to implement this program with a mandate expiring on June 30, 2016.

On May 24, 2016, Luxottica Group S.p.A. announced the conclusion of the share buyback program for 1 million ordinary shares and at the same time the start of a new program to buy back up to 4 million ordinary shares. An intermediary was appointed to implement this program with a mandate expiring on December 31, 2016. Both buyback programs were in execution of the authorization passed at the Stockholders' Meeting on April 29, 2016, in compliance with the Italian security regulator's accepted market practices (CONSOB resolution no. 16839 dated March 19, 2009) and intended to create a reserve of shares and to support the Company's stock liquidity.

On July 7, 2016, Luxottica Group signed a sponsorship agreement with Ferrari S.p.A. under which the Ray-Ban logo has become a sponsor of Scuderia Ferrari.

On October 3, 2016, Luxottica Group and Intel announced the launch of Radar Pace, a smart eyewear featuring a real-time voice-activated coaching system. Radar Pace, the result of years of research and development between Oakley and Intel, is a revolutionary device that creates personalized training programs, tracks performance, coaches in real-time and responds to user questions.

On November 25, 2016, Luxottica Group announced it had exercised the option to purchase 63.2% of Salmoiraghi & Viganò. This acquisition was completed on December 28, 2016 against payment of Euro 150.3 million in consideration. As a result, as from this date Luxottica Group owns 100% of the shares in Salmoiraghi & Viganò.

On November 7, 2016, Luxottica Group S.p.A. announced the conclusion of the share buyback program for up to 4 million ordinary shares.

On December 22, 2016, Luxottica Group and Ralph Lauren announced the renewal to March 31, 2027 of an exclusive license agreement for the development, production and worldwide distribution of sunglasses and prescription frames under certain Ralph Lauren brands, including Polo and Ralph Lauren.

The present separate financial statements were authorized for publication by the Board of Directors of Luxottica Group S.p.A. in its meeting on March 1, 2017 and are audited.

BASIS OF PREPARATION

In application of Italian Legislative Decree no. 38 of February 28, 2005 ("Exercise of options under Art. 5 of Regulation (EC) no. 1606/2002 regarding international accounting standards"), the Company has prepared its separate financial statements as of December 31, 2016 in conformity with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union at the date of approving the financial statements.

The term "IFRS" is also understood to refer to all the international accounting standards ("IAS") and all the interpretations published by the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").

REPORTING STRUCTURE AND DISCLOSURES

The Company's annual financial statements comprise the Statement of Financial Position, the Statement of Income, the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Stockholders' Equity and the accompanying Notes.

The financial statements are presented on a comparative basis with the prior year.

The currency used by the Company for presenting the financial statements is the Euro and all amounts are expressed in whole Euros, unless otherwise stated.

The Company has adopted the following reporting structure for its financial statements:

- Statement of financial position: assets and liabilities are classified according to current and non-current criteria

- Statement of income: costs are presented according to the nature of expense, in view of the type of business conducted. It should be noted, however, that the Luxottica Group presents its consolidated statement of income using a function of expense method since this is considered more in line with the way that internal financial reports are prepared and with how the business is run

- Statement of cash flows: this has been prepared using the indirect method

Cash and cash equivalents reported in the statement of cash flows reflect the corresponding balances presented in the statement of financial position at the reporting date. Foreign currency cash flows have been translated at transaction date exchange rates.

In accordance with CONSOB Resolution no. 15519 dated July 27, 2006 concerning financial reporting formats, the financial statements contain separate presentation, as necessary, of any material related party balances and transactions.

Lastly, it should be noted that the Company has applied the provisions of:

- CONSOB communication no. 6064293 dated July 27, 2006 concerning the disclosure of non-recurring transactions, atypical or unusual transactions and related party transactions

- Bank of Italy/CONSOB/ISVAP joint statement no. 2 dated February 6, 2009 concerning disclosures in financial reports about business continuity, financial risks, asset impairment testing and uncertainties in using estimates

- Bank of Italy/CONSOB/ISVAP joint statement no. 4 dated March 3, 2010 concerning disclosures in financial reports about impairment tests, terms of credit agreements, debt restructuring and the "fair value hierarchy”

- Bank of Italy/CONSOB/ISVAP joint statement no. 5 dated May 15, 2012 concerning the accounting treatment of deferred tax assets arising from Italian Law 214/2011

The financial statements have been prepared under the historical cost convention, with the exception of certain financial assets and liabilities and stock options for which measurement at fair value is required.

The present financial statements have been prepared on a going concern basis since the Board of Directors has assessed that there are no financial, operating or other indicators that might point to difficulties in the Company's ability to meet its obligations in the foreseeable future and particularly in the next 12 months.

1. Accounting policies and principles

The accounting policies and principles adopted are consistent with those used to prepare the consolidated financial statements, to which reference should be made, except for the policies set out below:

Inventories - Inventories are stated at the lower of cost, determined using the weighted average cost annual for each product. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The reserves to write down obsolete or slow-moving raw materials and finished goods are calculated taking into account their expected future use and their net realizable value.

Investments in subsidiaries and associates - Investments in subsidiaries and associates are stated at cost, less any impairment losses. Any positive difference arising on acquisition, between acquisition cost and the investor's share of the net fair value of the investee's identifiable assets and liabilities, is therefore included in the carrying amount of the investment.

Impairment - An investment incurs an impairment loss when its carrying amount exceeds the recoverable amount. The carrying amount of investments is tested for impairment whenever there is internal or external evidence indicating that this amount might be impaired, in accordance with IAS 36 - Impairment of Assets.

In particular, among the indicators used to assess investment impairment is whether the parent has booked a dividend from the company and there is evidence that:

- The carrying amount of the investment in the separate financial statements exceeds the carrying amount of the investee's net assets, including associated goodwill, reported in the consolidated financial statements

or

- The dividend exceeds the total comprehensive income of the investee in the period to which the dividend refers

The recoverable amount is the higher of an asset's fair value, less costs to sell, and value in use.

Fair value is the price that would be received from the sale of an asset or that would be paid to transfer a liability in an arm's length transaction between market participants at the transaction date.

Value in use is the present value of the future cash flows expected to be derived from an asset. In order to determine value in use, estimated future cash flows are discounted to their present value using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the asset is reduced to its recoverable amount with an impairment loss recognized through profit or loss.

When an impairment loss is no longer justified, the carrying amount of the asset is increased to its new estimated recoverable amount, which may not exceed original cost, with the reversal of an impairment loss recognized through profit or loss.

Share-based payments - The Company awards share-based benefits in the form of stock options or incentive stock options to employees as well as directors who habitually provide their services to one or more subsidiaries.

The Company applies *IFRS 2 - Share-Based Payment* to account for stock options; this requires goods or services acquired in an equity-settled share-based payment transaction to be measured at the fair value of the goods or services received or at the grant date fair value of the equity instruments granted. This methodology falls into Level 1 of the fair value hierarchy identified by IFRS 7.

This value is recognized in profit or loss on a straight-line basis over the vesting period, with a matching increase recorded in equity; the amount recognized is estimated by management, taking account of any vesting conditions. The fair value of stock options is determined using the binomial model.

Under *IFRS 2 - Share-Based Payment*, the total grant date fair value of stock options granted to employees of subsidiaries must be recognized in the statement of financial position, as an increase in the value of investments in subsidiaries, with the matching entry going to equity. When employees of a subsidiary exercise their options/shares, Luxottica Group S.p.A. will recharge the related cost to the subsidiary, recognizing a receivable in its regard while reducing the value of the related investment in the subsidiary. If the recharge is greater or less than the increase originally recognized in the value of the investment, the difference is recognized as income or expense through profit or loss in "Income and expense from investments".

Dividends - Dividend income is recognized when the investor's right to receive payment is established, following the declaration of a dividend by the investee's stockholders in general meeting.

Dividends payable by the Company are reported as movements in stockholders' equity in the period in which they are approved by the stockholders in general meeting and recognized as liabilities when the declaration of such dividends is approved.

Derivative financial instruments - Derivative instruments are initially recognized at fair value through profit or loss. In the case of derivative instruments that do not qualify for hedge accounting, subsequent measurement is always at fair value. The adjustments to fair value are recognized through profit or loss.

2. Risk Management

POLICIES ASSOCIATED WITH THE VARIOUS HEDGING ACTIVITIES

The principal classes of risk to which the Company is exposed are interest rate risk and exchange rate risk. Management constantly and continuously monitors financial risks to identify those assets and liabilities that might generate exchange rate or interest rate risks, and hedges such risks according to the different market conditions and in compliance with the Financial Risk Policy revised by the Board of Directors on February 28, 2013.

CREDIT RISK

Credit risk exists in relation to accounts receivable from customers outside the Group, cash and cash equivalents, financial instruments and deposits held with banks and other financial institutions.

With reference to credit risk relating to management of financial resources and cash, this is managed and monitored by the Treasury department, which adopts procedures to ensure that the Company operates with prime credit institutions. Credit limits for the principal financial counterparties are based on assessments and analyses conducted by the Treasury department.

Within the Group there are agreed guidelines governing relations with bank counterparties, and all Group companies comply with the directives of the Financial Risk Policy.

In general, bank counterparties are selected by the Treasury department and available cash may be deposited, over a certain limit, only with investment grade counterparties, as defined in the Policy.

As from the previous year, all operations in derivatives have been centralized with the Company for the European subsidiaries This activity continues to be carried out with investment grade counterparties with solid and proven experience of negotiating and executing derivatives, as defined in the Treasury Policy. This circumstance has led to a significant increase in the Company's use of derivative financial instruments.

The cash pooling systems used to manage the Group's cash flows, with a view to avoiding the dispersion of liquidity and minimizing borrowing costs, were also centralized with the Company at the same time.

No circumstances arose during the year in which credit limits were exceeded. As far as the Company is aware, there are no contingent losses arising from the inability of the above counterparties to meet their contractual obligations.

LIQUIDITY RISK

With reference to the policies and decisions adopted for addressing liquidity risks, the Company takes suitable actions to be able to duly meet its obligations.

In particular, the Company:

- uses debt instruments or other credit lines to meet its liquidity requirements;
- uses different sources of financing and had Euro 128.7 million in available credit lines as of December 31, 2016;
- is not subject to significant concentrations of liquidity risk, either in terms of financial assets or sources of financing;
- uses different sources of bank financing, but also keeps a reserve of liquidity for promptly satisfying cash needs;
- takes part in a cash pooling system which helps manage the Group's cash flows more efficiently, by preventing the dispersion of liquidity and minimizing borrowing costs;
- monitors, through the Treasury department, forecasts as to how liquidity reserves will be used, based on cash flow projections.

ANALYSIS OF THE PRINCIPAL FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following tables analyze the maturity of assets and liabilities as of December 31, 2016 and December 31, 2015. The figures presented are contractual undiscounted amounts. The various maturity bands are determined according to the period running from the reporting date to the contractual maturity of the receipt or payment obligations. Balances maturing within 12 months approximate the carrying amount of the related liabilities since the effect of present value discounting is insignificant.

MATURITY OF ASSETS

(Euro/000)	Within 1 year	From 1 to 3 years	From 3 to 5 years	Beyond 5 years
As of December 31, 2016				
Cash and cash equivalents	112,292	-	-	-
Derivative financial instruments	5,477	-	-	-
Accounts receivable	359,060	-	-	-
Other current assets	533,537	-	-	-

(Euro/000)	Within 1 year	From 1 to 3 years	From 3 to 5 years	Beyond 5 years
As of December 31, 2015				
Cash and cash equivalents	223,181	-	-	-
Derivative financial instruments	1,396	-	-	-
Accounts receivable	281,525	-	-	-
Other current assets	473,188	-	-	-

MATURITY OF LIABILITIES

(Euro/000)	Within 1 year	From 1 to 3 years	From 3 to 5 years	Beyond 5 years
As of December 31, 2016				
Long-term and short-term debt*	232,664	50,000	550,000	500,000
Finance lease liabilities	895	1,683	-	-
Derivative financial instruments	3,216	-	-	-
Accounts payable	534,821	-	-	-
Other current liabilities	180,994	-	-	-

(*) Excludes the effect of amortized cost of Euro (6.8) million

(Euro/000)	Within 1 year	From 1 to 3 years	From 3 to 5 years	Beyond 5 years
As of December 31, 2015				
Long-term and short-term debt*	50,407	50,000	550,000	500,000
Finance lease liabilities	1,142	907	-	-
Derivative financial instruments	2,054	-	-	-
Accounts payable	407,472	-	-	-
Other current liabilities	664,893	-	-	-

(*) Excludes the effect of amortized cost of Euro (8.2) million

MARKET RISK

The Company is exposed to two types of risk:

a. Interest rate risk

The interest rate risk to which the Company is exposed mainly originates from its long-term debt, which carries both fixed and floating interest rates.

Based on various scenarios, the Company calculates the impact of a change in rates on the statement of income. Each simulation applies the same rate change (in terms of basis points) to all currencies. The various scenarios are developed for only those floating-rate liabilities not hedged against interest rate risk. Based on the simulations performed, the post-tax impact on net income for 2016 of a rate increase/decrease of 100 basis points, assuming all other variables remain equal, would be zero since there were no floating-rate loans present in 2016. The impact at December 31, 2015 would have been zero for the same reason.

For the purposes of fully disclosing information about financial risks, the following table presents financial assets and financial liabilities in accordance with the classification criteria required by IFRS 7 (in thousands of Euro):

(Euro/000)	Notes	Financial assets/liabilitie at fair value through profit or loss	Loans and receivables/ Debt	Derivatives
As of December 31, 2016				
Cash and cash equivalents	4		112,292	
Accounts receivable	5		359,060	
Other current assets	9		453,825	
Current derivative financial instruments (assets)	8			5,477
Other non-current assets	15	53,195		
Short-term borrowings	16		(233,559)	
Accounts payable	18		(534,821)	
Other current liabilities	21		(180,994)	
Current derivative financial instruments (liabilities)	20			(3,216)
Long-term debt	22		(1,044,913)	

(Euro/000)	Notes	Financial assets/liabilitie at fair value through profit or loss	Loans and receivables/ Debt	Derivatives
As of December 31, 2015				
Cash and cash equivalents	4		223,181	
Accounts receivable	5		281,525	
Other current assets	9		454,659	
Current derivative financial instruments (assets)	8			1,396
Other non-current assets	15	23,579		
Short-term borrowings	16		(51,550)	
Accounts payable	18		(407,472)	
Other current liabilities	21		(664,893)	
Current derivative financial instruments (liabilities)	20			(2,054)
Long-term debt	22		(1,092,626)	

b. Exchange rate risk

The main foreign exchange rate to which the Company is exposed is the Euro/Dollar rate.

A +/-10% change in the EUR/USD exchange rate, assuming all other variables remain equal, would have increased net income for 2016 by Euro 2.7 million and decreased it by Euro 2.2 million respectively. The impact of a +/-10% change on net income for 2015, assuming all other variables remain equal, would have increased it by Euro 1.1 million and decreased it by Euro 1.3 million respectively.

DEFAULT AND NEGATIVE PLEDGE RISK

The Company's credit agreements (ING Private Placement 2017-2020) call for compliance with negative pledges and financial covenants; however, the Company's bond issues (Bond maturing on March 19, 2019, Bond maturing on February 10, 2024) do not carry any obligations to comply with financial covenants.

The pledges and covenants contained in the credit agreements aim to restrict the Company's ability to use its assets as collateral without lender consent or by more than the established limit of 20% of Group stockholders' equity. Asset disposals by Group companies are similarly restricted to no more than 10% of consolidated assets.

Failure to comply with the above covenants, followed by failure to comply within the established grace period, could constitute a breach of credit agreement contractual obligations.

The financial covenants require the Company to comply with agreed financial ratios. The main such ratios are the Group's ratio of net debt to consolidated EBITDA and the ratio of consolidated EBITDA to finance expense.

The limits for these main covenants are as follows:

Net Financial Position/Proforma EBITDA	< 3.5
EBITDA/FINANCE EXPENSE	> 5
Covenants Priority Debt/Stockholders' Equity	<20%

An explanation of the meaning of the above covenants is provided below:

- Net Financial Position / Proforma EBITDA: this is an indicator of the prospective sustainability of debt repayments; the lower the absolute value, the greater the company's ability to repay the debt (as indicated by the Net Financial Position) through the generation of gross cash flows from ordinary operations (as indicated by the amount of EBITDA)

- EBITDA / Finance Expense: this is an indicator of financial stress; the higher the value, the greater the company's ability to produce adequate resources to cover finance expense

- Covenants Priority Debt / Stockholders' Equity: this is an indicator of the ability to achieve financial equilibrium between own and third-party sources of funding; the lower the ratio, the greater the company's ability to fund itself

In the event the Group fails to comply with the above ratios, it could be required to make immediate repayment of the outstanding debt if it does not return within these limits in the period established by the different credit agreements.

The Group monitors the amount of the covenants at the end of every quarter and was in full compliance with them as at December 31, 2016. The Company also forecasts trends in these covenants in order to monitor future compliance; current forecasts show that the Group's ratios are below the limits that would trigger a possible breach of contract.

DISCLOSURES RELATING TO THE FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses valuation techniques based on observable market data (Mark to Model) to determine the fair value of its financial instruments; such techniques therefore fall into Level 2 of the fair value hierarchy identified by IFRS 13.

IFRS 13 identifies a three-level hierarchy of valuation techniques as follows:

- Level 1: inputs are quoted prices in active markets for identical assets or liabilities
- Level 2: inputs are those, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: unobservable inputs, which are used when observable inputs are not available in situations where there is little, if any market activity for the asset or liability

When selecting valuation techniques, the Group adopts the following order of priority:

- Use of prices quoted on markets (even if not active) for identical instruments (Recent Transactions) or similar instruments (Comparable Approach)
- Use of valuation techniques based predominantly on observable market data
- Use of valuation techniques based predominantly on unobservable market data

The Company has determined the value of outstanding derivatives at December 31, 2016 using commonly adopted valuation techniques for the type of derivatives entered into by the Group. The models used for valuing these instruments rely on inputs obtained from the info provider Bloomberg, which mostly consist of observable market data (Euro and USD yield curves and official exchange rates at the valuation date).

The following table reports the Company's at-fair-value financial assets and financial liabilities according to this hierarchy:

Description			Fair Value at the reporting date using		
(Euro/000)	Classification	December 31, 2016	Level 1	Level 2	Level 3
Commodity swaps	Other current assets	16	-	16	-
Forex derivatives	Other current assets	5,461	-	5,461	-
Commodities	Other current liabilities	4	-	4	-
Forex derivatives	Other current liabilities	3,212	-	3,212	-

Description			Fair Value at the reporting date using		
(Euro/000)	Classification	December 31, 2016	Level 1	Level 2	Level 3
Forex derivatives	Other current assets	1,396	-	1,396	-
Commodity swaps	Other current liabilities	218	-	218	-
Forex derivatives	Other current liabilities	1,836	-	1,836	-

As of December 31, 2016, none of the Company's financial instruments was valued using Level 3 fair value measurements.

The Company has adopted policies and procedures that aim to measure the fair value of assets and liabilities using the best and most relevant data available.

The Company's portfolio of foreign exchange derivatives includes only forex forward contracts maturing in under one year for the most traded currency pairs. The fair value of the portfolio is calculated using internal models that use market observable inputs including yield curves, and foreign exchange spot and forward prices.

The fair value of the interest rate derivatives portfolio is calculated using internal models that maximize the use of market observable inputs such as interest rates, yield curves and foreign exchange spot prices.

In March 2016, the Company entered into a jet fuel commodity swap to hedge fuel costs relating to the Group's shipments. The notional amount of the contract is Euro 0.6 million, while the fair value as at December 31, 2016 was Euro 0.01 million. The contract expires in December 2016.

The following table presents a summary by type of derivative:

(Euro/000)	2016		2015	
	Assets	Liabilities	Assets	Liabilities
Commodities	16,150	(3,637)	-	(218,307)
Forwards	1,305,760	(1,818,708)	705,539	(768,283)
Swaps	4,155,365	(1,393,274)	690,288	(1,065,248)
Collars	-	-	-	(2,053)
Total	**5,477,275**	**(3,215,619)**	**1,395,827**	**(2,053,891)**

All derivatives are classified as current assets or current liabilities.

3. Influence of estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that influence the value of assets and liabilities reported in the statement of financial position as well as revenues and costs reported in the statement of income, and also the disclosures included in the notes to the financial statements in relation to contingent assets and liabilities as of the date the financial statements were authorized for issue.

Estimates are based on past experience and other relevant factors. Actual results could therefore differ from those estimates. Accounting estimates are periodically reviewed and the effects of any change are reflected in profit or loss in the period the change occurs.

The most significant accounting policies requiring greater judgment on the part of management when making estimates are briefly described below.

- **Valuation of receivables** - Accounts receivable are adjusted by the allowance for doubtful accounts to reflect their recoverable amount. The calculation of the amount of write-down requires management to make subjective judgments based on the available documentation and information relating to customer solvency, and on past trends and experience

- **Valuation of inventories -** nventories that are obsolete are regularly reviewed and written down if their net realizable value is lower than their carrying amount. Write-downs are calculated on the basis of management assumptions and estimates, derived from experience and sales forecast;

- **Valuation of deferred tax assets -** The valuation of deferred tax assets is based on expectations about forecast taxable income in future years, which depends on factors that could vary over time and could have significant effects on the valuation of deferred tax assets

- **Income taxes -** The Company is subject to different income tax laws in many jurisdictions. The determination of the Company's tax liabilities requires management to make judgments about transactions whose tax implications are not certain at the end of the reporting period. The Company recognizes liabilities that may arise from future inspections by the tax authorities, based on an estimate of the taxes expected to be paid. If the outcome of such inspections should differ from that estimated by management, there could be significant effects on both current and deferred taxes

- **Valuation of goodwill -** Goodwill is tested for impairment annually. This calculation requires management to make subjective judgments based on information available within the Company and on the market, and on past experience

- **Valuation of finite -** Life intangible assets (trademarks and other assets). The useful lives and amortization rates of these assets are reviewed annually

- **Pension plans -** The present value of pension obligations depends on a number of factors that are determined with actuarial techniques using specific assumptions. These assumptions relate to the discount rate, the expected return on plan assets, the rate of future salary increases, and mortality and resignation rates. Any change in these assumptions could have significant effects on pension obligations

- **Valuation of provisions for risks -** Determination of the amount of these provisions requires management to make subjective judgments based on the documentation and information available about potential liabilities

Employment information - The average number of employees, analyzed by category, has undergone the following changes since the prior year:

Employees	2016	2015	Change
Senior managers	132	127	5
Staff	898	837	61
Workers	660	682	(22)
Total	**1,690**	**1,646**	**44**

The national collective labor agreement applied to the Company is that for the eyewear industry.

Information on the Statement of Financial Position

Current Assets

4. Cash and cash equivalents

	Balance at December 31, 2016	Balance at December 31, 2015
	112,291,774	223,181,140

This balance represents the cash and cash equivalents held at year end and mostly consists of cash balances on bank accounts.

Description	December 31, 2016	December 31, 2015
Cash at banks and post offices	112,288,105	223,177,287
Cash and cash equivalents on hand	3,669	3,853
Total	**112,291,774**	**223,181,140**

The value of cash and cash equivalents is in line with their fair value at the reporting date.

There are no restrictions on the use of cash, which is available on request.

During 2016 the Company instigated and completed a share buyback program, in compliance with Italian security regulator's accepted market practices (CONSOB resolution no. 16839 dated March 19, 2009) and intended to create a reserve of shares and to support the Company's stock liquidity.

5. Accounts receivable

	Balance at December 31, 2016	Balance at December 31, 2015
	359,059,715	281,524,719

The year-end balance mostly comprises Euro 380,796,112 in trade receivables from subsidiaries, Euro 32,786,477 in invoices to be issued to subsidiaries, and Euro 1,236,695 in foreign customer receivables, net of Euro 57,808,209 in credit notes to be issued to subsidiaries.

The Company does not have any receivables for transactions in which substantially all the risks and rewards of ownership are not transferred.

The Company has considered it unnecessary to write down receivables from Group companies since there are no risks of not collecting them.

6. Inventories

	Balance at December 31, 2016	Balance at December 31, 2015
	173,552,316	156,727,632

Inventories are reported net of an obsolescence reserve for Euro 33,608,724.

Description	December 31, 2016	December 31, 2015
Frames	158,948,061	142,769,942
Spare parts	9,411,007	9,013,363
Packaging material	2,426,921	3,491,339
Advertising material	2,766,327	1,452,988
Total	**173,552,316**	**156,727,632**

The inventory obsolescence reserve reported the following movements during the course of the year.

Description	Amount
Inventory obsolescence reserve at December 31, 2014	**29,257,474**
Utilization of reserve for scrapping	(29,404,550)
Increase in reserve during the year	32,252,462
Inventory obsolescence reserve at December 31, 2015	**32,105,386**
Utilization of reserve for scrapping	(27,343,936)
Increase in reserve during the year	28,847,274
Inventory obsolescence reserve at December 31, 2016	**33,608,724**

7. Taxes Receivable

	Balance at December 31, 2016	Balance at December 31, 2015
	28,427,974	18,529,406

"*Taxes receivable*" mainly consist of Euro 10,500,737 for the transfer to the Company of Luxottica S.r.l.'s credit for IRES (Italian corporate income tax) arising on the deduction of IRAP (Italian regional business tax) paid in previous years in respect of personnel costs (under Art. 2, par. 1-quater, Italian Legislative Decree no. 201 dated December 6, 2011), Euro 1,695,883 for IRAP credits and Euro 15,109,954 for sales tax credits, mainly arising from the transfer to the Company of credits by individual Italian subsidiaries which have elected to settle sales taxes on a group basis through the parent.

8. Derivative financial instruments

	Balance at December 31, 2016	Balance at December 31, 2015
	5,477,275	1,395,827

The balance at December 31, 2016 consists of Euro 53,230 for the fair value of 3 forward contracts with the subsidiary Luxottica S.r.l., Euro 1,252,530 for the fair value of 115 forward contracts with third parties and Euro 4,155,365 for the fair value of 64 swap agreements with third parties.

The balance at December 31, 2015 consisted of Euro 12,061 for the fair value of forward agreements with Group companies, Euro 693,478 for the fair value of forward agreements with third parties and Euro 690,288 for the fair value of swap agreements with third parties.

Additional information can be found in section two of these notes entitled "Risk management".

9. Other assets

	Balance at December 31, 2016	Balance at December 31, 2015
	453,825,441	454,659,236

This balance comprises:

Description	December 31, 2016	December 31, 2015
Cash pooling receivables from Group companies	330,431,356	390,380,634
Loans to Group companies	41,530,601	5,317,997
Tax consolidation receivables from Group companies	33,181,409	17,815,464
Dividends receivable from subsidiaries	14,200,000	-
Sundry advances	9,687,945	26,455,223
Prepaid expenses	4,522,493	6,530,337
Sales tax transferred by Group companies	2,908,893	4,519,457
Other receivables	17,362,744	3,640,124
Total	**453,825,441**	**454,659,236**

9.1 CASH POOLING RECEIVABLES FROM GROUP COMPANIES

"*Cash pooling receivables from Group companies*" refer to the cash pooling activities managed by Luxottica Group S.p.A. since the previous year.

9.2 LOANS TO GROUP COMPANIES

These comprise Euro 34,035,656 for a loan to the subsidiary Mirari Japan, Euro 3,641,421 for a loan to the subsidiary Luxottica Middle East, Euro 3,000,000 for a loan to the subsidiary Nextore S.r.l. and Euro 853,523 for a loan to the associate Sunglass Hut Thailand. The short term loans fair value to the subsidiaries is 41.8 million.

9.3 TAX CONSOLIDATION RECEIVABLES FROM GROUP COMPANIES

This is the matching entry to payables for IRES (Italian corporate income tax) calculated on the taxable income transferred by Italian subsidiaries under the national group tax consolidation, due to expire on December 31, 2016 and at the head of which is Luxottica Group S.p.A. In particular, the amount receivable at year end refers to:

- Luxottica S.r.l. for Euro 23,299,974
- Luxottica Italia S.r.l. for Euro 7,066,766
- Luxottica International Distribution S.r.l. for Euro 2,684,843
- Sunglass Direct Italy S.r.l. for Euro 129,826

9.4 DIVIDENDS RECEIVABLE FROM SUBSIDIARIES

These comprise dividends receivable of Euro 200,000 and Euro 14,000,000 under resolutions adopted to apportion net income for 2015 by OY Luxottica Finland AB and Luxottica Nederland BV respectively.

9.5 SUNDRY ADVANCES

Balance at December 31, 2016	Balance at December 31, 2015
9,687,945	26,455,223

At December 31, 2016, sundry advances mostly refer to advance payments for royalties (relating to future years) for Euro 6,664,256 (Euro 19,467,611 at December 31, 2015), advances to employees for Euro 2,558,114 (Euro 2,103,860 at December 31, 2015) and advances to suppliers for Euro 443,101 (Euro 4,199,763 at December 31, 2015).

9.6 PREPAID EXPENSES

Balance at December 31, 2016	Balance at December 31, 2015
4,522,493	6,530,337

This represents the portion of expenses common to two or more years, recognized in accordance with the accrual basis of accounting, and whose profit or loss impact is after their actual cash payment.

As at December 31, 2016, there are no amounts of accrued income or prepaid expenses that will be recovered after more than five years.

The above balances are analyzed as follows:

Description	December 31, 2016	December 31, 2015
Prepaid marketing expenses	869,350	2,951,013
Prepaid royalties	14,940	811,733
Prepaid sponsorships	600,000	600,000
Other prepaid expenses	3,038,203	2,167,591
Total	**4,522,493**	**6,530,337**

The above "*Prepaid expenses*" refer to costs that will be accounted for in profit or loss in 2017 and 2018.

9.7 SALES TAX TRANSFERRED BY GROUP COMPANIES

This refers to sales taxes payable by subsidiaries that have been transferred to the Company for settlement on a group basis.

The balance at December 31, 2016 refers in its entirety to Luxottica S.r.l.

9.8 OTHER RECEIVABLES

The largest component of this balance is Euro 14 million in relation to the amount owed by the subsidiary Sunglass Hut Ireland for the capital reduction by Luxottica Trading & Finance, absorbed by the Irish company in December 2016. This receivable is recorded net of an impairment loss of Euro 141 million as described in paragraph 32 of these Notes.

10. Assets held for sale

Balance at December 31, 2016	Balance at December 31, 2015
51,283,908	-

"Assets held for sale" report a balance of Euro 51.3 million as of December 31, 2016, reflecting the value of a property that will be sold in the course of 2017.

Non-current assets

11. Property, plant and equipment

	Balance at December 31, 2016	Balance at December 31, 2015
	72,148,837	96,428,265

Description	Balance at December 31, 2015	Increases	Decreases	Assets held for sale	Transfers from (to) other categories	Depreciation expense	Balance at December 31, 2016
Land and buildings	59,694,795	13,219,810	-	(49,261,392)	116,083	(2,342,107)	21,427,189
Plant and machinery	10,285,470	3,897,138	(29,901)	(1,968,087)	2,192,275	(1,987,252)	12,389,643
Industrial and commercial equipment	884,848	373,360	(22,898)	(622)	445,933	(386,985)	1,293,636
Other assets	21,528,542	6,896,093	(6,876)	(279)	964,307	(6,199,668)	23,182,119
Assets under construction and advances	4,034,610	13,478,282	-	(53,527)	(3,603,115)	-	13,856,250
Total	**96,428,265**	**37,864,683**	**(59,676)**	**(51,283,908)**	**115,483**	**(10,916,012)**	**72,148,837**

Among the transfers from other categories, Euro 115,483 refers to a reclassification from Intangible assets, of which Euro 103,300 has been reclassified to "Other assets".

The constituent parts of "Property, plant and equipment" at December 31, 2016 are analyzed in the following tables.

LAND AND BUILDINGS

Description	Amount
Historical cost	86,853,647
Accumulated depreciation	(24,895,136)
Balance at December 31, 2014	**61,958,511**
Additions	324,197
Disposals	(58,526)
Reversal of accumulated depreciation on disposals	21,602
Transfers from other categories	58,934
Depreciation expense	(2,609,923)
Balance at December 31, 2015	**59,694,795**
Additions	13,219,810
Transfers from other categories	116,083
Assets held for sale	(49,261,392)
Depreciation expense	(2,342,107)
Balance at December 31, 2016	**21,427,189**

The additions in the year mainly refer to the Ophthalmic Lens plant in Sedico, of which Euro 2,087,963 to purchase the land and Euro 10,942,976 to purchase the building.

"*Transfers from other categories*" relate to the reclassification of "Assets under construction" reported at the end of the previous year following completion of work on the Sedico Logistics building.

PLANT AND MACHINERY

Description	Amount
Historical cost	25,852,675
Accumulated depreciation	(15,047,138)
Balance at December 31, 2014	**10,805,537**
Additions	211,634
Disposals	(108,616)
Reversal of accumulated depreciation on disposals	-
Transfers from other categories	1,194,394
Depreciation expense	(1,817,479)
Balance at December 31, 2015	**10,285,470**
Additions	3,897,138
Disposals	(126,552)
Reversal of accumulated depreciation on disposals	96,651
Transfers from other categories	2,192,275
Assets held for sale	(1,968,087)
Depreciation expense	(1,987,252)
Balance at December 31, 2016	**12,389,643**

The additions to "*Plant and machinery*" reflect expenditure on new plant and machinery and alterations/improvements to existing plant and machinery, allowing the Company to maintain high qualitative and technological standards.

The additions in the year consist of:

Description	Sedico	Milan	Total
New specific plant/installations	1,300,000	-	1,300,000
Improvements to existing specific plant/installations	33,774	-	33,774
New generic plant/installations	2,478,206	47,225	2,525,431
Improvements to existing generic plant/installations	18,008	900	18,908
New machinery	18,400	-	18,400
Improvements to existing machinery	625	-	625
Total	**3,849,013**	**48,125**	**3,897,138**

"*Transfers from other categories*" relate to the reclassification of "Assets under construction" reported at the end of the previous year following completion of work on plant and machinery.

INDUSTRIAL AND COMMERCIAL EQUIPMENT

Description	Amount
Historical cost	4,383,482
Accumulated depreciation	(3,873,081)
Balance at December 31, 2014	**510,401**
Additions	300,044
Transfers from other categories	377,376
Depreciation expense	(302,973)
Balance at December 31, 2015	**884,848**
Additions	373,360
Disposals	(35,446)
Reversal of accumulated depreciation on disposals	12,548
Transfers from other categories	445,933
Assets held for sale	(622)
Depreciation expense	(386,985)
Balance at December 31, 2016	**1,293,636**

The additions in the year mainly refer to new equipment purchases in Sedico for Euro 323,270 and in Milan for Euro 50,089.

"*Transfers from other categories*" relate to the reclassification of "Assets under construction" reported at the end of the previous year following completion of work on industrial and commercial equipment.

OTHER ASSETS

Description	Amount
Historical cost	41,361,624
Accumulated depreciation	(31,305,315)
Balance at December 31, 2014	**10,056,309**
Additions	8,755,029
Disposals	(563,613)
Reversal of accumulated depreciation on disposals	563,089
Transfers from other categories	8,064,559
Depreciation expense	(5,346,831)
Balance at December 31, 2015	**21,528,542**
Additions	6,896,093
Disposals	(10,276)
Reversal of accumulated depreciation on disposals	3,400
Transfers from other categories	964,307
Assets held for sale	(279)
Depreciation expense	(6,199,668)
Balance at December 31, 2016	**23,182,119**

The additions in the year mainly consist of hardware for Euro 4,916,990, leasehold improvements for Euro 465,376 and furniture and fittings for Euro 617,905 at the premises in Piazzale Cadorna (Milan).

"*Transfers from other categories*" relate to the reclassification of "Assets under construction" reported at the end of the previous year.

ASSETS UNDER CONSTRUCTION AND ADVANCES

Description	Amount
Balance at December 31, 2014	**9,264,814**
Additions	3,462,392
Transfers to other categories	(8,692,596)
Balance aat December 31, 2015	**4,034,610**
Additions	13,478,282
Transfers to other categories	(3,603,115)
Assets held for sale	(53,527)
Balance at December 31, 2016	**13,856,250**

The additions in the year mostly comprise advances paid against the purchase of land in Milan for Euro 6,600,000 and other assets, of which Euro 5,493,205 for generic and specific plant/installations, machinery, buildings, furniture, fittings and equipment at Sedico and Euro 620,560 for hardware, none of which available yet for use.

"*Transfers to other categories*", gross of the reclassification of Euro 115,483 from intangible assets, refer to reclassifications of assets that became available for use during the year having been completed and having entered operation, the main items of which were as follows:

Description	Sedico	Milan	Generic	Total
Leasehold improvements	218,706	124,525	-	343,231
Generic plant/installations	449,180	-	-	449,180
Specific plant/installations	1,432,272	-	-	1,432,272
Hardware	-	-	196,277	196,277
Machinery	310,823	-	-	310,823
Furniture and fittings	288,951	9,548	-	298,499
Software	62,500		63,800	126,300
Buildings	116,083	-	-	116,083
Equipment	445,933	-	-	445,933
Total	**3,324,448**	**134,073**	**260,077**	**3,718,598**

Hardware has been classified as generic because it does not refer to a specific site.

No borrowing costs have been capitalized (since none were incurred) and no property, plant and equipment has been provided as collateral.

The depreciation rates applied and representing the useful lives of the related assets are as follows:

Description	Rate
Furniture and fittings	12%
Buildings	3%
Light buildings	10%
Telephone systems	20%
Generic plant/installations	10%
Specific plant/installations	8%
Luminous signs	10%
Computer hardware	20%
Hardware PC held by agents	30%
Motor vehicles	25%
Commercial equipment	12%
Industrial equipment	25%
Non-industrial equipment	6%
Leasehold improvements	from 14% to 16%

The above depreciation rates were once again reviewed in 2016 to confirm their suitability.

12. Intangible assets

Balance at December 31, 2016	Balance at December 31, 2015
245,473,467	270,232,435

OVERALL MOVEMENTS IN NET INTANGIBLE ASSETS

Description	Balance at December 31, 2015	Increases	Decreases	Transfers from (to) other categories	Depreciation expense	Balance at December 31, 2016
Trademarks	160,655,432	-	-	-	(22,675,413)	137,980,019
Software	84,053,243	22,801,941	(3,278,803)	10,017,334	(36,018,507)	77,575,209
Assets under development	10,589,046	16,576,595	(44,344)	(10,132,817)	-	16,988,480
Other	14,934,714	-	-	-	(2,004,955)	12,929,759
Total	**270,232,435**	**39,378,536**	**(3,323,147)**	**(115,483)**	**(60,698,876)**	**245,473,467**

The increases in "*Trademarks*" entirely refer to costs for their maintenance. The residual value of trademarks at year end mainly comprises:

- Euro 33,690,706 for the Ray-Ban and Arnette trademarks with a remaining useful life of 9 years;
- Euro 94,188,355 for the OPSM trademarks with a remaining useful life of 12 years and 7 months.

With reference to the OPSM trademarks, the Company has exercised the purchase option under the lease with the subsidiary Luxottica Leasing, thereby becoming owner of the trademarks with effect from January 1, 2016.

The license agreement with the subsidiary Luxottica Retail Australia PTY Ltd, the sole user of the trademarks in question, is still in place.

Increases in "*Software*" mainly refer to the following applications:

- SAP, for Euro 5,434,386, amortized over 7 years;
- SAP licenses 2016, for Euro 3,093,216, amortized over 7 years;
- Ray-Ban Global eCommerce Platform, for Euro 2,299,547, amortized over 5 years;
- One Click, for Euro 1,661,200, amortized over 3 years;
- Business Intelligence, for Euro 1,628,738, amortized over 3 years;
- DAM (Digital Asset Management), for Euro 539,025, amortized over 3 years;
- B2B (Business to Business), for Euro 490,300, amortized over 5 years;
- Planning Activation Collaborative Execution (NPS), for Euro 463,360, amortized over 3 years;
- RAISE – RAMS, LTCP, Sedico scheduler, for Euro 438,500, amortized over 3 years;
- Generic software 2016, for Euro 399,189, amortized over 3 years;
- RB Track, for Euro 398,186, amortized over 3 years;
- Price List, for Euro 371,012, amortized over 3 years;
- Trade MKT software, for Euro 250,000, amortized over 3 years.

"*Transfers from other categories*" relate to "Assets under development" reported at the end of the previous year and mainly refer to software projects that were not yet ready for use at the reporting date.

Among the transfers to other categories, Euro 115,483 refers to a reclassification to Property, plant and equipment, of which Euro 103,300 reclassified to "*Other assets*".

Historical cost at the start of the year is analyzed as follows:

Description	Historical cost	Acc. amortization	Net carrying amount
Industrial software	189,096,792	(105,043,549)	84,053,243
Trademarks	527,429,453	(366,774,022)	160,655,432
Assets under development	10,589,046	-	10,589,046
Other	20,274,560	(5,339,846)	14,934,714
Total	**747,389,851**	**(477,157,416)**	**270,232,435**

Software is amortized over a period of between three and seven years, while trademarks are amortized on a straight-line basis over their remaining useful lives. In particular, the OPSM trademarks are being amortized over 22 years, while other house brands are being amortized over 20 years.

Assets under development mostly refer to software whose implementation will be completed in 2017 and thereafter.

Lastly, it is reported that no borrowing costs have been capitalized (since none were incurred) and there are no intangible assets with indefinite useful lives.

13. Investments

	Balance at December 31, 2016	Balance at December 31, 2015
	3,081,672,555	3,525,878,694

The following disclosures about the investments held are provided in accordance with Art. 2427 point 5) of the Italian Civil Code:

Company Name (Euro/000)	City or foreign country	Currency	Capital stock (local currency)	Net income loss	Stockholders' equity	%	Carrying amount of investment
Alain Mikli International Sasu	Paris	EUR	4,459,787	11,386,144	3,809,417	100.00	86,449,875.90
Luxottica (Switzerland) Ag	Zurich	CHF	100,000	1,006,657	1,578,595	100.00	201,828.09
Luxottica Argentina S.r.l.	Buenos Aires	ARS	11,837,001	608,347	1,742,223	94.00	1,082,707.59
Luxottica Belgium Nv	Berchem	EUR	62,000	1,654,277	1,833,937	99.00	2,197,195.28
Luxottica Brasil Produtos Oticos E Esportivos Ltda	San Paolo	BRL	1,043,457,587	4,744,234	284,553,986	57.99	192,361,747.10
Luxottica Canada Inc.	New Brunswick	CAD	200	(3,180,523)	38,487,056	100.00	478,220.61
Luxottica Colombia S.a.s.	Bogotà	COP	3,500,000,000	(158,489)	1,416,826	100.00	1,262,261.97
Luxottica Fashion Brillen Vertriebs Gmbh	Grasbrunn	EUR	230,081	4,679,981	5,379,583	100.00	582,708.68
Luxottica Frames Service SA de CV	Mexico City	MXN	2,350,000	83,365	318,171	0.02	41,408.07
Luxottica France Sasu	Valbonne	EUR	534,000	5,171,669	17,890,709	100.00	1,166,566.43
Luxottica Gozluk Endustri Ve Ticaret Anonim Sirketi	Cigli-Izmir	LTL	10,390,460	3,117,270	30,694,160	64.84	15,165,020.10
Luxottica Hellas Ae	Pallini	EUR	1,752,900	4,932,757	7,425,949	70.00	2,528,714.78
Luxottica Holland Bv	Heemstede	EUR	45,000	(101,040)	113,354,920	100.00	109,328,799.70
Luxottica Hong Kong Services Limited	Hong Kong	HKD	548,536,635	636,313	67,674,688	100.00	64,773,731.16
Luxottica Iberica Sau	Barcelona	EUR	1,382,929	5,589,998	8,835,374	100.00	2,313,372.09
Luxottica International Distribution S.r.l.	Agordo	EUR	50,000	5,206,815	5,986,250	100.00	50,000.00
Luxottica Italia S.r.l.	Agordo	EUR	5,000,000	10,591,355	27,611,051	100.00	14,781,002.59
Luxottica Korea Ltd.	Seoul	KRW	120,000,000	679,910	1,599,037	100.00	126,283.52
Luxottica Mexico SA de CV	Mexico City	MXN	342,000,000	5,561,620	26,562,959	96.00	20,860,554.80

Company Name (Euro/000)	City or foreign country	Currency	Capital stock (local currency)	Net income loss	Stockholders' equity	%	Carrying amount of investment
Luxottica Middle East Fze	Dubai	AED	1,000,000	(448,378)	3,082,350	100.00	303,586.44
Luxottica Nederland Bv	Heemstede	EUR	453,780	1,589,328	6,768,700	100.00	19,253,164.85
Luxottica Nordic Ab	Stockholm	SEK	250,000	1,994,624	3,101,212	100.00	413,161.54
Luxottica Norge As	Drammen	NOK	100,000	606,112	816,905	100.00	61,248.25
Luxottica North Europe Ltd.	S. Albans-Hertfordshire	GBP	90,000	15,249,275	17,207,083	100.00	3,601,760.67
Luxottica Optics Ltd.	Tel Aviv	ILS	44	(24,017)	2,917,493	100.00	3,230,485.49
Luxottica Poland Sp Zoo	Krakow	PLN	390,000	1,189,785	1,697,578	25.00	144,895.29
Luxottica Portugal Comercio De Optica Sa	Lisbon	EUR	700,000	709,691	1,808,651	99.79	729,427.35
Luxottica Retail Uk Ltd.	St Albans-Hertfordshire	GBP	24,410,765	19,234,825	59,734,290	68.00	40,963,713.73
Luxottica South Africa Pty Ltd.	Cape Town - Observatory	ZAR	2,200	1,417,230	18,550,591	100.00	20,235,159.32
Luxottica South Pacific Holdings Pty Limited	Macquarie Park-Nsw	AUD	322,797,001	13,426,125	226,858,704	100.00	210,049,936.84
Luxottica S.r.l.	Agordo	EUR	10,000,000	26,508,774	42,228,586	100.00	47,002,016.56
Luxottica Us Holdings Corp	Dover-Delaware	USD	100	349,333,000	3,160,388,299	100.00	1,613,473,353.85
Luxottica Vertriebsgesellschaft Mbh	Vienna	EUR	508,710	554,937	1,247,169	100.00	545,309.74
Luxottica Wholesale (Thailand) Ltd	Bangkok	THB	100,000,000	1,037,473	3,841,731	100.00	2,499,499.60
Luxottica Wholesale Malaysia Sdn Bhd	Kuala Lumpur	MYR	4,500,000	327,882	3,388,867	100.00	1,012,166.28
Mirari Japan Co Ltd.	Tokyo	JPY	473,700,000	(591,674)	16,224,918	15.83	95,209.69
Mikli Asia Limited	Shanghai	CNR	1,000,000	(821,007)	1,123,014	0	95.37
Nextore S.r.l.	Milan	EUR	1,000,000	211,178	849,804	60.00	609,706.77
Oakley Sport International S.r.l.	Agordo	EUR	50,000	752,435	20,841,785	100.00	20,143,894.55
Opticas Gmo Chile Sa	Comuna De Huechuraba	CLP	7,263,089	4,132,669	40,665,446	0.00	11,772.86
Oy Luxottica Finland Ab	Espoo	EUR	170,000	637,218	1,219,138	100.00	619,205.71
Rayban Air	Agordo	EUR	13,317,243	(511,416)	12,714,338	67.63	9,196,962.00
Salmoiraghi & Viganò S.p.A.	Milan	EUR	11,919,861	(77,006)	52,512,671	100.00	195,308,840.00
Sunglass Direct Germany Gmbh	Grasbrunn	EUR	200,000	751,032	(969,136)	100.00	200,000.00
Sunglass Direct Italy S.r.l.	Milan	EUR	200,000	100,062	559,694	100.00	200,000.00
Sunglass Frames Service SA de CV	Mexico City	MXN	2,350,000	233,124	488,717	0.02	23,547.92
Sunglass Hut (Thailand) Co Ltd	Khet Patumwan, Bangkok	THB	85,000,000	3,156,091	27,730	46.00	1,053,454.27
Sunglass Hut De Mexico Sapi De Cv	Mexico City	MXN	315,970	(1,196,908)	26,507,777	100.00	54,496,076.28
Sunglass Hut France Sasu	Paris	EUR	3,600,000	577,123	4,105,087	100.00	3,600,000.00
Sunglass Hut Iberia Slu	Barcelona	EUR	8,147,795	2,217,784	72,399,689	100.00	231,136,548.64
Sunglass Hut Ireland Limited	Dublin	EUR	253	704,080	857,529	100.00	10,069,818.79

Company Name (Euro/000)	City or foreign country	Currency	Capital stock (local currency)	Net income loss	Stockholders' equity	%	Carrying amount of investment
Sunglass Hut Middle East General Trading Llc	Dubai	AED	1,200,000	52,383	365,117	49.00	142,112.06
Sunglass Hut Netherlands Bv	Heemstede	EUR	18,151	1,945,418	64,208,737	100.00	63,250,000.00
Sunglass Hut Portugal Sa	Lisbon	EUR	3,043,129	477,241	3,579,729	47.92	3,356,903.08
Sunglass Hut Turkey Gozluk Ticaret Anonim Sirketi	Cigli-Izmir	LTL	41,000,000	81,578	4,852,814	100.00	8,887,522.48
Total							**3,081,672,555**

The figures presented refer to amounts reported in the financial statements as of December 31, 2016.

The Company reviews the carrying amounts of its investments annually, as described in the earlier note on "Impairment", as laid down by IAS 36.

13.1 INVESTMENTS IN SUBSIDIARIES

Balance at December 31, 2016	Balance at December 31, 2015
3,080,476,989	3,480,317,231

Balance at December 31, 2015	**3,480,317,231**
Increases in year for capitalizations/acquisitions	288,954,473
Increases for stock options (IFRS 2)	6,515,043
Decreases	(689,577,068)
Impairment	(5,732,690)
Balance at December 31, 2016	**3,080,476,989**

Investments in subsidiaries represent long-term, strategic investments by the Company and are recognized at purchase or subscription cost, as required by IAS 27 - Consolidated and Separate Financial Statements.

The increase in "*Investments in subsidiaries*" mainly refers to:

- Euro 195,308,840 for the investment in Salmoiraghi & Viganò S.p.A., of which Euro 150,308,840 to acquire 63.2% of Salmoiraghi & Viganò S.p.A. and Euro 45,000,000 for the reclassification from "*Investments in associates*"
- Euro 63,241,408 to capitalize Luxottica Hong Kong Services
- Euro 10,109,996 to acquire Sunglass Hut de Mexico SAP de CV
- Euro 8,875,926 to capitalize Sunglass Hut Turkey Gozluk Ticaret Anonim Sirketi
- Euro 9,418,303 to capitalize Sunglass Hut Ireland Ltd
- Euro 2,000,000 to capitalize Alain Mikli International Sasu

Decreases primarily refer to Euro 626,661,916 following the capital reduction by Luxottica Trading and Finance, absorbed into Sunglass Hut Ireland in December 2016, and Euro 86,546,545 in relation to Luxottica Leasing after winding this company up in July 2016.

The increases and decreases for stock options recognized in "Investments in subsidiaries" reflect adjustments to the value of investments in subsidiaries in accordance with IFRS 2.

13.2 INVESTMENTS IN ASSOCIATES

	Balance at December 31, 2016	Balance at December 31, 2015
	1,195,566	45,561,463

This balance reflects Euro 1,053,454 for the 46% equity interest held in Sunglass Hut Thailand Co Ltd and Euro 142,112 for the 49% equity interest held in Sunglass Hut Middle East.

The decrease is due to the reclassification of Euro 45,000,000 in respect of the investment in Salmoiraghi & Viganò S.p.A. about which more details can be found in the preceding note.

14. Deferred tax assets and liabilities

	Balance at December 31, 2016	Balance at December 31, 2015
	57,146,165	57,772,185

These originate from deductible and taxable temporary differences between the accounting value of assets and liabilities and the corresponding value recognized for tax purposes.

The movements in net deferred tax assets during 2016 are shown in the following tables:

January 01, 2016	**57,772,185**
Taxes recognized in profit or loss	(626,020)
Taxes recognized in equity	-
December 31, 2015	**57,146,165**

Description	December 31, 2015	Increases	Decreases	December 31, 2016
Net deferred tax assets (IRES)	48,778,482	-	(396,154)	48,382,328
Net deferred tax assets (IRAP)	8,993,703	-	(229,866)	8,763,837
Total	**57,772,185**	**-**	**(626,020)**	**57,146,165**

The following table presents the composition of deferred tax assets and liabilities, ignoring any offsetting of balances:

	2016		2015	
	Amount of temporary differences	Tax effect (24.00-29.57%)	Amount of temporary differences	Tax effect (27.50-33.07%) (24.00-29.57%)
Deferred tax assets:				
Trademark impairment	4,940,094	1,460,786	5,499,553	1,626,218
Inventory write-down	33,608,724	8,066,094	32,105,386	8,828,981
Provisions for risks and other charges	20,081,473	5,924,167	13,031,719	4,309,589
Trademarks	142,654,208	42,182,849	154,462,208	45,674,476
Employee benefits	1,085,290	260,470	20,341	4,882
Net exchange differences from accounting measurement	6,975,576	1,674,138	2,130,918	586,003
Other	4,943,555	1,186,454	2,515,646	606,854
Total deferred tax assets	**214,288,920**	**60,754,958**	**209,765,771**	**61,637,003**
Deferred tax liabilities:				
Trademarks	10,085,839	2,982,383	11,526,673	3,408,437
Finance leases	1,831,558	439,574	1,831,558	439,574
Other	778,486	186,836	69,680	16,807
Total deferred tax liabilities	**12,695,883**	**3,608,793**	**13,427,911**	**3,864,818**
Deferred tax assets (liabilities), net	**201,593,037**	**57,146,165**	**196,337,860**	**57,772,185**

Deferred tax assets and/or liabilities that will reverse from 2017 have been calculated using the tax rates applying in 2017: 24.00% in the case of IRES and 5.57% in the case of IRAP.

15. Other assets

	Balance at December 31, 2016	Balance at December 31, 2015
	53,195,328	23,578,933

Description	December 31, 2015	Increases	Decreases	December 31, 2016
Advances on royalties	20,773,992	-	(8,163,126)	12,610,866
Security deposits	2,401,731	138,267	(2,266,948)	273,050
Long-term loans to subsidiaries	-	40,000,000	-	40,000,000
Long-term loans to third parties	403,210	-	(91,798)	311,412
Total	**23,578,933**	**40,138,267**	**(10,521,872)**	**53,195,328**

The decrease in "Advances on royalties" mainly refers to the reclassification from non-current to current assets of the amount that will be expensed to income in 2017.

"Long-term loans to subsidiaries" refer to a short-term loan to the subsidiary Sunglass Hut Iberica.

The long term loans fair value to the subsidiaries is 40.3 million.

Current liabilities

16. Short-term borrowings

	Balance at December 31, 2016	Balance at December 31, 2015
	233,558,850	51,549,539

Short-term borrowings balance includes:

- Euro 27,3 milioni in accrued but unpaid interest (27 million in 2015);
- Short-term borrowings for Euro 100 million as a result of drawing down Euro 100 million in short-term lines of credit to redeem a Euro 50 million bond in 2017;
- Short-term borrowings from subsidiaries for Euro 55.4 million (23.3 million in 2015) of which Euro 2.2 million from Luxottica Nordic AB, Euro 2.3 million from Luxottica (Switzerland) AG, Euro 29.2 million from Luxottica Retail UK Ltd, Euro 4.1 million from Oakley Schweiz Gmbh and Euro 17.6 million from Oakley Europe Snc. The fair value is 56.4 million.

17. Short-term provisions for risks and other charges

	Balance at December 31, 2016	Balance at December 31, 2015
	19,866,373	13,031,719

All of the above balance refers to the "Provision for future licensing obligations" for advertising costs accounted for in the current period but that the Company will incur in future years under existing contractual obligations.

18. Accounts payable

	Balance at December 31, 2016	Balance at December 31, 2015
	534,821,265	407,471,569

Accounts payable are stated at their nominal value, and analyzed by maturity as follows:

	Within 12 months	Beyond 12 months	Beyond 5 years	Total
As of December 31, 2016				
Subsidiaries	291,714,423	-	-	291,714,423
Suppliers	243,106,842	-	-	243,106,842
Total	**534,821,265**			**534,821,265**

	Within 12 months	Beyond 12 months	Beyond 5 years	Total
As of December 31, 2015				
Subsidiaries	174,677,047	-	-	174,677,047
Suppliers	232,794,522	-	-	232,794,522
Total	**407,471,569**			**407,471,569**

"Accounts payable to subsidiaries" mostly comprise amounts owed to:

- Oakley Inc. for Euro 97.3 million
- Luxottica Hong Kong Services for Euro 69.7 million
- Luxottica S.r.l. for Euro 56.3 million

The balance also includes invoices to be received mainly from:

- Sunglass Hut Iberia for Euro 6.8 million
- Luxottica Retail Hong Kong for Euro 6.1 million
- Luxottica Hong Kong Services for Euro 6.4 million
- Sunglass Hut Singapore for Euro 3.2 million
- Sunglass Hut Hong Kong for Euro 2.4 million
- Oakley Sport International S.r.l. for Euro 2.4 million

"Accounts payable to suppliers" are presented net of trade discounts and consist of:

- Euro 140.8 million, owed to Italian suppliers
- Euro 30.2 million, owed to foreign suppliers
- Euro 6.4 million in credit notes receivable and
- the remainder in invoices to be received, from Italian and foreign suppliers.

Foreign currency accounts payable are adjusted to year-end exchange rates and the resulting gains and losses are recognized in the statement of income as "Foreign currency hedge and exchange difference gains/losses".

The Company does not have any accounts payable relating to transactions in which substantially all the risks and rewards of ownership are not transferred.

19. Income taxes payable

	Balance at December 31, 2016	Balance at December 31, 2015
	12,257,210	44,634,383

"*Income taxes payable*" report only specific, known liabilities for tax, mainly the liability for IRES (Italian corporate income tax) amounting to Euro 5,935,706 forming part of the national group tax consolidation, and tax withheld from employee income.

20. Derivative financial instruments

	Balance at December 31, 2016	Balance at December 31, 2015
	3,215,619	2,053,891

The balance at December 31, 2016 consists of Euro 1,393,274 for the fair value of 60 swap agreements with third parties, Euro 1,349,239 for the fair value of 132 forward contracts with third parties, Euro 426,404 for the fair value of 1 forward contract with the subsidiary Luxottica Holland BV. and Euro 43,064 for the fair value of 6 forward contracts with the subsidiary Luxottica S.r.l.

The balance at December 31, 2015 consisted of Euro 1,065,248 for the fair value of 32 swap agreements with third parties, Euro 748,676 for the fair value of 80 forward contracts with third parties, Euro 19,607 for the fair value of 4 forward contracts with the subsidiary Luxottica S.r.l., Euro 2,053 for the fair value of 4 collar agreements with third parties and the remainder of Euro 218,307 for the fair value of a fuel swap agreement with third parties.

Additional information can be found in section two of these notes entitled "Risk management".

21. Other liabilities

	Balance at December 31, 2016	Balance at December 31, 2015
	180,993,628	664,893,164

Other liabilities are stated at their nominal value and analyzed by maturity as follows:

	Within 12 months	Total
As of December 31, 2016		
Social security payable	3,728,719	3,728,719
Payables to subsidiaries	129,887,374	129,887,374
Other liabilities	47,377,535	47,377,535
Total	**180,993,628**	**180,993,628**

	Within 12 months	Total
As of December 31, 2015		
Social security payable	5,757,991	5,757,991
Payables to subsidiaries	608,029,006	608,029,006
Other liabilities	51,106,167	51,106,167
Total	**664,893,164**	**664,893,164**

"*Social security payable*" refers to Euro 1,908,155 in amounts due to INPS (Italian social security agency), with the remainder mainly comprising amounts owed to alternative pension funds.

"*Payables to subsidiaries*" are analyzed as follows:

Description	Nature	December 31, 2016	December 31, 2015
Luxottica North Europe Ltd.	Cash pooling payables	43.436.488	10.984.126
Luxottica France Sasu	Cash pooling payables	19.983.395	30.845.114
Oakley Sport International S.r.l.	Cash pooling payables	14.591.559	11.034.948
Oakley Uk Ltd.	Cash pooling payables	8.679.077	4.262.108
Luxottica Nederland Bv	Cash pooling payables	7.777.392	5.137.407
Sunglass Hut Netherland BV	Cash pooling payables	7.408.660	4.280.258
Mikli Diffusion France Sasu	Cash pooling payables	6.715.752	2.879.816
Luxottica International Distribution S.r.l.	Cash pooling payables	6.070.232	802.312
Luxottica Fashion Brillen	Cash pooling payables	5.724.760	
Luxottica Belgium Nv	Cash pooling payables	4.021.634	1.706.984
Luxottica Vertriebsgesellschaft Mbh	Cash pooling payables	1.790.392	1.695.347
OY Luxottica Finland AB	Cash pooling payables	1.391.840	897.828
Luxottica S.r.l.	Cash pooling payables	1.054.536	331.137
Sunglass Hut Portugal	Cash pooling payables	757.207	1.509.025
Sunglass Hut Ireland Limited	Cash pooling payables	150.111	5.052.391
Lunette Europe	Cash pooling payables	108.483	-
Luxottica Italia S.r.l.	Sales tax transferred by subsidiaries	95.115	378.067
Mikli Diffusion France Sasu	Sales tax transferred by subsidiaries	7.645	-
Sunglass Direct Italy S.r.l.	Sales tax transferred by subsidiaries	4.703	-
Luxottica Trading and Finance Limited	Cash pooling payables	-	492.110.504
Luxottica Leasing S.r.l.	Cash pooling payables	-	18.006.834
Luxottica Retail Uk Ltd.	Cash pooling payables	-	12.318.872
Sunglass Hut France Sasu	Cash pooling payables	-	3.599.986
Luxottica Trading and Finance Limited	Sales tax transferred by subsidiaries	-	46.497
Other immaterial amounts		118.393	149.445
Total		**129.887.374**	**608.029.006**

"*Other liabilities*" comprise:

Description	December 31, 2016	December 31, 2015
Employee bonuses	27,593,554	29,847,904
Employee wages and salaries	10,839,106	9,303,597
Unused employee holiday entitlement	8,310,677	8,014,111
Other	634,198	3,940,555
Total	**47,377,535**	**51,106,167**

Foreign currency accounts payable are adjusted to year-end exchange rates and the resulting gains and losses are recognized in the statement of income as "Foreign currency hedge and exchange difference gains/losses".

The Company does not have any liabilities for transactions in which substantially all the risks and rewards of ownership are not transferred.

Non-current liabilities

22. Long-term debt

	Balance at December 31, 2016	Balance at December 31, 2015
	1,044,913,093	1,092,626,239

Non-current debt consists entirely of debt with financial institutions.

The fair value of long-term debt was Euro 1,197.1 million at December 31, 2016 (Euro 1,234.5 million at December 31, 2015). The fair value of debt is equal to the present value of future cash flows, calculated using the market rates currently available for similar debt, as modified to take account of the Company's credit standing. This fair value does not include lease liabilities (Euro 1.7 million).

Long-term debt is repayable as follows:

Description	Amount
2017	-
2018	922,306
2019	500,760,331
2020	50,000,000
Subsequent years	500,000,000
Effect of applying the amortized cost method	(6,769,544)
Total	**1,044,913,093**

The net financial position (calculated on the basis of CONSOB communication no. 6064293 dated July 28, 2006) inclusive of intragroup positions, was as follows as of December 31, 2016 and December 31, 2015 (in Euro):

(Euro)	Note	2016	Of which related parties	2015	Of which related parties	Change
A. Cash on hand	4	3,669	-	3,853	-	(184)
B. Other liquid assets	4	112,288,105	-	223,177,287	-	(110,889,182)
C. Currency hedging instruments	8	5,477,275	53,230	1,395,827	12,061	4,081,448
D. Liquidity (A) + (B) + (C)		**117,769,049**	**53,230**	**224,576,967**	**12,061**	**(106,807,918)**
E. Current financial receivables	**8-9**	**371,961,957**	**371,961,957**	**390,380,634**	**390,380,634**	**(18,418,677)**
F. Bank overdrafts	16	49,997,049	-	796	-	49,996,253
G. Current portion of long-term debt	16	28,158,777	-	28,221,135	-	(62,358)
H. Notes payable	16	-	-	-	-	0
I. Other current financial liabilities	20-21	288,280,161	185,534,011	632,954,524	630,920,240	(344,674,363)
J. Current financial liabilities (F) + (G) + (H) + (I)		**366,435,987**	**185,534,011**	**661,176,455**	**630,920,240**	**(294,740,468)**
K. Net current financial liabilities (J) - (E) - (D)		**(123,295,019)**	**(186,481,176)**	**46,218,854**	**240,527,545**	**(169,513,873)**
L. Long-term debt	22	-	-	0	-	0
M. Notes payable	22	1,043,230,456	-	1,091,719,625	-	(48,489,169)
N. Other non-current payables	22	1,682,637	-	906,614.00	-	776,023
O. Non-current financial liabilities (L) + (M) + (N)		**1,044,913,093**	**-**	**1,092,626,239**	**-**	**(47,713,146)**
P. Net debt (K) + (O)		**921,618,074**	**(186,481,176)**	**1,138,845,093**	**240,527,545**	**(217,227,019)**

23. Long-term provisions for risks and other charges

	Balance at December 31, 2016	Balance at December 31, 2015
	3,417,051	738,958

The balance at December 31, 2016 consists of provisions recognized as a result of events that could give rise to future liabilities for the Company.

24. Employee Benefits

	Balance at December 31, 2016	Balance at December 31, 2015
	8,239,578	6,877,725

The change over the year reflects:

Liability at December 31, 2014	**7,466,433**
Interest expense	110,134
Actuarial loss (gain)	(498,050)
Transfers from other Group companies	47,558
Benefits paid	(248,350)
Liability at December 31, 2015	**6,877,725**
Interest expense	1,223,199
Actuarial loss (gain)	325,377
Transfers from other Group companies	126,139
Benefits paid	(312,862)
Liability at December 31, 2016	**8,239,578**

"*Employee benefits*" at December 31, 2016 reflect termination indemnities accruing up to December 31, 2006 in respect of employees on the payroll at that date, net of any advance payments.

The increase is due to this liability's annual inflation-related adjustment and changes for employees transferred from other Group companies. The decrease reflects payments to employees who left the Company during 2016 and the transfer of indemnities maturing in 2016 to alternative pension funds or to INPS (Italian social security agency).

The liability of Euro 8,239,578 at December 31, 2016 represents the estimated obligation to pay such indemnities to employees upon termination of employment; this obligation has been calculated using actuarial techniques, which exclude, however, any assumptions about future salary growth.

The principal actuarial assumptions used are as follows:

Economic assumptions	2016	2015
Discount rate	1.50%	2.00%
Annual indexation of employee benefit	2.63%	2.81%
Mortality rate:	RG48 tables determined by Italy's General Accounting Office	RG48 tables determined by Italy's General Accounting Office
Inability rate:	Calculated using the age and gender distribution of pensions payable at January 1, 1987 running from 1984, 1985, 1986 for credit sector employees	Calculated using the age and gender distribution of pensions payable at January 1, 1987 running from 1984, 1985, 1986 for credit sector employees
Retirement rate:	Assumes meeting the first pensionable criteria to qualify for the basic pension, taking into account the probability of employment termination for reasons other than death, based on statistics supplied by the Group (annual frequency of 5.00%). In addition, the probability of early retirement is estimated to be 3.00% per year.	Assumes meeting the first pensionable criteria to qualify for the basic pension, taking into account the probability of employment termination for reasons other than death, based on statistics supplied by the Group (annual frequency of 5.00%). In addition, the probability of early retirement is estimated to be 3.00% per year.

In order to take into account the current uncertainty of the financial markets, the Company has decided to use a discount rate for the valuation of liabilities at December 31, 2016, that is based on the iBoxx Eurozone Corporates AA 10+ index at the valuation date.

25. Stockholders' Equity

Description	December 31, 2016	December 31, 2015
Capital stock	29,050,565	29,019,200
Other reserves	2,168,835,578	2,255,841,323
Net income	454,385,945	541,170,762
Total stockholders' equity	**2,652,272,088**	**2,826,031,285**

25.1 CAPITAL STOCK

	Balance at December 31, 2016	Balance at December 31, 2015
	29,050,565	29,019,200

Capital stock is made up as follows:

Shares	Number	Nominal value in Euro
Ordinary	484,176,083	0.06

At December 31, 2016, the capital stock of Luxottica Group S.p.A. amounted to Euro 29,050,565 and comprised 484,176,083 ordinary shares with a nominal value of Euro 0.06 each.

At January 1, 2016, the capital stock had amounted to Euro 29,019,200, divided into 483,653,333 ordinary fully paid-up shares with a nominal value of Euro 0.06 each.

Following the exercise of 522,750 options to purchase ordinary shares granted to employees under existing stock option plans, capital stock increased by Euro 31,365 over the course of 2016.

Of the 522,750 options exercised, 5,000 refer to the 2007 Plan, 42,000 refer to the 2008 Plan, 9,750 refer to the 2009 Plan, 211,000 refer to the 2009 Extraordinary Plan (reassignment of the 2006 Performance Plan), 50,500 refer to the 2009 Ordinary Plan (reassignment of the 2006 and 2007 Ordinary Plans), 37,000 refer to the 2010 Plan, 54,500 refer to the 2011 Plan and 113,000 refer to the 2012 Plan.

25.2. OTHER RESERVES AND ALLOCATION OF PRIOR YEAR NET INCOME

	Balance at December 31, 2016	Balance at December 31, 2015
	2,168,835,578	2,255,841,323

Allocation of prior year net income

The stockholders' meeting of April 29, 2016 voted:

- To distribute a total of Euro 427,721,267 in dividends
- To allocate Euro 19,485 to the legal reserve
- To allocate Euro 113,430,010 to the extraordinary reserve

Legal reserve

The increase of Euro 19,485 reflects the allocation of a portion of the prior year's net income.

Extraordinary reserve

The increase of Euro 113,430,010 reflects the allocation of a portion of the prior year's net income.

Additional paid-in capital

This reserve increases with the exercise of stock options.

Treasury shares

Treasury shares are recorded as a reduction in stockholders' equity. The original cost of treasury shares and the economic effects of any subsequent disposals are recognized in stockholders' equity. The treasury shares reserve was equal to Euro 269,754,742 as of December 31, 2016 (Euro 68,636,042 as of December 31, 2015).

As a result of the above, the number of treasury shares increased from 3,145,865 as of December 31, 2015 to 7,199,138 as of December 31, 2016.

Other reserves

The change reflects Euro 9,528,595 to account for stock options in accordance with IFRS 2, and Euro 325,377 in net actuarial losses recognized in equity in accordance with IAS 19.

The components of stockholders' equity are analyzed below according to their origin, permitted use, amount available for distribution and actual utilization in the previous three years.

Description	Amount	Permitted use	Amount available for distribution	Uses in previous three years	
				to cover losses	other purposes
Capital stock	**29,050,565**	**-**	**-**	**-**	**-**
Capital reserves:					
Additional paid-in capital**	454,224,557	A, B ,C	454,219,331	-	-
Treasury shares	(269,754,742)	-	-	-	-
Other reserves	-	A	-	-	414,325
Earnings reserves:					
Legal reserve	5,804,887	B	-	-	-
Extraordinary reserve	1,096,929,844	A, B, C	1,096,929,844	-	141,736,813
IAS reserve - IFRS FTA under Art. 7, par. 7 Italian Legislative Decree 38/2005	604,447	-	-	-	-
IAS reserve - Employee benefits: IAS 19	(779,709)	-	-	-	-
IAS reserve - Stock options: IFRS 2*	12,991,764	-	-	-	-
IAS reserve - FTA IAS 36	396,820,262	A, B, C	396,820,262	-	-
IAS reserve - stock options	323,669,295	-	-	-	-
Merger/demerger surplus reserve	148,324,973	A, B, C	148,324,973	-	-
Total reserves	**2,168,835,578**	**-**	**2,096,294,410**	**-**	**142,151,138**
Undistributable amount:					
Distributable amount			2,096,294,410		

(*) As established by Art. 6, par. 5 of Italian Legislative Decree 38/2005, these reserves are available to cover losses only once distributable earnings reserves and the legal reserve have been used. In this case, these reserves must be reinstated through allocations from net income in subsequent years.
(**) The undistributable amount of Euro 5,266 refers to the residual amount required to be allocated to the legal reserve to make it equal to 20% of capital stock

Key
A: to increase capital
B: to cover losses
C: distribution to stockholders

Information on the separate statement of income

26. Net Sales

	2016	2015	Change
	2,827,120,297	2,721,277,830	105,842,467

NET SALES BY PRODUCT CATEGORY

Description	2016	2015	Change
Finished product sales	2,800,313,611	2,697,166,323	103,147,288
Spare part sales	22,930,507	20,028,909	2,901,598
Direct material sales	3,010,176	3,225,789	(215,613)
Accessories sales	866,003	856,809	9,194
Total	**2,827,120,297**	**2,721,277,830**	**105,842,467**

27. Other revenue and income

	2016	2015	Change
	134,754,625	149,913,938	(15,159,313)

Description	2016	2015	Change
Recharged marketing expenses	40,588,815	39,150,198	1,438,617
Recharged transport costs	26,115	15,558,926	(15,532,811)
Other	94,139,695	95,204,814	(1,065,119)
Total	**134,754,625**	**149,913,938**	**(15,159,313)**

"*Other*" primarily consists of:

- Euro 20,746,014 in royalties, originating from revenue from licensing agreements with subsidiaries for the use of the OPSM, Ray Ban, Arnette, Persol, Vogue, Killer Loop, Luxottica and Sferoflex trademarks
- Euro 54,742,247 in recharges of IT costs
- Euro 4,147,526 in administrative services charged to subsidiaries
- Euro 1,583,112 in commission income from the agency agreement with Luxottica S.r.l.

28. Changes in inventories

	2016	2015	Change
	16,824,686	35,543,151	(18,718,465)

Changes in inventories are analyzed as follows:

Description	2016	2015	Change
Finished products	15,564,141	33,009,293	(17,445,152)
Advertising materials	759,092	(1,300,558)	2,059,650
Samples	613,977	262,025	351,952
Accessories	554,250	(7,242)	561,492
Spare parts	397,644	2,815,764	(2,418,120)
Packaging material	(1,064,418)	763,869	(1,828,287)
Total	**16,824,686**	**35,543,151**	**(18,718,465)**

29. Cost of goods purchased

	2016	2015	Change
	1,408,915,759	1,365,895,092	43,020,667

The cost of goods purchased is analyzed by category as follows:

Description	2016	2015	Change
Purchase of finished eyeglasses	1,315,432,877	1,266,775,337	48,657,540
Purchase of materials	65,221,173	69,545,624	(4,324,451)
Purchase of spare parts	19,256,425	21,041,726	(1,785,301)
Purchase of eyeglass accessories	1,325,684	975,390	350,294
Customs duties	7,576,068	7,499,282	76,786
Shipping and packaging	103,532	57,733	45,799
Total	**1,408,915,759**	**1,365,895,092**	**43,020,667**

"*Purchase of materials*" relates to purchases associated with the packaging phase.

30. Service costs

	2016	2015	Change
	300,239,857	233,969,153	66,270,704

The principal types of cost included in this line in both periods are as follows:

Description	2016	2015	Change
Marketing costs	152,376,468	106,121,695	46,254,773
Legal and consulting fees	15,525,483	17,243,620	(1,718,137)
Software maintenance	18,669,918	11,027,489	1,153,675
Travel	9,625,647	11,953,702	(2,328,055)
Packaging service	7,519,995	698,833	6,821,162
Directors' fees	4,101,474	12,771,777	(8,670,303)
Personnel search and training	2,188,447	3,309,306	(1,120,859)
Canteen	2,112,629	1,848,434	264,195
Insurance	2,063,913	2,030,124	33,789
Vehicle costs	737,135	659,036	78,099
Statutory auditors' fees	258,801	259,449	(648)
Telephone	234,441	217,682	16,759
Research and development	19,186	13,384	5,802
Other services	84,776,320	65,814,622	18,961,698
Total	**300,239,857**	**233,969,153**	**66,270,704**

"*Marketing costs*" report those marketing costs incurred for both the OPSM trademarks, as established under the licensing agreement with Luxottica Retail Australia PTY Ltd, and for the Ray-Ban, Arnette, Persol, Vogue, Killer Loop, Sferoflex and Luxottica trademarks.

"*Other services*" primarily consist of Euro 53 million in transport costs, Euro 13.6 million in commercial and general services recharged by subsidiaries, Euro 5.5 million in IT services, Euro 2.5 million in data transmission costs and Euro 2.1 million in administrative costs recharged by Group companies.

"*Packaging service*" costs refer to services performed by the subsidiary Luxottica S.r.l. On January 1, 2017 this business activity was transferred from Luxottica Group S.p.A. to Luxottica S.r.l. This concluded the project started during 2015 to revert packaging activities to the manufacturing facilities in Rovereto, Agordo and Pederobba, with the aim of optimizing space utilization within the Italian production chain, in particular by freeing up space at the Sedico Logistics site, of minimizing finished product manipulation and also of improving the standard of customer service and speed of response.

31. License and lease costs

	2016	2015	Change
	240,480,621	234,301,165	6,179,456

These costs primarily consist of:

- Euro 171,056,029 for royalties
- Euro 49,237,254 for advertising expenditure under contractual commitments
- Euro 4,284,116 for the rental of software licenses
- Euro 5,739,092 for property rental expenses
- Euro 2,023,252 for car and truck rental
- Euro 1,154,706 for photocopier and printer rental

32. Amortization, depreciation and impairment

	2016	2015	Change
	213,065,015	63,392,938	149,672,077

Amortization of intangible assets and depreciation of property, plant and equipment have been calculated on the basis of useful life of the assets concerned, also taking account of how they are used in the business.

"Amortization, depreciation and impairment" primarily consists of Euro 36 million in software amortization, Euro 8.1 million in amortization of the OPSM trademarks and Euro 14.5 million in amortization of the house brands, detailed as follows:

- Euro 13.1 million for the Ray-Ban, Revo, Arnette trademarks
- Euro 1.4 million for other trademarks

Information about the depreciation of property, plant and equipment (Euro 10.9 million) can be found in Note 11.

The remainder of this balance amounts to Euro 141 million and refers to the recognition of an allowance to write down part of the receivable thought unlikely to be recovered and owed by the subsidiary Sunglass Hut Ireland.

Following an internal reorganization operated by Luxottica Group that lead to the reallocation of some shareholdings across several subsidiaries, the credit estimated towards Sunglass Hut Ireland has been devalued to 141 million Euro considering the side withdrawal of the credit estimated towards the same subsidiary against the future capital contribution in order to cover losses.

33. Personnel costs

	2016	2015	Change
	148,797,306	169,032,853	(20,235,547)

Details of these costs are provided below.

"*Non-cash stock-based compensation*" reflects the cost for the year of stock options granted to the Company's top management.

Description	2016	2015	Change
Wages and salaries	103,647,667	105,711,545	(2,063,878)
Non-cash stock-based compensation	3,013,552	24,226,842	(21,213,290)
Social security contributions	27,195,635	25,524,544	1,671,091
Employee benefits	9,169,288	7,527,057	1,642,231
Other personnel costs	5,771,164	6,042,865	(271,701)
Total	**148,797,306**	**169,032,853**	**(20,235,547)**

The above expenses include Euro 23.3 million in personnel costs recharged to Group companies.

34. Other Operating Expenses

	2016	2015	Change
	22,618,163	16,978,955	5,639,208

These expenses consist of consumable materials and other expenses not included in any of the previous categories.

35. Income and expense from investments

	2016	2015	Change
	98,333,165	19,865,776	78,467,389

"Dividend income" is analyzed as follows:

Description	Dividends 2016	Dividends 2015	Change
Luxottica S.r.l.	36,100,000	-	36,100,000
Sunglasshut Nederland	14,000,000	-	14,000,000
Luxottica South Pacific Holding PTY limited	8,163,375	1,341,312	6,822,063
Luxottica Iberica S.A.	6,000,000	5,000,000	1,000,000
Luxottica Korea Ltd.	5,405,906	3,605,629	1,800,277
Salmoiraghi & Viganò	4,968,000	-	4,968,000
Luxottica Italia S.r.l.	3,800,000	-	3,800,000
Luxottica Retail UK	3,288,201	1,403,605	1,884,596
Luxottica Fashion Brillen Vertriebs Gmbh	3,000,000	3,000,000	-
Luxottica Gozluk Endustri Ve Ticaret Anonim Sirketi	2,894,126	3,432,625	(538,499)
Luxottica Mexico	2,739,179	-	2,739,179
Luxottica Hellas A.E.	2,720,119	2,587,601	132,518
Luxottica North Europe Ltd.	2,659,574	-	2,659,574
Luxottica Portugal-Comercio de Optica S.A.	997,900	1,397,060	(399,160)
Luxottica Optics Israele	937,317	-	937,317
Oakley Sport International S.r.l.	600,000	-	600,000
Luxottica Vertriebsgesellschaft MBH (Austria)	600,000	260,000	340,000
Luxottica Belgium N.V.	495,000	396,000	99,000
SGH South East Asia	376,705	-	376,705
Luxottica (Switzerland) A.G.	275,280	290,023	(14,743)
Luxottica Finland AB	200,000	440,000	(240,000)
Luxottica Trading & Finance	-	57,000,000	(57,000,000)
Luxottica France S.A.S.	-	7,701,031	(7,701,031)
Luxottica Nordic AB	-	1,057,787	(1,057,787)
Luxottica Norge A.S.	-	542,035	(542,035)
Luxottica Nederland B.V.	-	2,200,000	(2,200,000)
Total	**100,220,682**	**91,654,708**	**8,565,974**

Income and expense from investments include Euro 5.7 million in impairment losses recognized against the investment in the subsidiary Sunglass Hut Brasil Comercio de Oculos Ltda. and Euro 3.8 million in income from subsidiaries for recharges in connection with the 2013 Performance Share Plan.

36. Finance income

	2016	2015	Change
	6,000,515	4,809,593	1,190,922

Description	2016	2015	Change
Derivatives interest income	2,686,922	1,098,323	1,588,599
Income from other non-current assets	1,840,309	1,819,576	20,733
Income from other current assets	920,188	1,561,865	(641,677)
Cash pooling finance income	452,111	289,772	162,339
Income other than above	100,985	40,057	60,928
Total	**6,000,515**	**4,809,593**	**1,190,922**

"*Income from other non-current assets*" includes Euro 1,610,952 in fee income for the guarantees given to the subsidiary Luxottica U.S Holdings Corp. against bank loans (compared with Euro 1,705,149 at December 31, 2015). Guarantees paid by Luxottica U.S. Holdings Corp. at December 31, 2016 also relate to the private placement of bonds.

"*Income from other current assets*" consists of interest earned on bank deposits.

More information about loans given to Group companies by the parent can be found in the notes on "*Other non-current assets*" and "*Other current assets*".

37. Finance expense

	2016	2015	Change
	49,527,665	73,627,929	(24,100,264)

Description	2016	2015	Change
Bond interest	31,250,000	48,416,667	(17,166,667)
Derivatives interest expense	7,679,206	6,597,920	1,081,286
Other finance expense	5,063,279	8,788,511	(3,725,232)
Finance expense on joint guarantees	3,716,620	5,640,072	(1,923,452)
Loan interest	1,510,834	2,672,023	(1,161,189)
Cash pooling finance expense	268,024	1,489,110	(1,221,086)
Interest on loans from subsidiaries	25,424	18,741	6,683
Bank interest	14,278	4,885	9,393
Total	**49,527,665**	**73,627,929**	**(24,100,264)**

"*Cash pooling finance expense*" reflects the interest paid to subsidiaries on their cash pooling accounts during the year.

"*Finance expense on joint guarantees*" refers to guarantees given by Luxottica S.r.l. and Luxottica U.S. Holdings Corp. on the "club deal" loan and in part on the placement of bonds (for additional information see the note on long-term debt in the Notes to the consolidated financial statements).

"*Interest on loans from subsidiaries*" relates to loans from the subsidiary Luxottica U.S. Holdings to the parent company.

"*Other finance expense*" mostly consists of Euro 4,000,000 (Euro 4,000,000 also in 2015) in interest expense on corporate bonds.

38. Foreign currency hedge and exchange difference gains/losses

	2016	2015	Change
Gains	136,316,620	139,276,469	(2,959,849)
Losses	(135,374,235)	(140,306,317)	4,932,082
Total	**942,385**	**(1,029,848)**	**1,972,233**

Gains\losses realized from entering into currency hedging derivatives have offset the losses\gains arising from the portion of Luxottica assets and liabilities, denominated in various currencies.

39. Provision for income taxes

	2016	2015	Change
	(245,945,342)	(232,011,593)	(13,933,749)

Taxes	2016	2015	Change
Current taxes:	**(245,319,322)**	**(260,371,507)**	**15,052,185**
Taxes paid abroad	(1,574,870)	(1,439,499)	(135,371)
Taxes relating to prior years	807,035	(11,308,708)	12,115,743
IRES	(201,473,791)	(201,624,151)	150,360
IRAP	(42,777,696)	(45,849,149)	3,071,453
Taxes on foreign income	(300,000)	(150,000)	(150,000)
Deferred tax assets (liabilities):	**(626,020)**	**28,359,914**	**(28,985,934)**
IRES	(396,154)	25,911,102	(26,307,256)
IRAP	(229,866)	2,448,812	(2,678,678)
Total	**(245,945,342)**	**(232,011,593)**	**(13,933,749)**

The provision for income taxes reflects the tax charge for the year. With reference to current IRES (Italian corporate income tax), the Company has recognized a charge of Euro 201,473,791. The Company is the head of a tax group under a "National tax consolidation" election, permitted by Art. 117 et seq. of the Italian Income Tax Code. This election allows the taxable income and tax losses of participating companies to be offset against one another. With reference to current IRAP (Italian regional business tax), the charge for the year is Euro 42,777,696, calculated on the value of net production for the year. The Company has also recognized Euro 300,000 in taxes under Art. 167 of the Italian Income Tax Code. In terms of deferred tax, the Company has recognized charges of Euro 396,154 for net deferred IRES and Euro 229,866 for net deferred IRAP.

RECONCILIATION BETWEEN REPORTED TAX CHARGE AND THEORETICAL TAX CHARGE

Description	2016	Tax rate	2015	Tax rate
Income before provision for income taxes	700,331,287	-	773,182,355	-
Theoretical income taxes at theoretical rate	**192,591,104**	**27.50%**	**212,625,147**	**27.50%**
IRAP	42,777,696	6.11%	45,849,149	5.94%
Dividends received	(22,455,568)	-3.21%	(23,945,039)	-3.10%
Impairment of assets	40,475,275	5.78%	19,741,956	2.55%
Allowance for corporate equity (ACE)	(5,401,054)	-0.77%	(6,010,120)	-0.78%
Other permanent non-allowable differences	5,333,132	0.76%	20,359,970	2.63%
Other permanent allowable differences	(7,375,243)	-1.05%	(36,609,470)	-4.73%
Effective income taxes	**245,945,342**	**35.12%**	**232,011,593**	**30.01%**

40. Commitments, risks, guarantees, contingent liabilities and other proceedings

Description	2016	2015
Risks assumed by the company for guarantees	1,202,237,961	1,194,091,692
Minimum royalties and advertising contributions	1,018,963,406	901,463,834
Purchase commitments	16,900,000	18,108,711
Total	**2,238,101,367**	**2,113,664,237**

The following table summarizes commitments for minimum royalties according to maturity:

Less than 1 year	From 1 to 5 years	Beyond 5 years
140,973,474	524,408,090	353,581,842

The Company has commitments under supplier contracts for future payments of Euro 16.9 million, expected to be settled in 2017.

GUARANTEES

These are intended to guarantee loans used by subsidiaries; most of the remunerated guarantees given, jointly with the subsidiary Luxottica S.r.l., refer to debt obligations of the subsidiary Luxottica U.S. Holdings Corp. relating to the Cole National Group acquisition, to a private bond placement of USD 128 million (about Euro 121.4 million), to a private bond placement of USD 175 million (about Euro 166.0 million) and to a private bond placement of USD 350 million (about Euro 332.0 million).

MINIMUM ROYALTIES AND ADVERTISING CONTRIBUTIONS

Luxottica Group S.p.A. has entered into licensing agreements with various designers for the manufacture, design and distribution of sunglasses and eyeglasses. Under these licensing agreements, which typically have a term of between 4 and 10 years, Luxottica is required to pay a royalty of between 6% and 14% of net sales. Certain agreements also provide for the payment of a guaranteed minimum annual royalty and a mandatory marketing contribution (with the latter calculated at between 5% and 10% of net sales). Typically, these agreements may be terminated by either party for a variety of reasons, including but not limited to, non-payment of royalties, failure to achieve minimum sales targets, unauthorized modifications of the products and, under certain conditions, the change in ownership of Luxottica Group S.p.A.

LITIGATION

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 (the "FCA") relating to pricing and sales practices in the industry. In May 2015, the Company and the French Subsidiaries received a statement of objections from the FCA (the "Statement of Objections"). The Statement of Objections contained the FCA's preliminary position on alleged anti-competitive practices and did not prejudice its final decision.

In August 2015, the Company 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.

Given the current status of this investigation, the Company, 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 any such action is inherently uncertain, and there can be no assurance that such action, if adversely determined, will not have a material adverse effect on the results of operations and financial condition.

OTHER PROCEEDINGS

During 2016, Tax Agency notified Luxottica Group that it had issued a tax audit report with certain findings primary related to transfer price challenge of intercompany transactions executed in tax year 2012 and to the abuse of law with reference to tax year 2011 and 2012. In addition, following the above issuance, Tax Agency notified Luxottica Group a questionnaire on October 31, 2017, and a deed of assessment on February 20, 2017. The Company, together with its external legal advisors, has determined that the risk of monetary sanctions is not probable and that there are arguments in favour of the Company.

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

41. Transactions and balances with subsidiaries, associates, parents and other group companies

Transactions during the year and balances at year end with subsidiaries, associates, parents and other Group companies are as follows:

TRADE AND OTHER TRANSACTIONS AND BALANCES

Company			2016				
	December 31, 2016		Costs*			Revenue	
	Receivables	Payables	Goods	Services	Other	Goods	Other
Alain Mikli International Sasu	-	5,008,316	-	-	1,981,611	-	-
David Clulow Crouch End	116,294	-	-	-	-	329,057	-
Gift Of Sight Foundation Onlus	77,000	5,682	-	5,682	-	-	1,000
Glasses.com Inc.	-	4,821,300	-	4,892,154	(38,950)	-	1,100
Lunettes Group Limited	-	65	-	-	-	-	-
Luxottica (China) Investment Co Ltd.	3,078,194	329,704	-	17,709,170	(1,066,554)	-	526,944
Luxottica (Shanghai) Trading Co Ltd.	10,796,204	153,534	-	(1,591,212)	(672,087)	17,388,724	2,689,136
Luxottica (Switzerland) Ag	1,628,219	1,679	-	(50,688)	4,757	11,023,839	393,695
Luxottica Argentina S.r.l.	1,230,102	-	-	(10,901)	-	2,365,683	3,513
Luxottica Australia Pty Ltd.		400,234	-	(154,368)	-	4,767,366	1,112,778
Luxottica Belgium Nv	897,625	3,017	-	(41,200)	-	14,049,422	438,957
Luxottica Brasil Produtos Oticos E Esportivos Ltda	8,473,866	996,832	1,171,864	(637,590)	(1,079,583)	50,772,148	9,788,791
Luxottica Canada Inc.	1,194,497	-	-	(164,615)	45,730	3,042,284	926,026
Luxottica Ce Kft.,Odštepný Záv	-	305	-	-	-	-	-
Luxottica Ce Org. Zložka	-	229	-	-	-	-	-
Luxottica Central Europe Kft	698,679	458	-	(58,724)	-	8,948,851	212,520
Luxottica Chile S.p.A.	1,354,610	-	-	(6,939)	-	6,576,730	151,970
Luxottica Colombia S.a.s.	1,978,499	-	-	(9,720)	-	4,970,765	252,463
Luxottica Commercial Service	1,776,265	5,573,696	-	5,510,192	(10,263)	-	1,749,024
Luxottica Deep Blue Inc.	-	-	-	(3,511)	-	-	162
Luxottica Fashion Brillen Vertriebs Gmbh	5,714,098	27,828	-	(316,233)	(242,136)	101,349,363	2,667,786
Luxottica Frames Service SA de CV	283,606	23	-	(10,814)	(284,084)	-	37,321
Luxottica France Sasu	17,639,131	74,858	-	374,689	(910,576)	196,803,874	5,293,258

Company	December 31, 2016		2016				
			Costs*			Revenue	
	Receivables	Payables	Goods	Services	Other	Goods	Other
Luxottica Gozluk Endustri Ve Ticaret Anonim Sirketi		1,209,508	1,143,238	(124,357)	(73,055)	41,280,431	1,580,581
Luxottica Hellas Ae	5,370	229	-	(8,778)	-	16,563,365	400,514
Luxottica Holland Bv	48	50,156	-	-	84,618	-	-
Luxottica Hong Kong Services	11,957,534	76,077,981	446,480,232	6,612,833	-	97,506,896	1,081,875
Luxottica Hong Kong Wholesale Limited	-	2,961,014	16,313	(133,181)	-	4,093,828	719,830
Luxottica Iberica Sau	13,108,283	5,038	-	(139,304)	(144,008)	117,956,364	2,681,634
Luxottica India Eyewear Private Limited	4,381,081	12,522	-	(95,213)	-	16,413,840	1,269,033
Luxottica International Distribution S.r.l.	5,958,597	13,426	-	(32,674)	-	127,144,227	2,280,743
Luxottica Italia S.r.l.	26,331,337	173,629	-	(573,401)	64,437	206,605,593	6,492,871
Luxottica Korea Ltd.	2,901,323	-	-	(57,694)	(794,356)	19,709,993	675,743
Luxottica Mexico SA de CV	19,592,665	-	-	(330,267)	63,529	78,278,890	1,931,490
Luxottica Middle East Fze	9,509,258	-	-	(589,472)	-	21,736,277	1,057,954
Luxottica Nederland Bv	2,003,921	380	-	(180,422)	(218,225)	35,810,601	599,872
Luxottica Nordic Ab	31,971	-	-	(56,992)	684	-	156,187
Luxottica Norge As	1,034	-	-	-	-	-	10,600
Luxottica North America Distribution Llc	110,045,486	7,032,635	12,974	5,026,411	(1,604,609)	1,067,761,054	1,646,516
Luxottica North Europe Ltd.	7,830,976	75,427	-	(174,767)	(267,938)	164,520,306	2,226,085
Luxottica Optics Ltd.	6,529,243	-	-	(25,258)	-	21,138,229	159,719
Luxottica Poland Sp Zoo	2,922,002	1,603	-	(89,250)	-	15,251,267	458,787
Luxottica Portugal-Comercio De Optica Sa	1,363,102	1,298	-	(7,924)	-	19,446,358	537,140
Luxottica Retail Australia Pty Ltd.	6,840,871	457,232	-	(1,061,128)	(939,825)	22,760,600	9,774,404
Luxottica Retail Hong Kong Limited	1,665,003	6,090,360	-	6,292,205	-	2,703,086	(69,270)
Luxottica Retail New Zeland Limited	960,199	-	-	-	-	-	960,199
Luxottica Retail North America Inc.	3,951,260	-	-	(4,626,980)	(4,788,120)	-	6,798,876
Luxottica Retail Uk Ltd.	-	9,030,202	-	(18,619)	(108,119)	36,129,754	2,733,718
Luxottica Retail Uk Ltd. - Danish Branch	178,323	-	-	-	-	963,363	87,842
Luxottica Rus Llc	1,101,517	763	-	(58,407)	-	11,561,407	261,056
Luxottica South Africa Pty Ltd.	1,457,048	-	-	(53,813)	(79,763)	8,938,047	227,245

Company	December 31, 2016		2016				
			Costs*			Revenue	
	Receivables	Payables	Goods	Services	Other	Goods	Other
Luxottica South East Asia Pte Ltd.	-	864,315	-	863,217	(667,300)	3,946,389	1,405,412
Luxottica South Eastern Europe Ltd.	1,559,714	1,237	-	(83,353)	-	13,132,075	406,264
Luxottica S.r.l.	55,219,095	56,489,341	767,291,938	8,322,458	332,617	4,675,816	24,253,523
Luxottica Sun Corp	17,916	-	-	(36,603)	-	-	-
Luxottica Tristar (Dongguan) Optical Co Ltd.	8,794,963	534	-	(298,176)	-	53,962	5,274,747
Luxottica Us Holdings Corp	434,454	6,420,277	-	743,137	4,585,758	-	156,000
Luxottica Usa Llc	1,376,152	548,938	168,978	(763,153)	(4,150,165)	-	6,822,693
Luxottica Vertriebsgesellschaft Mbh	388,680	916	-	(16,395)	-	9,730,335	160,713
Luxottica Wholesale (Thailand) Ltd.	2,723,347	-	-	(56,752)	(202,940)	10,130,516	560,103
Luxottica Wholesale Malaysia Sdn Bhd	2,248,860	408,031	5,363	(36,967)	-	5,245,644	619,149
Mikli Asia Limited	-	95	-	-	-	-	-
Mikli Diffusion France Sasu	-	772,295	-	284,824	7,673,203	14,544,147	318,749
Mikli Japon Kk	-	47,192	-	-	-	612,623	1,922
Mirari Japan Co Ltd.	992,480	-	-	(64,789)	-	42,823,224	473,534
Nextore Inc..	2,829	-	-	(2,656)	-	-	-
Nextore S.r.l.	69,835	18,238	-	28,526	704,393	-	38,939
Oakley (Schweiz) Gmbh	16,500	-	-	-	-	-	16,500
Oakley Design S.r.l.	50,199	-	-	(57,680)	(1,752)	-	9,279
Oakley Inc.	2,244,192	97,709,203	108,066,631	(235,720)	(475,150)	200,201	3,312,699
Oakley South Pacific Pty Ltd.	25,082	(3)	-	-	-	-	-
Oakley Sport International S.r.l.	2,923,160	2,409,798	-	4,258,735	4,787	24,931,773	3,083,421
Oakley Uk	-	552	-	-	-	-	13,900
Oliver Peoples Inc.	4,520,866	2,927,316	-	(35,425)	5,886,675	15,471,325	336,789
Opticas Gmo Chile Sa	749,109	-	-	(69,809)	-	8,281,190	241,799
Opticas Gmo Colombia S.a.s.	1,962,340	-	-	-	-	2,601,553	19,006
Opticas Gmo Ecuador Sa	434,307	-	-	-	-	2,544,066	209
Opticas Gmo Peru Sac	1,805,815	-	-	-	-	8,231,379	9,108
Oy Luxottica Finland Ab	358	612	-	-	-	-	6,500
Ray Ban Sun Optics India Private Limited	1,022,376	-	-	-	-	4,238	637,456
Rayban Air	6,944	414,960	-	-	933,612	-	13,200
Salmoiraghi & Viganò	-	-	-	-	-	-	-
SGH Brasil Comercio De Oculos Ltda	175,299	-	-	(5,654)	(53,499)	-	442,752

Company	December 31, 2016		2016				
			Costs*			Revenue	
	Receivables	Payables	Goods	Services	Other	Goods	Other
Sun Planet Portugal Oculos	1,241,083	-	-	-	-	5,677,626	423,254
Sunglass Direct Germany Gmbh	468,136	591,221	-	585,714	(72,588)	4,883,657	223,042
Sunglass Direct Italy S.r.l.	196,133	4,703	-	(11,331)	-	2,005,326	32,366
Sunglass Frames Service SA de CV	24,389	23	-	-	(34,750)	-	12,095
Sunglass Hut (South East Asia) Pte Ltd.	6,450,836	-	-	(17,028)	(377,839)	3,306,611	9,140
Sunglass Hut (Thailand) Co. Ltd.	99,764	625	-	-	-	-	-
Sunglass Hut (Thailand) Co. Ltd.	-	-	-	-	-	-	21,615
Sunglass Hut De Mexico Sapi De Cv	487,577	-	-	(8,728)	5,294	-	1,599,272
Sunglass Hut France Sasu	951,880	2,396,244	-	2,375,663	(413,733)	6,550,957	28,816
Sunglass Hut Hong Kong Limited	1,310,679	2,401,374	-	2,401,374	-	3,080,410	57,885
Sunglass Hut Iberia Slu	861,540	6,809,346	-	6,787,791	(142,615)	13,055,013	1,696,660
Sunglass Hut Ireland Limited	15,445,075	111,430	(27)	-	-	5,652,412	208,687
Sunglass Hut Netherlands Bv	1,272,365	4,772	-	2,388	390	4,230,667	353,517
Sunglass Hut Retail South Africa (Pty) Ltd.	4,010,515	1,755	-	(25,993)	1,552	13,275,830	118,179
Sunglass Hut Southeast Asia Pte Ltd.	-	-	-	-	-	-	304
Sunglass Hut Turkey Gozluk Ticaret Anonim Sirketi	511,320	-	-	4,721,645	23,278	-	367,697
Sunglass Time (Europe) Limited	18,635	-	-	-	-	-	-
Sunglass Hut Singapore	-	3,273,104	-	3,273,104	-	-	-
Sunglass Hut Austria Vertrieb G.m.b.h.	800	-	-	-	-	-	800
Sunglass Hut Airports South Africa (Pty) Ltd.	47,255	-	-	-	(2,052)	1,141,851	-
Sunglass Hut Middle East General Trading Llc	29,946	-	-	(1,000)	-	748,269	10,498
Total	**420,757,143**	**305,219,610**	**1,324,357,503**	**67,750,286**	**2,480,291**	**2,807,430,965**	**126,785,874**

(*) The negative amounts reported in the "Costs" column refer to intercompany recharges of goods/services purchased from third parties

FINANCIAL TRANSACTIONS AND BALANCES

Company	December 31, 2016				2016	
	Receivables	Payables	Guarantees	Commitments	Expense	Income
Alain Mikli International SASU	5,169,206	-	-	-	-	1,057
Guangzhou Ming Long Optical Technology Co Ltd	-	-	13,660,829	-	-	-
Lunettes Group Limited	-	108,483	-	-	-	-
Luxottica (China) Investment Co Ltd	-	-	1,366,083	-	-	-
Luxottica (Shanghai) Trading Co Ltd	-	-	7,700,000	-	-	10,654
Luxottica (Switzerland) Ag	-	2,327,964	-	-	-	275,736
Luxottica Australia Pty Ltd	-	-	-	-	-	691
Luxottica Belgium Nv	-	4,021,634	-	-	-	495,000
Luxottica Brasil Produtos Oticos E Esportivos Ltda	-	-	32,065,297	-	1,326	14,434
Luxottica Fashion Brillen Vertriebs GmbH	-	5,724,760	-	-	-	3,006,129
Luxottica France SASU	-	19,983,395	-	-	-	-
Luxottica Gozluk Endustri Ve Ticaret Anonim Sirketi	-	-	18,207,812	-	-	2,894,126
Luxottica Hellas Ae	-	-	-	-	-	2,720,119
Luxottica Holland Bv	57,077,440	426,404	-	-	426,404	7,586
Luxottica Iberica Sau	7,968,785	-	-	-	-	6,001,307
Luxottica India Eyewear Private Limited	-	-	20,050,329	-	-	-
Luxottica International Distribution S.r.l.	23,132,049	6,070,232	-	-	29,788	3,841
Luxottica Italia S.r.l.	23,773,746	-	-	-	7,460	3,803,091
Luxottica Korea Ltd	-	-	-	-	-	5,405,906
Luxottica Mexico SA de CV	-	-	3,674,461	-	-	2,739,179
Luxottica Middle East Fze	3,641,422	-	-	-	-	131,778
Luxottica Nederland Bv	-	7,777,392	-	-	-	-
Luxottica Nordic Ab	-	2,198,377	-	-	-	-
Luxottica Norge As	-	-	-	-	-	2,669
Luxottica North America Distribution Llc	-	-	-	-	69,628	-
Luxottica North Europe Ltd	46,434,850	43,436,488	-	-	42,546	2,909,569
Luxottica Optics Ltd	-	-	-	-	-	937,317
Luxottica Portugal-Comercio De Optica Sa	1,931,388	-	-	-	-	997,996
Luxottica Retail Australia Pty Ltd.	-	-	29,000,000	-	56	-
Luxottica Retail Hong Kong Limited	-	-	29,500,000	-	10,582	-
Luxottica Retail North America Inc	-	-	-	-	-	130,584

Company	December 31,2016				2016	
	Receivables	Payables	Guarantees	Commitments	Expense	Income
Luxottica Retail Uk Ltd	4,181,069	29,199,467	-	-	124,080	3,290,957
Luxottica South East Asia Pte Ltd	-	-	8,533,543	-	-	-
Luxottica South Eastern Europe Ltd	-	-	1,000,000	-	-	-
Luxottica South Pacific Holdings Pty Limited	-	-	-	-	-	8,163,375
Luxottica S.r.l.	122,039,422	1,097,600	-	-	502,626	36,395,315
Luxottica Tristar (Dongguan) Optical Co Ltd	-	-	70,089,825	-	2,043	-
Luxottica Us Holdings Corp	-	-	742,813,775	-	3,336,254	1,610,952
Luxottica Usa Llc	-	-	-	-	6,160	-
Luxottica Vertriebsgesellschaft Mbh	-	1,790,392	-	-	-	600,000
Luxottica Wholesale (Thailand) Lt	-	-	-	-	22,004	376,705
Mikli Diffusion France SASU	-	6,715,752	605,372	-	14,410	345
Mikli Japon Kk	-	-	-	-	16,197	-
Mirari Japan Co Ltd	34,035,656	-	-	-	-	1,513
Nextore S.r.l.	3,000,000	-	-	-	-	22
Oakley (Schweiz) GmbH	-	7,654,198	-	-	-	-
Oakley Design S.r.l.	860,630	-	-	-	-	191
Oakley Gmbh	-	-	1,151,844	-	-	-
Oakley Europe Snc	-	17,580,000	-	-	8,940	-
Oakley Inc.	248,389	-	-	-	236,868	108,138
Oakley Japan Kk	-	248,389	-	-	-	-
Oakley South Pacific Pty Ltd	-	-	-	-	-	18,565
Oakley Sport International S.r.l.	5,200,532	14,591,559	-	-	32,792	603,438
Oakley Uk	650,078	5,122,094	-	-	20,247	3,785
Opticas Gmo Chile Sa	-	-	4,800,000	-	-	-
Opticas Gmo Colombia S.a.s.	-	-	5,692,060	-	-	-
Opticas Gmo Ecuador Sa	-	-	4,800,000	-	-	-
Opticas Gmo Peru Sac	-	-	4,743,383	-	-	-
Oy Luxottica Finland Ab	200,000	1,391,840	-	-	-	200,000
Ray Ban Sun Optics India Private Limited	-	-	1,750,000	-	-	-
Rayban Air	-	-	58,275	-	-	-
Salmoiraghi & Viganò S.p.A.	-	-	-	-	-	3,680,000
SGH Brasil Comercio De Oculos Ltda	-	-	10,202,594	-	5,732,690	-
Spv Zeta Optical Commercial And Trading (Shanghai) Co Ltd.	-	-	10,928,663	-	-	-
Spv Zeta Optical Trading (Beijing) Co Ltd.	-	-	12,294,746	-	-	-
Sun Planet Portugal Oculos	-	757,207	-	-	-	-

Company	December 31,2016				2016	
	Receivables	Payables	Guarantees	Commitments	Expense	Income
Sunglass Direct Germany GmbH	5,582,828	-	-	-	-	673
Sunglass Direct Italy S.r.l.	176,985	-	22,680	-	-	13
Sunglass Hut (South East Asia) Pte Ltd	-	-	6,039,123	-	-	-
Sunglass Hut (Thailand) Co Ltd	853,523	-	-	-	-	26,084
Sunglass Hut De Mexico Sapi De Cv	-	-	9,186,153	-	6,560	72,042
Sunglass Hut France SASU	2,408,596	-	-	-	-	-
Sunglass Hut Iberia Slu	42,860,917	-	6,000,000	-	-	4,487
Sunglass Hut Ireland Limited	20,746,341	150,111	-	-	123,018	148,843
Sunglass Hut Netherlands Bv	14,289,727	7,408,660	-	-	-	14,000,030
Sunglass Hut Retail South Africa (Pty) Ltd	-	-	553,365	-	-	-
Sunglass Time (Europe) Limited	-	-	-	-	192	-
Sunglass Hut Airports South Africa (Pty) Ltd	-	-	69,171	-	-	-
Sunglass Hut Portugal, Sa	-	-	1,450,000	-	-	-
Sunglass Hut Retail Namibia (Pty) Ltd.	-	-	69,171	-	-	-
Chinese Companies*	-	-	112,466,963	-	-	-
Japanese Companies**	-	-	25,000,000	-	-	-
Total	**426,463,576**	**185,782,400**	**1,195,545,517**	**-**	**10,772,870**	**101,794,240**

(*) The guarantees relating to the Chinese companies include Euro 45,080,736 in respect of the following companies: Luxottica (China) Investment Co. Ltd., GuangZhou Ming Long Optical Technology Co. Ltd., SPV Zeta Optical Commercial and Trading (Shanghai) Co. Ltd.., SPV Zeta Optical Trading (Beijing) Co.Ltd., Luxottica (Shanghai) Trading Co. Ltd. and Luxottica Tristar (Dongguan) Optical Co. Ltd..; Euro 50,886,228 in respect of Luxottica Hong Kong Wholesale Ltd., Luxottica Retail Hong Kong Ltd., Sunglass Hut Kong Kong Ltd.. and Luxottica Hong Kong Services and Euro 16,500,000 in respect of SPV ZETA Optical Trading (Beijing) Co Ltd. and SPV ZETA Optical Commercial and Trading (Shanghai) Co Ltd..

(**) The guarantees relating to Japanese companies refer to Mirari Japan, Mikli Japan and Oakley Japan.

Transactions between Luxottica Group companies do not include any transactions falling outside the normal course of business, are basically trade or financial in nature, and are conducted on an arm's length basis.

Such transactions have been governed up to December 31, 2016 by the "Procedure for related party transactions" approved by the Board of Directors on October 25, 2010.

With reference to the transfer prices applied to cross-border transactions during the year between Luxottica Group companies, these are confirmed as complying with the principle of free competition in accordance with Art. 110, par. 7 of Italian Presidential Decree 917/1986 and with the "OECD transfer pricing guidelines for Multinational Enterprises and Tax Administrations".

It is also noted that every year since 2012 the Company has prepared a report in compliance with Art. 26 of Italian Law 122, published on July 30, 2010 and with the ruling by the Italian Revenue Service dated September 29, 2010.

The following list provides details of the criteria actually used to determine transfer prices, within the meaning and for the purposes of Art. 7, Italian Legislative Decree 74/2000:

- With reference to the sale of finished goods to Wholesale and Retail distributors, the transactional net margin method is used

- With reference to transactions where a Group company supplies logistics services acquiring title to the product, the transactional net margin method is used

- With reference to the provision of services, transfer price is established using the cost-plus method; however, if the Company acts as a mere intermediary without adding any value, the transfer price is determined as the cost charged by the service provider

- In the case of licenses or sub-licenses of brands - relating to both point-of-sales signs and product brands - the license fee is established using the method of comparable price on the open market from an internal or external perspective

The Group's Italian and foreign companies are under direction and coordination by Luxottica Group S.p.A.; such activity has not been detrimental to the profitability of subsidiaries, or to the amount of their net assets; these companies have benefited from membership of the Group as a result of the considerable associated synergies.

Further to a resolution adopted by the Board of Directors on October 29, 2004, Luxottica Group S.p.A. and its Italian subsidiaries made a three-year group tax election under Art. 117 *et seq* of the Italian Income Tax Code. The "tax consolidation agreement" has been subsequently renewed in accordance with the terms and procedures required by law.

This group tax consolidation basically involves calculating a single taxable base for the participating group of companies and makes the consolidating company at the head of the tax group responsible for determining and settling the tax; adoption of this election gives rise to a series of economic and cash flows for the participating companies. The group tax consolidation only applies to IRES (Italian corporate income tax), while IRAP (Italian regional business tax) continues to be paid separately by each individual company.

The company at the head of the tax group is required to calculate the consolidated taxable income arising from the sum of the income reported by participating companies, taking into account any changes in tax legislation; the tax group head then presents a single consolidated tax return for the group. Except for subjective liability for tax, penalties and interest relating to the overall income of each participating company, the tax group head is responsible for determining its own taxable income, and for all the requirements associated with determining the group taxable income, and is severally liable for any sums owed by each subsidiary.

42. Related party transactions

Related party transactions are neither atypical nor unusual, and are conducted in the ordinary course of the business of Group companies. Such transactions are conducted on an arm's length basis, taking account of the characteristics of the goods and services supplied.

The total remuneration of key management personnel was Euro 24.7 million in 2016. For more details, please refer to the remuneration report prepared in accordance with Art. 123-*ter* of Italy's Consolidated Law on Finance.

The amounts of trade and financial transactions with related parties are disclosed below. The table shows trade transactions up until the date control was acquired.

Related party	Impact on separate statement of income		Impact on separate statement of financial position	
(Euro)	Revenues	Costs	Receivable	Payable
December 31, 2016				
Subsidiaries	3,081,911,751	1,586,356,773	3,913,851,259	477,489,396
Beni Stabili S.p.A.	-	4,732,584	-	1,499,807
Eyemed /LCA - Vision LLC	-	(1,680,332)	5,500	-
Francesco Milleri	-	916,667	-	-
Hurema S.r.l. a socio unico	-	340,000	683,500	692,350
MEA S.r.l. a socio unico	-	1,742	5,554,200	5,283,366
Others	330,057	1,038,368	324,861	356,492
Totale	**3,082,241,808**	**1,591,705,802**	**3,920,419,320**	**485,321,411**

43. Disclosures required by Art. 149-Duodecies of the issuer regulations

The following table has been prepared in accordance with Art. 2427, no. 16 *bis*, of the Italian Civil Code and presents the fees for 2016 for audit and other services provided by the external auditors of Luxottica Group S.p.A.

	Entity providing services	Entity receiving services	Fees for 2016	Fees for 2015
Audit services	PricewaterhouseCoopers S.p.A.	Luxottica Group S.p.A.	1,333,548	1,192,583
	PricewaterhouseCoopers S.p.A.	Subsidiaries*	1,145,375	1,197,364
	PricewaterhouseCoopers S.p.A. network	Subsidiaries*	6,477,376	6,269,720
Attestation services	PricewaterhouseCoopers S.p.A.	Luxottica Group S.p.A.	180,000	-
	PricewaterhouseCoopers S.p.A. network	Subsidiaries	354,890	172,996
Other services	PricewaterhouseCoopers S.p.A.	Luxottica Group S.p.A.	579,258	277,600
	PricewaterhouseCoopers S.p.A. network	Subsidiaries	942,471	784,559
Total			**11,012,918**	**9,894,822**

(*) Including 404 Sarbanes-Oxley Act. audit

44. Other information

Information about ownership structure and corporate governance is contained in a specific document forming an integral part of the annual financial report.

No atypical and/or unusual transactions, as defined by CONSOB Communication no. 6064293 dated July 28, 2006, were undertaken during 2016 or 2015.

Disclosures about share-based payments can be found in the note on "Share-based payments" in the notes to the consolidated financial statements.

The year 2010 saw the start of a research, development and innovation project (project number MI00153) called "Industry 2015 New technologies for Made in Italy from industry cluster to supply chain: Eyewear and industrial innovation Target Area B". The project's objective is to create a platform that will integrate the supply chain in technical and operational terms and that will promote the competitive and technological development of the Italian eyewear industry. Such a platform should ensure that events occurring on the commercial front and along the supply chain are quickly recognized throughout the production process and that every critical situation, which entails making changes to plans along the supply chain, is promptly visible to all those involved. The platform should also allow communicative interaction between members of the supply chain. Decree no. 00098MI01 issued by Italy's Ministry for Economic Development on December 21, 2012 recognized a total grant of Euro 13,747,949 towards the cost of this project along with other benefits of Euro 4,247,627. The Luxottica Group's share of the total grant is Euro 5,030,748, while its share of the other benefits is Euro 1,445,349.

45. Distribution of receivables, payables and revenue by geographical area

The geographical breakdown of receivables as of December 31, 2016 is as follows:

Description	Asia Pacific and Middle East	Europe	Italy	North America	Rest of world	Total
Other current receivables	38,583,226	324,946,195	225,921,846	5,824,302	-	595,275,568
Other non-current receivables	158,156	40,085,019	12,883,917	68,236	-	53,195,328
Accounts receivable	100,765,237	38,450,396	53,237,964	122,622,200	44,354,502	359,430,300
Taxes receivable	-	-	28,427,973	-	-	28,427,973
Total	**139,506,619**	**403,481,610**	**320,471,700**	**128,514,738**	**44,354,502**	**1,036,329,169**

The geographical breakdown of payables as of December 31, 2016 is as follows:

Description	Europe	Italy	North America	Rest of world	Asia Pacific and Middle East	Total
Long-term debt	1,044,913,093	-	-	-	-	1,044,913,093
Current-portion of long term debt	60,989,350	150,892,284	21,677,216	-	-	233,558,849
Current accounts payable	46,185,491	246,871,380	135,377,950	1,118,215	105,268,228	534,821,265
Other current liabilities	99,392,501	72,500,701	8,679,507	384,042	36,877	180,993,628
Current income taxes payable	348,541	11,908,668	-	-	-	12,257,209
Total	**1,251,828,976**	**482,173,033**	**165,734,673**	**1,502,257**	**105,305,105**	**2,006,544,044**

The geographical breakdown of revenue as of December 31, 2016 is as follows:

Description	Europe	Italy	North America	Rest of world	Asia Pacific and Middle East	Total
Net sales	865,425,412	363,525,929	1,083,287,245	187,978,132	326,903,579	2,827,120,297
Other revenue and income	43,489,125	34,184,040	16,905,672	14,675,992	25,499,796	134,754,625
Total	**908,914,537**	**397,709,969**	**1,100,192,917**	**202,654,124**	**352,403,375**	**2,961,874,922**

46. Non recurring transactions

During 2016, the Group incurred in non-recurring expenses of Euro 7.1 million related to the termination of the employment of Mr. Adil Mehboob-Khan the former Group CEO for Markets.

47. Subsequent events

On January 16, 2017, a strategic combination of Essilor's and Luxottica's businesses was announced by Essilor and Delfin (the "Combination") consisting of (i) Delfin S.à r.l. ("Delfin"), an entity that is controlled by Luxottica's Executive Chairman, Leonardo Del Vecchio, contributing its entire equity ownership in Luxottica (approximately 62.54% of Luxottica's ordinary shares) to Essilor in exchange for newly-issued Essilor shares (which shall be approved by the Essilor shareholders' meeting), on the basis of an exchange ratio of 0.461 Essilor share for each Luxottica share (the "Contribution"), and (ii) Essilor subsequently making a mandatory public exchange offer, in accordance with applicable provisions of Italian law, to acquire all of the remaining issued and outstanding shares of Luxottica pursuant to the same exchange ratio.

As a result of the above, and as a result of the "hive-down" of all or substantially all of its operating activities into a wholly owned subsidiary to be called "Essilor International", Essilor would become a holding company with the new name "EssilorLuxottica".

Following the Contribution Delfin would own a shareholding comprised between 31% and 38% of the share capital of EssilorLuxottica and would be its largest shareholder. As part of the transaction, Essilor general shareholders' meeting shall approve an amendment to its by-laws providing, among others, (a) a cap at 31% of voting rights applying to any shareholder, and (b) the cancellation of the double voting rights currently provided by Essilor by-laws. For further information please refer to paragraph 38 of consolidated Finacial Statement Notes.

On January 30, 2017, Luxottica Group signed an agreement with the current shareholders of Óticas Carol under which Luxottica will acquire 100% of Óticas Carol, one of the largest optical franchisors in Brazil with approximately 950 locations. Established in 1997, Óticas Carol sells a broad range of prescription frames and sunglasses. The transaction remains subject to customary regulatory approvals and is expected to close in the second half of 2017.

On February 23, 2017, the Group announced the signing of a multi-year licensing agreement with Ferrari S.p.A. for the design, manufacture, distribution and sale of a range of Ferrari and Ray-Ban branded eyewear.

On February 24, 2017, the Company received notice from the French Competition Authority regarding its decision about the legal proceeding described in Note 29. Please refer to Note 29 for additional details.

On March 10, 2017, we entered into two Euro 250 million term facility agreements each guaranteed by our subsidiary, Luxottica U.S. Holdings Corp., with Banca IMI S.p.A. in its capacity as mandated lead arranger and Intesa Sanpaolo S.p.A. in its capacity as original lender (the "IMI/Intesa Facility") and with Natixis S.A. - Milan Branch in its capacity as both mandated lead arranger and original lender (the "Natixis Facility"). The final maturity of each term facility is on March 10, 2022. As of March 15, 2017, Euro 500 million was borrowed under these credit facilities. On the term loans interest accrues at EURIBOR (as defined in the agreement) plus an average margin of 0.70% and 0.62% for the IMI/Intesa Facility and the Natixis Facility, respectively. During the first quarter of 2017 we entered into two interest rate swap transactions with an aggregate notional amount of Euro 500 million with Intesa Sanpaolo S.p.A.. and Natixis S.A. - Milan Branch. The swaps were entered into as a cash flow hedge. The swaps exchanged the floating rate of EURIBOR for an average fixed rate of 0.1185% per annum.

48. Appendix

INVESTMENTS HELD BY LUXOTTICA GROUP S.P.A.

In compliance with CONSOB Communication no. 6064293 dated July 28, 2006, the following table provides the list of Group companies as of December 31, 2016, including each company's name, registered office, capital stock, the equity interests held directly or indirectly by the parent company and each of the subsidiaries, and the method of consolidation. All the companies are consolidated on a line-by-line basis, except for those marked (**), which are consolidated using the equity method:

Investee Company	Investor	City	Currency	Capital stock	% Direct interest	% Group interest	Number shares held
Air Sun	Sunglass Hut Trading Llc	Mason-Ohio	USD	1.00	70.00	70.00	70.00
Alain Mikli International Sasu	Luxottica Group S.p.A.	Paris	EUR	4,459,786.64	100.00	100.00	31,972.00
Arnette Optic Illusions Inc	Luxottica Us Holdings Corp	Los Angeles-California	USD	1.00	100.00	100.00	100.00
Autant Pour Voir Que Pour Etre' Vues Sarl	Alain Mikli International Sasu	Paris	EUR	15,245.00	100.00	100.00	1,000.00
Beijing Si Ming De Trading Co Ltd	Spv Zeta Optical Trading (Beijing) Co Ltd	Beijing	CNR	30,000.00	100.00	100.00	30,000.00
Centre Professionnel De Vision Ussc Inc	The United States Shoe Corporation	Mississauga-Ontario	CAD	1.00	100.00	100.00	99.00
David Clulow Loughton Limited	Luxottica Retail Uk Ltd	London	GBP	2.00	50.00	50.00	1.00
David Clulow Marlow Limited	Luxottica Retail Uk Ltd	London	GBP	2.00	50.00	50.00	1.00
David Clulow Newbury Limited	Luxottica Retail Uk Ltd	London	GBP	2.00	50.00	50.00	1.00
Eye Safety Systems Inc	Oakley Inc	Dover-Delaware	USD	1.00	100.00	100.00	100.00
Eyebiz Laboratories Pty Limited	Luxottica Retail Australia Pty Ltd.	Macquarie Park-Nsw	AUD	10,000,005.00	30.00	30.00	6,000,003.00
Eyemed Insurance Company	Luxottica Us Holdings Corp	Phoenix-Arizona	USD	250,000.00	100.00	100.00	250,000.00
Eyemed Vision Care HMO of Texas Inc	The United States Shoe Corporation	Dallas-Texas	USD	1,000.00	100.00	100.00	1,000.00
Eyemed Vision Care Ipa Llc	Eyemed Vision Care Llc	New York-New York	USD	1.00	100.00	100.00	1.00
Eyemed Vision Care Llc	Luxottica Retail North America Inc	Dover-Delaware	USD	1.00	100.00	100.00	1.00
Eyexam Of California Inc	The United States Shoe Corporation	Los Angeles-California	USD	10.00	100.00	100.00	1,000.00
First American Administrators Inc	Eyemed Vision Care Llc	Phoenix-Arizona	USD	1,000.00	100.00	100.00	1,000.00
Glasses.com Inc	Luxottica Us Holdings Corp	Cleveland Ohio	USD	100.00	100.00	100.00	500.00
Guangzhou Ming Long Optical Technology Co Ltd	Luxottica (China) Investment Co Ltd	Guangzhou City	CNR	645,500,000.00	100.00	100.00	645,500,000.00
Lunettes Group Limited	Luxottica Hong Kong Wholesale Limited	Taipa	MOP	1,000,000.00	1.00	100.00	10,000.00
Lunettes Group Limited	Luxottica Retail Hong Kong Limited	Taipa	MOP	1,000,000.00	99.00	100.00	990,000.00
Luxottica (China) Investment Co Ltd	Sunglass Hut Ireland Limited	Shanghai	CNR	1,434,458,960.05	100.00	100.00	1,434,458,960.05
Luxottica (Shanghai) Trading Co Ltd	Luxottica Holland Bv	Shanghai	CNR	109,999,700.00	100.00	100.00	109,999,700.00
Luxottica (Switzerland) Ag	Luxottica Group S.p.A.	Zurich	CHF	100,000.00	100.00	100.00	100.00

Investee Company	Investor	City	Currency	Capital stock	% Direct interest	% Group interest	Number shares held
Luxottica Argentina S.r.l.	Luxottica Group S.p.A.	Buenos Aires	ARS	11,837,001.00	94.00	100.00	11,126,338.00
Luxottica Argentina S.r.l.	Luxottica S.r.l.	Buenos Aires	ARS	11,837,001.00	6.00	100.00	710,663.00
Luxottica Australia Pty Ltd	Opsm Group Pty Limited	Macquarie Park-Nsw	AUD	1,715,000.00	100.00	100.00	1,715,000.00
Luxottica Belgium Nv	Luxottica Group S.p.A.	Berchem	EUR	62,000.00	99.00	100.00	99.00
Luxottica Belgium Nv	Luxottica S.r.l.	Berchem	EUR	62,000.00	1.00	100.00	1.00
Luxottica Brasil Produtos Oticos E Esportivos Ltda	Oakley Canada Inc	San Paolo	BRL	1,043,457,587.00	42.01	100.00	438,383,816.00
Luxottica Brasil Produtos Oticos E Esportivos Ltda	Luxottica S.r.l.	San Paolo	BRL	1,043,457,587.00	0.00	100.00	3,603.00
Luxottica Brasil Produtos Oticos E Esportivos Ltda	Luxottica Group S.p.A.	San Paolo	BRL	1,043,457,587.00	57.99	100.00	605,070,168.00
Luxottica Canada Inc	Luxottica Group S.p.A.	New Brunswick	CAD	200.00	100.00	100.00	200.00
Luxottica Central Europe Kft	Luxottica Holland Bv	Budapest	HUF	3,000,000.00	100.00	100.00	3,000,000.00
Luxottica Chile S.p.A.	Sunglass Hut Iberia Slu	Santiago	CLP	455,000,000.00	100.00	100.00	455,000.00
Luxottica Colombia S.a.s.	Luxottica Group S.p.A.	Bogotà	COP	3,500,000,000.00	100.00	100.00	35,000.00
Luxottica Commercial Service (Dongguan) Co Ltd	Sunglass Hut Ireland Limited	Dongguan City, Guangdong	CNR	3,000,000.00	100.00	100.00	3,000,000.00
Luxottica Fashion Brillen Vertriebs Gmbh	Luxottica Group S.p.A.	Grasbrunn	EUR	230,081.35	100.00	100.00	230,081.00
Luxottica Frames Service SA de CV	Luxottica Group S.p.A.	Mexico City	MXN	2,350,000.00	0.02	100.00	1.00
Luxottica Frames Service SA de CV	Luxottica Mexico SA de CV	Mexico City	MXN	2,350,000.00	99.98	100.00	4,699.00
Luxottica France Sasu	Luxottica Group S.p.A.	Valbonne	EUR	534,000.00	100.00	100.00	500.00
Luxottica Franchising Australia Pty Limited	Luxottica Retail Australia Pty Ltd	Macquarie Park-Nsw	AUD	2.00	100.00	100.00	2.00
Luxottica Gozluk Endustri Ve Ticaret Anonim Sirketi	Luxottica Group S.p.A.	Cigli-Izmir	LTL	10,390,459.89	64.84	100.00	673,717,419.00
Luxottica Gozluk Endustri Ve Ticaret Anonim Sirketi	Sunglass Hut Netherlands Bv	Cigli-Izmir	LTL	10,390,459.89	35.16	100.00	365,328,570.00
Luxottica Hellas Ae	Luxottica Group S.p.A.	Pallini	EUR	1,752,900.00	70.00	70.00	40,901.00
Luxottica Holland Bv	Luxottica Group S.p.A.	Heemstede	EUR	45,000.00	100.00	100.00	100.00
Luxottica Hong Kong Services Limited	Luxottica Group S.p.A.	Hong Kong	HKD	548,536,634.67	100.00	100.00	8,700,001.00
Luxottica Hong Kong Wholesale Limited	Luxottica Hong Kong Services Limited	Kowloon	HKD	10,000,000.00	100.00	100.00	10,000,000.00
Luxottica Iberica Sau	Luxottica Group S.p.A.	Barcelona	EUR	1,382,928.85	100.00	100.00	1.00
Luxottica India Eyewear Private Limited	Luxottica Holland Bv	Gurgaon-Haryana	RUP	1,330,400.00	100.00	100.00	133,036.00
Luxottica India Eyewear Private Limited	Luxottica International Distribution S.r.l.	Gurgaon-Haryana	RUP	1,330,400.00	0.00	100.00	4.00
Luxottica International Distribution S.r.l.	Luxottica Group S.p.A.	Agordo	EUR	50,000.00	100.00	100.00	50,000.00
Luxottica Italia S.r.l.	Luxottica Group S.p.A.	Agordo	EUR	5,000,000.00	100.00	100.00	5,000,000.00
Luxottica Korea Ltd	Luxottica Group S.p.A.	Seoul	KRW	120,000,000.00	100.00	100.00	12,000.00
Luxottica Mexico SA de CV	Luxottica S.r.l.	Mexico City	MXN	342,000,000.00	4.00	100.00	13,680.00
Luxottica Mexico SA de CV	Luxottica Group S.p.A.	Mexico City	MXN	342,000,000.00	96.00	100.00	328,320.00
Luxottica Middle East Fze	Luxottica Group S.p.A.	Dubai	AED	1,000,000.00	100.00	100.00	1.00

Investee Company	Investor	City	Currency	Capital stock	% Direct interest	% Group interest	Number shares held
Luxottica Nederland Bv	Luxottica Group S.p.A.	Heemstede	EUR	453,780.22	100.00	100.00	10,000.00
Luxottica Nordic Ab	Luxottica Group S.p.A.	Stockholm	SEK	250,000.00	100.00	100.00	2,500.00
Luxottica Norge As	Luxottica Group S.p.A.	Drammen	NOK	100,000.00	100.00	100.00	100.00
Luxottica North America Distribution Llc	Luxottica Usa Llc	Dover-Delaware	USD	1.00	100.00	100.00	1.00
Luxottica North Europe Ltd	Luxottica Group S.p.A.	S. Albans-Hertfordshire	GBP	90,000.00	100.00	100.00	90,000.00
Luxottica Optics Ltd	Luxottica Group S.p.A.	Tel Aviv	ILS	43.50	100.00	100.00	435,000.00
Luxottica Poland Sp Zoo	Luxottica Group S.p.A.	Krakow	PLN	390,000.00	25.00	100.00	195.00
Luxottica Poland Sp Zoo	Luxottica Holland Bv	Krakow	PLN	390,000.00	75.00	100.00	585.00
Luxottica Portugal-Comercio De Optica Sa	Luxottica Group S.p.A.	Lisbon	EUR	700,000.00	99.79	100.00	139,700.00
Luxottica Portugal-Comercio De Optica Sa	Luxottica S.r.l.	Lisbon	EUR	700,000.00	0.21	100.00	300.00
Luxottica Retail Australia Pty Ltd	Opsm Group Pty Limited	Macquarie Park-Nsw	AUD	307,796.00	100.00	100.00	307,796.00
Luxottica Retail Canada Inc	The United States Shoe Corporation	New Brunswick	CAD	12,671.00	43.82	100.00	5,553.00
Luxottica Retail Canada Inc	Luxottica Retail North America Inc.	New Brunswick	CAD	12,671.00	56.18	100.00	7,118.00
Luxottica Retail Hong Kong Limited	Protector Safety Industries Pty Ltd.	Hong Kong-Hong Kong	HKD	149,127,000.00	100.00	100.00	1,491,270.00
Luxottica Retail New Zealand Limited	Protector Safety Industries Pty Ltd.	Auckland	NZD	67,700,100.00	100.00	100.00	67,700,100.00
Luxottica Retail North America Inc.	The United States Shoe Corporation	Cleveland-Ohio	USD	1.00	100.00	100.00	20.00
Luxottica Retail Uk Ltd	Luxottica Group S.p.A.	St Albans-Hertfordshire	GBP	24,410,765.00	68.00	100.00	16,599,320.00
Luxottica Retail Uk Ltd	Sunglass Hut Trading Llc	St Albans-Hertfordshire	GBP	24,410,765.00	0.86	100.00	209,634.00
Luxottica Retail Uk Ltd	Luxottica Us Holdings Corp	St Albans-Hertfordshire	GBP	24,410,765.00	31.14	100.00	7,601,811.00
Luxottica Rus Llc	Sunglass Hut Netherlands Bv	Moscow	RUB	393,000,000.00	99.69	100.00	391,770,000.00
Luxottica Rus Llc	Luxottica Holland Bv	Moscow	RUB	393,000,000.00	0.31	100.00	1,230,000.00
Luxottica South Africa Pty Ltd	Luxottica Group S.p.A.	Cape Town – Observatory	ZAR	2,200.02	100.00	100.00	220,002.00
Luxottica South East Asia Pte Ltd	Luxottica Holland Bv	Singapore	SGD	1,360,000.00	100.00	100.00	1,360,000.00
Luxottica South Eastern Europe Ltd	Luxottica Holland Bv	Novigrad	HRK	1,000,000.00	100.00	100.00	1,000,000.00
Luxottica South Pacific Holdings Pty Limited	Luxottica Group S.p.A.	Macquarie Park-Nsw	AUD	322,797,001.00	100.00	100.00	322,797,001.00
Luxottica S.r.l.	Luxottica Group S.p.A.	Agordo	EUR	10,000,000.00	100.00	100.00	10,000,000.00
Luxottica Sun Corp	Luxottica Us Holdings Corp	Dover-Delaware	USD	1.00	100.00	100.00	100.00
Luxottica Tristar (Dongguan) Optical Co Ltd	Luxottica Holland Bv	Don Guan City	USD	128,719,301.00	100.00	100.00	128,719,301.00
Luxottica Us Holdings Corp	Luxottica Group S.p.A.	Dover-Delaware	USD	100.00	100.00	100.00	10,000.00
Luxottica Usa Llc	Arnette Optic Illusions Inc.	New York-Ny	USD	1.00	100.00	100.00	1.00
Luxottica Vertriebsgesellschaft Mbh	Luxottica Group S.p.A.	Vienna	EUR	508,710.00	100.00	100.00	50,871.00
Luxottica Wholesale (Thailand) Ltd	Luxottica Group S.p.A.	Bangkok	THB	100,000,000.00	100.00	100.00	9,999,998.00
Luxottica Wholesale (Thailand) Ltd	Luxottica S.r.l.	Bangkok	THB	100,000,000.00	0.00	100.00	1.00

Investee Company	Investor	City	Currency	Capital stock	% Direct interest	% Group interest	Number shares held
Luxottica Wholesale (Thailand) Ltd.	Luxottica Holland Bv	Bangkok	THB	100,000,000.00	0.00	100.00	1.00
Luxottica Wholesale Malaysia Sdn Bhd	Luxottica Group S.p.A.	Kuala Lumpur	MYR	4,500,000.00	100.00	100.00	4,500,000.00
Mikli Asia Limited	Alain Mikli International Sasu	Kowloon, Hong Kong	HKD	100.00	100.00	100.00	100.00
Mikli China Ltd	Mikli Asia Limited	Shanghai	CNR	1,000,000.00	100.00	100.00	1,000,000.00
Mikli Diffusion France SASU	Alain Mikli International Sasu	Paris	EUR	1,541,471.20	100.00	100.00	220,500.00
Mikli Japon Kk	Alain Mikli International Sasu	Tokyo	JPY	85,800,000.00	100.00	100.00	1,716.00
Mirari Japan Co Ltd	Luxottica Group S.p.A.	Tokyo	JPY	473,700,000.00	15.83	100.00	1,500.00
Mirari Japan Co Ltd	Luxottica Holland Bv	Tokyo	JPY	473,700,000.00	84.17	100.00	7,974.00
Nextore Inc	Nextore S.r.l.	Delaware	USD	1.00	100.00	100.00	100.00
Nextore S.r.l.	Luxottica Group S.p.A.	Milan	EUR	1,000,000.00	60.00	60.00	600,000.00
Oakley (Schweiz) GmbH	Oakley Inc.	Zurich	CHF	20,000.00	100.00	100.00	20,000.00
Oakley Air Jv	Oakley Sales Corp	Chicago-Illinois	USD	1.00	70.00	70.00	70.00
Oakley Canada Inc	Oakley Inc.	Saint Lauren-Quebec	CAD	80,107,907.00	100.00	100.00	80,107,907.00
Oakley Design S.r.l.	Luxottica S.r.l.	Agordo	EUR	10,000.00	100.00	100.00	10,000.00
Oakley Edc Inc	Oakley Inc.	Olympia-Washington	USD	1,000.00	100.00	100.00	1,000.00
Oakley Europe S.n.c.	Oakley Holding Sasu	Annecy	EUR	25,157,390.20	100.00	100.00	251,573,902.00
Oakley GmbH	Oakley Inc.	Munich	EUR	25,000.00	100.00	100.00	25,000.00
Oakley Holding SASU	Luxottica France Sasu	Annecy	EUR	6,129,050.00	100.00	100.00	82,825.00
Oakley Inc	Luxottica Us Holdings Corp	Olympia-Washington	USD	10.00	100.00	100.00	1,000.00
Oakley Sales Corp	Oakley Inc.	Olympia-Washington	USD	1,000.00	100.00	100.00	1,000.00
Oakley South Pacific Pty Ltd	Opsm Group Pty Limited	Victoria-Melbourne	AUD	12.00	100.00	100.00	12.00
Oakley Sport International S.r.l.	Luxottica Group S.p.A.	Agordo	EUR	50,000.00	100.00	100.00	50,000.00
Oakley Uk Ltd	Oakley Inc.	St Albans-Hertfordshire	GBP	1,000.00	100.00	100.00	1,000.00
Opsm Group Pty Limited	Luxottica South Pacific Holdings Pty Limited	Macquarie Park-Nsw	AUD	67,613,043.50	100.00	100.00	135,226,087.00
Optical Procurement Services Llc	Luxottica Retail North America Inc.	Dover	USD	100.00	100.00	100.00	100.00
Opticas Gmo Chile Sa	Luxottica Group S.p.A.	Comuna De Huechuraba	CLP	7,263,089.00	0.00	100.00	2.00
Opticas Gmo Chile Sa	Sunglass Hut Iberia Slu	Comuna De Huechuraba	CLP	7,263,089.00	100.00	100.00	7,263,087.00
Opticas Gmo Colombia S.a.s.	Sunglass Hut Iberia Slu	Bogotà	COP	17,963,033,000.00	100.00	100.00	17,963,033,000.00
Opticas Gmo Ecuador Sa	Opticas Gmo Peru Sac	Guayaquil	USD	19,200,000.00	0.00	100.00	1.00
	Sunglass Hut Iberia Slu	Guayaquil	USD	19,200,000.00	100.00	100.00	19,199,999.00
Opticas Gmo Peru Sac	Sunglass Hut Iberia Slu	Lima	PEN	34,631,139.00	100.00	100.00	34,631,138.00
Opticas Gmo Peru Sac	Opticas Gmo Ecuador Sa	Lima	PEN	34,631,139.00	0.00	100.00	1.00
Optomeyes Holdings Pty Ltd	Luxottica Retail Australia Pty Ltd	Hobart/ Tasmania	AUD	2,823.00	29.01	29.01	819.00

Investee Company	Investor	City	Currency	Capital stock	% Direct interest	% Group interest	Number shares held
Oy Luxottica Finland Ab	Luxottica Group S.p.A.	Espoo	EUR	170,000.00	100.00	100.00	1,000.00
Protector Safety Industries Pty Ltd	Opsm Group Pty Limited	Macquarie Park-Nsw	AUD	2,486,250.00	100.00	100.00	4,972,500.00
Ray Ban Sun Optics India Private Limited	Luxottica Us Holdings Corp	Bhiwadi	RUP	228,372,710.00	100.00	100.00	22,837,270.00
Ray Ban Sun Optics India Private Limited	Luxottica Holland Bv	Bhiwadi	RUP	228,372,710.00	0.00	100.00	1.00
Rayban Air	Luxottica S.r.l.	Agordo	EUR	13,317,242.62	32.37	100.00	4,310,966.81
Rayban Air	Luxottica Group S.p.A.	Agordo	EUR	13,317,242.62	67.63	100.00	9,006,275.81
Rays Houston	Sunglass Hut Trading Llc	Mason-Ohio	USD	1.00	51.00	51.00	51.00
Salmoiraghi & Viganò Optika Doo***	Salmoiraghi & Viganò S.p.A.	Rijeka	EUR	3,540,000	13	13	3,540,000
Salmoiraghi & Viganò S.p.A.	Luxottica Group S.p.A.	Milan	EUR	11,919,861.00	100.00	100.00	11,919,861.00
SGH Brasil Comercio De Oculos Ltda	Luxottica International Distribution S.r.l.	San Paolo	BRL	136,720,000.00	0.01	100.00	13,672.00
SGH Brasil Comercio De Oculos Ltda	Luxottica Group S.p.A.	San Paolo	BRL	136,720,000.00	99.99	100.00	136,706,328.00
SGH Optics Malaysia Sdn Bhd	Luxottica Retail Australia Pty Ltd.	Kuala Lampur	MYR	3,000,002.00	100.00	100.00	3,000,002.00
Spv Zeta Optical Commercial and Trading (Shanghai) Co Ltd.	Luxottica (China) Investment Co Ltd	Shanghai	CNR	209,734,713.00	100.00	100.00	209,734,713.00
Spv Zeta Optical Trading (Beijing) Co Ltd	Luxottica (China) Investment Co Ltd	Beijing	CNR	682,231,000.00	100.00	100.00	682,231,000.00
Sunglass Direct Germany GmbH	Luxottica Group S.p.A.	Grasbrunn	EUR	200,000.00	100.00	100.00	200,000.00
Sunglass Direct Italy S.r.l.	Luxottica Group S.p.A.	Milan	EUR	200,000.00	100.00	100.00	200,000.00
Sunglass Frames Service SA de CV	Sunglass Hut De Mexico Sapi De Cv	Mexico City	MXN	2,350,000.00	99.98	100.00	4,699.00
Sunglass Frames Service SA de CV	Luxottica Group S.p.A.	Mexico City	MXN	2,350,000,00	0.02	100.00	1.00
Sunglass Hut (South East Asia) Pte Ltd	Luxottica Holland Bv	Singapore	SGD	10,100,000.00	100.00	100.00	10,100,000.00
Sunglass Hut (Thailand) Co Ltd	Luxottica Group S.p.A.	Khet Patumwan, Bangkok	THB	85,000,000.00	46.00	49.00	39,100.00
Sunglass Hut (Thailand) Co Ltd	Luxottica S.r.l.	Khet Patumwan, Bangkok	THB	85,000,000.00	3.00	49.00	2,550.00
Sunglass Hut Airports South Africa (Pty) Ltd*	Sunglass Hut Retail South Africa (Pty) Ltd	Cape Town - Observatory	ZAR	1,000.00	45.00	45.00	450.00
Sunglass Hut Australia Pty Limited	Opsm Group Pty Limited	Macquarie Park-Nsw	AUD	46,251,012.00	100.00	100.00	46,251,012.00
Sunglass Hut De Mexico Sapi De Cv	Luxottica Group S.p.A.	Mexico City	MXN	315,970.00	100.00	100.00	315,969.00
Sunglass Hut De Mexico Sapi De Cv	Luxottica International Distribution S.r.l.	Mexico City	MXN	315,970.00	0.00	100.00	1.00
Sunglass Hut France SASU	Luxottica Group S.p.A.	Paris	EUR	3,600,000.00	100.00	100.00	3,600,000.00
Sunglass Hut Hong Kong Limited	Protector Safety Industries Pty Ltd	Hong Kong	HKD	115,000,002.00	100.00	100.00	115,000,001.00
Sunglass Hut Hong Kong Limited	Opsm Group Pty Limited	Hong Kong	HKD	115,000,002.00	0.00	100.00	1.00
Sunglass Hut Iberia Slu	Luxottica Group S.p.A.	Barcelona	EUR	8,147,795.20	100.00	100.00	10,184,744.00
Sunglass Hut Ireland Limited	Luxottica Group S.p.A.	Dublin	EUR	252.50	100.00	100.00	202.00
Sunglass Hut Middle East General Trading Llc **	Luxottica Group S.p.A.	Dubai	AED	1,200,000.00	49.00	49.00	588.00

Investee Company	Investor	City	Currency	Capital stock	% Direct interest	% Group interest	Number shares held
Sunglass Hut Netherlands Bv	Luxottica Group S.p.A.	Heemstede	EUR	18,151.20	100.00	100.00	40.00
Sunglass Hut Portugal Sa	Sunglass Hut Iberia Slu	Lisbon	EUR	3,043,129.00	52.08	100.00	39,621,540.00
Sunglass Hut Portugal Sa	Luxottica Group S.p.A.	Lisbon	EUR	3,043,129.00	47.92	100.00	36,456,685.00
Sunglass Hut Retail Namibia (Pty) Ltd	Sunglass Hut Retail South Africa (Pty) Ltd	Windhoek	NAD	100.00	100.00	100.00	100.00
Sunglass Hut Retail South Africa (Pty) Ltd	Luxottica South Africa Pty Ltd.	Cape Town – Observatory	ZAR	900.00	100.00	100.00	900.00
Sunglass Hut Trading Llc	Luxottica Us Holdings Corp	Cleveland-Ohio	USD	1.00	100.00	100.00	1.00
Sunglass Hut Turkey Gozluk Ticaret Anonim Sirketi	Luxottica Group S.p.A.	Cigli-Izmir	LTL	41,000,000.00	100.00	100.00	4,100,000.00
The United States Shoe Corporation	Luxottica Usa Llc	Dover-Delaware	USD	1.00	100.00	100.00	100.00

(*) Controlled by a shareholders agreement

(**) Controlled by a shareholding which allow to exercise a dominant influence in the ordinary shareholders meeting

(***) Although the shareholding is equal to 34,429%, the voting rights in the shareholders meeting represent an effective stake of 13%

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Milan, March 1, 2017
Luxottica Group S.p.A.

On behalf of the Board of Directors

Leonardo Del Vecchio
Executive Chairman

Massimo Vian
CEO for Product
and Operations

4.7 Certification of the statutory financial statements pursuant to Article 154-*bis* of Legislative Decree 58/98

1. The undersigned Leonardo Del Vecchio, as Executive President, Massimo Vian, as chief executive officer for Product and Operations, and Stefano Grassi, as chief financial officer of Luxottica Group S.p.A., having also taken into account the provisions of Article 154-*bis*, paragraphs 3 and 4, of the Italian Legislative Decree 58 of 24 February 1998, hereby certify:

   - The adequacy in relation to the characteristics of the Company and

   - The effective implementation of the administrative and accounting procedures for the preparation of the statutory financial statements over the course of the year 2016.

2. The assessment of the adequacy of the administrative and accounting procedures for the preparation of the statutory financial statements as of December 31, 2016 was based on a process developed by Luxottica Group S.p.A. in accordance with the model Internal Control - Integrated Framework as issued by the Committee of Sponsoring organizations of the Tradeway Commission which is a framework generally accepted internationally.

3. It is also certified that:

   3.1 the statutory financial statements:

   a. Have been drawn up in accordance with the international accounting standards recognized in the European Union under the EC regulation 1606/2002 of the European Parliament and of the Council of 19 July 2002, and the provisions which implement ART. 9 of the legislative decree 38/2005

   b. Is consistent with the entries in the accounting books and records

   c. Is capable of providing a true and fair representation of the assets and liabilities, profits and losses and financial position of the issuer.

***

Milan, March 1, 2017
Luxottica Group S.p.A.

On behalf of the Board of Directors

Leonardo Del Vecchio
Executive Chairman

Massimo Vian
CEO for Product
and Operations

Stefano Grassi
Manager charged with preparing
the Company's financial reports

4.8 Independent auditors' report

INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE N. 39 OF 27 JANUARY 2010

To the Shareholders of
Luxottica Group SpA

Report on the separate financial statements

We have audited the accompanying separate financial statements of Luxottica Group SpA, which comprise the statement of financial position as of 31 December 2016, the statement of income, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, a summary of significant accounting policies and the other notes.

Directors' responsibility for the separate financial statements

The directors are responsible for the preparation of the separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n. 38/2005.

Auditors' responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11 of Legislative Decree n. 39/2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The audit procedures selected depend on the auditor professional judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity preparation of the separate financial statements that give a true and fair view, to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

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Opinion

In our opinion, the separate financial statements give a true and fair view of the financial position of Luxottica Group SpA as of 31 December 2016 and of the result of its operations and cash flows for the year then ended in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n. 38/2005.

Report on compliance with other laws and regulations

Opinion on the consistency with the separate financial statements of the management report and of certain information set out in the report on corporate governance and ownership structure

We have performed the procedures required under auditing standard (SA Italia) 720B to express an opinion, as required by law, on the consistency of the management report and of the information set out in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree n. 58/1998, which are the responsibility of the directors of Luxottica Group SpA, with the separate financial statements of Luxottica Group SpA as of 31 December 2016. In our opinion, the management report and the information in the report on corporate governance and ownership structure mentioned above are consistent with the separate financial statements of Luxottica Group SpA as of 31 December 2016.

Milan, 5 April 2017

PricewaterhouseCoopers SpA

Signed by

Stefano Bravo
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

4.9 Board of Directors' proposal

The Board of Directors, in consideration of the prospects for the Group development and its expectations of future income, recommends the distribution of a gross dividend of Euro 0.92 per ordinary share and hence per American Depository Share (ADS), payable out of the net income of the 2016 fiscal year totalling Euro 454,385,945.

Having taken into account the calendar approved by Borsa Italiana S.p.A., the Board of Directors recommends that the payment date of the dividend is set for May 24, 2017, with its ex-dividend date on May 22, 2017 and record date May 23, 2017.

Having taken into consideration the number of shares that are presently issued, namely 484,273,583 and the shares which are directly owned by the Company on the date of the present report, namely 7,199,138 the total amount to be distributed would be equal to Euro 438.9 million. The distribution would take place after the allocation of Euro 6,396 to the legal reserve.

In any case, in the event that all the exercisable stock options are in fact exercised before the ex-dividend date, the maximum amount to be taken from the profit for the year for the distribution of the dividend, assuming that the number of the treasury shares of the company remains unchanged, would amount to approximately Euro 439.8 million.

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Milan, March 1, 2017
Luxottica Group S.p.A.

On behalf of the Board of Directors

Leonardo Del Vecchio
Executive Chairman

Massimo Vian
CEO for Product
and Operations

4.10 Board of Statutory Auditors' Report on the consolidated and separate financial statements

Board of Statutory Auditors Report of Luxottica Group S.p.A. as of December 31, 2016 pursuant to article 2429 of the Italian Civil Code and article 153 of Italian Legislative Decree 58/1998.

Dear Shareholders,

This Board of Statutory Auditors was nominated on April 24, 2015 and will be in office until the approval of the Statutory financial statements as of December 31, 2017.

The members of the Board of Statutory Auditors are Francesco Vella (President), Alberto Giussani and Barbara Tadolini. Maria Venturini and Roberto Miccù are substitute statutory auditors.

During the 2016 fiscal year we performed our supervisory activities required by law and in accordance with the Board of Statutory Auditors Code of Conduct, recommended by the Italian National Board of Chartered Accountants (*Consiglio Nazionale dei Dottori Commercialisti e degli Esperti contabili*).

With regard to the activities performed during the fiscal year, and in compliance with the instructions provided by CONSOB through the communication of April 6, 2001 and subsequent amendments and supplements, we hereby report the following:

a. We verified the respect and compliance with the law, the deed of incorporation and the company bylaws;

b. We obtained punctual information from the Directors on the activities and the most relevant economic and financial transactions decided and undertaken during the fiscal year, also through subsidiary companies. In particular, we mention the following:

   1. On February 11, 2016 the Company and Galeries Lafayette, the French market leader in department stores, signed an agreement to roll out the Sunglass Hut retail concept in 57 Galeries Lafayette and BHV MARAIS department stores across France

   2. In February 23, 2016 the Company and Maison Valentino signed a new and exclusive eyewear license agreement for the design, manufacture and worldwide distribution of Valentino eyewear. The agreement will be effective from January 2017

   3. On May 12, 2016 Luxottica Group announced it would launch its share buyback program and the repurchase up to 1 million ordinary shares following the authorization approved by Annual General Meeting of Luxottica Group on April 29, 2016. On May 24, 2016 the Company announced both the conclusion of the share buyback program up to 1 million ordinary shares and a new share buyback, under which it may repurchase up to 4 million ordinary shares. On November 7, 2016, the Group announces the conclusion of the share buyback program up to 4 million ordinary shares; Both the announced programs, complied with the market practices allowed by CONSOB according to resolution no. 16839 adopted on March 19, 2009 and aimed at setting up a reserve of shares and supporting liquidity

   4. On July 7th, 2016, Luxottica Group announces a sponsorship agreement with Ferrari S.p.A.

   5. On October 3, 2016, Luxottica Group and Intel Corporation announced the launch of Radar Pace, a smart eyewear featuring a real-time voice activated coaching system

6. On November 25, 2016 Luxottica Group announced that it has exercised the call option of the remaining 63.2% of the shares in Salmoiraghi & Viganò, On December 28, 2016 Luxottica Group closed the acquisition

7. On December 22, 2016 Luxottica Group announced the renewal until March 31, 2017 of an exclusive license agreement with Ralph Lauren Corporation for the development, production and worldwide distribution of sunglasses and prescription frames under certain Ralph Lauren brands, including Polo and Ralph Lauren

Based on the information available to us, we can reasonably assure that the transactions here above described are compliant with law and the company bylaws and were not manifestly imprudent, high risky, in potential conflict of interest or able to compromise the integrity of the company assets. From the information disclosed during the Board of Directors' meetings, it appears that the Directors did not undertake any transactions that create potential conflict of interest with the Company;

c. We investigated and verified, to the extent of our responsibility, that the organizational structure of the company was adequate, that the principles of fair management were respected and that the instructions given by the Company to its subsidiaries were coherent with article 114, paragraph 2 of Italian Legislative Decree 58/1998. The above was accomplished though the collection of information from the competent functional managers and though meetings with the Auditing Company, according to a reciprocal exchange of the significant facts and figures. No significant issues concerning the main subsidiaries emerged from the assessment of the annual reports, annexed to the financial statements and issued by the Boards of Statutory Auditors (where they exist), and from the information sharing with the latter;

d. We assessed and verified the adequacy of the internal control system and the administration and accounting system as well as the reliability of the latter to fairly represent operating events. This was achieved through:

    i. the review of reports issued by the manager responsible for the preparation of the Company's accounting records according to the provisions stated in article 154-bis of Italian Legislative Decree 58/98;

    ii. the review of the internal audit reports, as well as the disclosures on the outcome of monitoring activities to check the fulfillment of the corrective actions identified by the audit activity;

    iii. the review of company documents and the results of the work done by the Audit Company, taking in to consideration also the activities performed by the latter in accordance with US Law (Sarbanes Oxley Act);

    iv. participating to the Internal Control Committee's activities and, when it was deemed necessary, dealing with the issues together with the Committee;

    v. the meetings with the Chief Risk Compliance Officer.

    Based on the activities we performed, no anomalies arose which indicated that the Internal Control System is significantly inadequate.

e. We looked over and gathered information on the management activities and procedures implemented in accordance with Italian Legislative Decree 231/2001 regarding the administrative responsibilities of Bodies for the violations mentioned in the aforesaid regulations. The Supervisory Body, initially set up by the Board of Directors in the meeting of October 27, 2005, and ultimately renewed in the meeting of April 24, 2015, reported on the activities developed during the 2016 fiscal year;

f. We supervised the actual implementation models of the Code of Conduct promoted by Borsa Italiana S.p.A. and adopted by Luxottica Group S.p.A., in accordance with article 149, paragraph 1, letter c-bis of Italian Legislative Decree 58/98, and among other things we checked that the assessment criteria and procedures used by the Board to evaluate the independence of its members were applied correctly. We also verified that the criteria regarding the independence of the members of this Board of Statutory Auditors were respected, as provided for by the Code of Conduct;

g. Based on the provisions of article 19 of Italian Legislative Decree of 27 January 2010, no. 39, the Board also reviewed: (i) the financial information process; (ii) the statutory audit of the annual accounts and consolidated accounts and; (iii) the independence of the statutory auditor, paying particular attention to the services provided outside the auditing process.

h. We did not find any atypical or unusual transactions that were set with companies of the Group, third parties or related parties. In its Management Report the Board of Directors provided a thorough explanation of the most important transactions of ordinary, economic and financial nature that were undertaken with subsidiary companies and related parties, as well as of the methods for determining the remuneration paid to them. Please refer to this specific report for further information.

i. We also verified that the ordinary operating procedures in force within the Group were arranged in order to assure that the transactions with related parties were concluded according to market conditions; the Board of Statutory Auditors verified the compliance of the procedures followed by the Company with the "Procedure on Transactions with Associated Parties", approved by the Board of Directors on October 25, 2010, in fulfillment of the Regulation approved by CONSOB resolution no.17221 of March 12, 2010 and subsequent amendments ("Procedure").

   Control and Risk Committee of the Company expressed an opinion on related party transactions and the Board of Statutory Auditors verified that the operating procedures were arranged.

   In particular, on January 29, 2016 the Risk and Control Committee of the Company, in its role as Related Party Transactions Committee, had to express an opinion on the renewal of the license agreement for the exclusive right for development, production and worldwide distribution of sunglasses and prescription frames under the Brooks brothers name. The renewal will extend to December 31, 2019. The Brooks Brothers' brand is owned by Brooks Brothers Group Inc., owned and controlled by Claudio Del Vecchio. As the renewal was considered a lesser relevant transaction with related parties, the Board of Statutory Auditors verified the correct and strict application of above mentioned procedure.

   The Committee on February 24, 2017 had to express an opinion on the possible acquisition of the business building in Milan, Via San Nicolao, 16 - Piazzale Cadorna,3 owned by Beni Stabili SIIQ S.p.A. nowadays in leasing to Luxottica Group S.p.A. As this plan was considered a lesser relevant transaction with related parties, the Board of Statutory Auditors verified the correct and strict application of above mentioned procedure.

   Additional related party transactions were analyzed by Control and Risk Committee in accordance with the Procedure and were considered ordinary transactions.

   As the Group's CEO for Markets ceased as his role in 2016, the Committee had to express an opinion on the correct application of the rules regarding Directors' compensation and other benefits and on the correct application of the above-mentioned procedure on transaction with associated parties. In addition, the Committee had to express an opinion on the compliance with the Code of Conduct recommendations and on the compliance with CONSOB communication of June 19, 2014 about their disclosure to markets.

j. We set meetings with the managers of the Audit Company, also in accordance with article 150, paragraph 2 of Italian Legislative Decree 58/98 for the regulations provided for by the Sarbanes-Oxley Act, during which no events or situations emerged that must be highlighted in this report;

k. On April 5, 2017 PricewaterhouseCoopers S.p.A. issued the opinions without remarks in accordance with article 156 of Italian Legislative Decree 58/1998, for the statutory financial statement for the fiscal year ending on December 31, 2016 and the consolidated financial statements of the Group prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and endorsed by European Union. From these opinion letters it emerges that the financial statements represent a true and fair view, in accordance with their respectively accounting principles, of the statement of financial position, the financial and economic position, the equity movements and the cash flows as of December 31, 2016. Furthermore, in accordance with article 156, paragraph 4-bis of Italian Legislative Decree 58/98, the Audit Firm certified that the Management Report is consistent with the statutory financial statement and the consolidated financial statements as of December 31, 2016;

l. The Board advised on remuneration in accordance with article 2389, paragraph 3, of the Italian Civil Code;

m. No complaints were sent by stockholders;

n. The Company provided information, requested by articles 123 bis and 123 ter of the Italian consolidated financial law (*Testo Unico della Finanza*) both in the remuneration report and in the Corporate Governance Report;

o. With reference to the statement in article 36, paragraph 1 of the Markets regulation (CONSOB resolution no. 16191 of 20 October 2007), we inform that on December 31, 2016 the provisions were applied to the subsidiary companies which the Company indicated as significant with regard to the financial information control system: in this respect it has to be stated that no omissions were noted;

p. The Audit firm PricewaterhouseCoopers S.p.A., appointed by the Shareholders on the Meeting held on April 28, 2011 together with the other companies within its network, in addition to the duties required by the law (audit of the statutory financial statements, the consolidated financial statements, as well as the audit of the half-year financial statement and checks on the regular keeping of company accounts during the fiscal year), were also appointed for the following activities, stated below with their respective remuneration (in thousands of Euro):

(Euro/000)	Performed by	Subject	Amount
Certification Services:	PricewaterhouseCoopers S.p.A.	Luxottica Group S.p.A.	180
	PricewaterhouseCoopers S.p.A.	Italian Subsidiaries	-
	PricewaterhouseCoopers S.p.A.	Foreign Subsidiaries	355
Other Audit Services:	PricewaterhouseCoopers S.p.A.	Luxottica Group S.p.A.	579
	PricewaterhouseCoopers S.p.A.	Italian Subsidiaries	-
	PricewaterhouseCoopers S.p.A.	Foreign Subsidiaries	942

Taking in consideration the nature of these activities and related fees, that were assigned to PricewaterhouseCoopers S.p.A. and the companies within its network by Luxottica Group S.p.A. and the other companies of the Group, the Board of Statutory Auditors believes PricewaterhouseCoopers S.p.A. remained independent;

q. During 2016 Board of Statutory Auditors met 10 times, the Board of Directors met 6 times and the Control and Risks Committee met 12 times.

Finally, we express our assent, within the limits of our responsibility, to the approval of the financial statements together with the Management Report for the 2016 fiscal year as presented by the Board of Directors, and to the consequent proposal, made by the Board itself, for a net income distribution of 438.9 Million Euro.

***

Milan, April 5, 2017

Francesco Vella (Chairman)
Regular Auditors

Alberto Giussani
Regular Auditors

Barbara Tadolini
Regular Auditors

LUXOTTICA GROUP S.p.A.

REGISTERED OFFICE AND HEADQUARTERS

Piazzale L. Cadorna, 3 - 20123 Milan - Italy
Tel. +39 02 86334.1 - Fax. + 39 02 8633 4636
E-mail: info@luxottica.com
Fiscal code and Milan company register no. 00891030272
VAT no. 101826

INVESTOR RELATIONS

Piazzale L. Cadorna, 3 - 20123 Milan - Italy
Tel. +39 02 8633 4870 - Fax. + 39 02 8633 4092
E-mail: investorrelations@luxottica.com
App: Luxottica4Investors

CORPORATE COMMUNICATIONS

Piazzale L. Cadorna, 3 - 20123 Milan - Italy
Tel. +39 02 86334.1
E-mail: corporate.communication@luxottica.com

CORPORATE WEBSITE

www.luxottica.com

DEPOSITARY BANK

Italy

Deutsche Bank S.p.A.
Piazza del Calendario, 3 - 20126 Milan - Italy
Bruno Montemartini - Tel. +39 02 40242560 - Fax +39 02 40242790
E-mail: bruno.montemartini@db.com

USA

Deutsche Bank Trust Company Americas
ADR Department
Gina Seroda - Tel. +1 800 8760959 - Fax +1 866 8881120

INDEPENDENT AUDITOR

PricewaterhouseCoopers S.p.A.
Via Monte Rosa, 91 - 20149 Milan - Italy
Tel. +39 02 7785.1
Partner: Stefano Bravo
E-mail: stefano.bravo@it.pwc.com

Photo: Steven Klein
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Printing: Grafiche Antiga (Italia)