LUXOTTICA

Interim Financial Report

June 30, 2018

IFRS

Luxottica Group S.p.A.
Piazzale Luigi Cadorna, 3 - 20123 Milan, Italy
Tax identification and Milan Business Register no. 00891030272 - VAT no. 10182640150

CORPORATE BODIES

BOARD OF DIRECTORS
In office until the approval of the financial statements as of and for the year ending December 31, 2018

Executive Chairman	Leonardo Del Vecchio
Deputy Chairman	Luigi Francavilla
Deputy Chairman and CEO	Francesco Milleri
Directors	Stefano Grassi* Marco Giorgino** Elisabetta Magistretti** Maria Pierdicchi** Sabrina Pucci** Karl Heinz Salzburger** Luciano Santel** Cristina Scocchia** Andrea Zappia**

** Executive director*
*** Independent director*

HUMAN RESOURCES COMMITTEE	Andrea Zappia (Chairman) Sabrina Pucci Marco Giorgino
CONTROL AND RISK 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, 2020

Statutory Auditors	Giovanni Fiori (Chairman) Dario Righetti Barbara Tadolini
Alternate Auditors	Francesca Di Donato Maria Venturini
MANAGER CHARGED WITH PREPARING THE COMPANY'S FINANCIAL REPORTS	Stefano Grassi

CORPORATE BODIES

INDEPENDENT AUDITORS PricewaterhouseCoopers S.p.A.

Until approval of the financial statements as of and for the year ending December 31, 2020

LUXOTTICA

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Luxottica Group S.p.A.
Piazzale Luigi Cadorna, 3 - 20123 Milan, Italy
Tax identification and Milan Business Register no. 00891030272 - VAT no. 10182640150

1. MANAGEMENT REPORT ON THE INTERIM FINANCIAL RESULTS AS OF JUNE 30, 2018

Luxottica Group S.p.A.

Headquarter and registered office: Piazzale Luigi Cadorna, 3 – 20123 Milan, Italy
Share capital € 29,107,831.98
Authorized and issued

MANAGEMENT REPORT ON THE INTERIM FINANCIAL RESULTS AS OF JUNE 30, 2018

This management report on the interim financial results should be read in connection with the disclosure contained in the consolidated financial statements as of December 31, 2017, which includes a discussion of risks and uncertainties that can influence the operational results or financial position of the Group controlled by Luxottica Group S.p.A. (hereinafter the ''Company'', "Parent", "Luxottica", "Luxottica Group" or, together with its subsidiaries, the ''Group''). During the first six months of 2018, there were no changes compared to the situation reported as of December 31, 2017.

The Group's reporting currency for the presentation of the consolidated financial statements is the Euro. Unless otherwise specified, the figures in the statements and within this management report on the interim financial results are expressed in thousands of Euro.

Comparative information related to the results as of December 31, 2017 and for the first six months of 2017 included in this management report on the interim financial results have been restated to reflect the application of the new accounting standard IFRS 15 *Revenue from Contracts with Customers* and the finalization of Óticas Carol purchase price allocation (for additional details please refer, respectively, to Note 3—New accounting standards and Note 4—Business combination of the notes to the condensed consolidated interim financial statements as of June 30, 2018).

1. OPERATING PERFORMANCE

In a generally challenging global macroeconomic context, net sales declined by 7.7% (+0.3% at constant exchange rates[1]) reaching Euro 4,552.5 million, compared to Euro 4,931.6 million in the same period of 2017.

The trend of the main performance indicators is summarized below.

[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 prior-year period. Please refer to the information reported in the Appendixes for further details on exchange rates.

EBITDA[2] decreased by 11.5% to Euro 1,013.9 million, down from Euro 1,145.6 million in the first six months of 2017. Adjusted EBITDA[2] declined by Euro 144.0 million, or 12.2%, from Euro 1,176.4 to Euro 1,032.4 in the first six months of 2018.

Income from operations decreased by 12.2% to Euro 762.7 million, down from Euro 868.5 million of the first six months of 2017, while the operating margin for the first six months of 2018 was equal to 16.8%, down from 17.6% in the same period of the previous year. Adjusted income from operations[3] declined by 13.1% to Euro 781.2 million compared to Euro 899.3 million in the first six months of 2017, while the adjusted operating margin[4] for the first six months of 2018 was equal to 17.2%, down from 18.2% of the same period of the previous year.

Net income attributable to Luxottica stockholders decreased by 5.7% percent to Euro 530.2 million from Euro 562.0 million of the same period of 2017. Adjusted net income[5] attributable to Luxottica stockholders was down 3.9% from Euro 545.5 million to Euro 567.5 million.

Earnings per share (EPS) came in at Euro 1.11, while EPS in U.S. Dollars amounted to USD 1.34. Adjusted EPS[6] was equal to Euro 1.14, while adjusted EPS[6] in U.S. Dollars was equal to USD 1.38 (average USD/EUR exchange rate: 1.2104).

Also in the first six months of 2018 careful control of our working capital resulted in strong free cash flow[7], amounting to Euro 399.9 million. Net debt as of June 30, 2018 was Euro 899.3 million (Euro 739.9 million as of December 31, 2017), with a ratio of net debt to EBITDA[8] of 0.5 (0.4x as of December 31, 2017).

2. SIGNIFICANT EVENTS IN 2018

Combination with Essilor

On January 16, 2017, Essilor International S.A. (“Essilor”) and Delfin S.à r.l. (“Delfin”) announced the strategic combination of Essilor and Luxottica (the “Combination”) through: (i) the contribution from Delfin to Essilor of its shareholding equal to about 62.43% of the current Luxottica share capital against the assignment of newly issued Essilor shares on the basis of an exchange ratio of 0.4613 Essilor Shares per 1 Luxottica Share (the “Contribution”, upon the completion of which Essilor will be renamed “EssilorLuxottica”); and (ii) the subsequent mandatory public exchange offer to be launched by EssilorLuxottica, pursuant to Italian Law, of all the remaining and outstanding Luxottica shares pursuant to the same exchange ratio.

As a result of the above and following the hive down of essentially all of its operating activities into a wholly-owned subsidiary, completed on November 1, 2017, Essilor will become a holding company with the new name EssilorLuxottica.

Following the transaction, Delfin would own between 31% to 38% of the shares of EssilorLuxottica, depending on the level of acceptance of the exchange offer.

The Board of Directors of Luxottica unanimously recognized that the transaction is in Luxottica’s best interest and shared the strategic rationale of the business combination with Essilor.

The Shareholders’ Meeting of Essilor held on May 11, 2017 approved, among other things, the Contribution and the capital increase as consideration of the Contribution, as well as the capital increase instrumental to

[2] For further discussion on EBITDA and adjusted EBITDA, see Appendix—Non-IFRS Measures and adjusted measures.
[3] For further discussion on adjusted income from operations, see Appendix—Non-IFRS Measures and adjusted measures.
[4] For further discussion on adjusted operating margin, see Appendix—Non-IFRS Measures and adjusted measures.
[5] For further discussion on adjusted net income, see Appendix—Non-IFRS Measures and adjusted measures.
[6] For further discussion on adjusted EPS, see Appendix—Non-IFRS Measures and adjusted measures.
[7] For further discussion on free cash flow, see Appendix—Non-IFRS Measures and adjusted measures.
[8] For further discussion on the ratio of net debt/EBITDA, see Appendix—Non-IFRS Measures and adjusted measures.

the public exchange offer. The Shareholders' Meeting also approved: (i) some amendments to the current by-laws of Essilor; and (ii) the by-laws of EssilorLuxottica which will enter into force from the date of completion of the Contribution, including, among other things: (a) a 31% voting cap for all shareholders, and (b) the cancellation of the double voting rights previously envisaged by the by-laws of Essilor.

The completion of the transaction is subject to authorization by the relevant antitrust authorities. To date, the transaction is still under analysis in Turkey. The transaction received unconditional approval from all other competent authorities except for People's Republic of China, where the antitrust authority has approved after Luxottica and Essilor made certain commitments with regard to the conduct of their business in China.

As regards the governance of EssilorLuxottica, for the three-year period following the completion of the Contribution, the Executive Chairman of Luxottica, Leonardo Del Vecchio, will be the Executive Chairman of the Board of Directors (*Président-Directeur Général*) of EssilorLuxottica, and the Chairman and CEO of Essilor, Hubert Sagnières, will be the Executive Vice-Chairman (*Vice-Président-Directeur général délégué*) of the Board of Directors of EssilorLuxottica, with the same powers as the Executive Chairman.

Upon the completion of the Contribution, the Board of Directors of EssilorLuxottica will consist of sixteen members and namely, according to the resolutions of the aforementioned Essilor Stockholders' Meetings held on May 11, 2017 and May 24, 2018:

- Leonardo Del Vecchio, Executive Chairman (Président-Directeur Général) of EssilorLuxottica;
- Hubert Sagnières, Executive Vice-Chairman (Vice-Président-Directeur général délégué) of EssilorLuxottica;
- Francesco Milleri, Romolo Bardin, Giovanni Giallombardo, and Olivier Pécoux, who should qualify as non-independent directors;
- Gianni Mion, Cristina Scocchia, Lucia Morselli, Jeanette Wong, Bernard Hours, Annette Messemer, and Sabrina Pucci[9], who should qualify as independent directors;
- Juliette Favre, representative of Valoptec Association, the association of Essilor employee stockholders;
- two directors representing Essilor employees appointed by the Workers' Committee.

On June 29, 2018, Essilor and Delfin executed an amendment to the agreement governing the combination between Essilor and Luxottica: specifically, the deadline for completing the Contribution was extended from June 30, 2018 to July 31, 2018.

February

On February 26, 2018, Luxottica Group S.p.A. entered into an agreement to acquire 67% of Fukui Megane Co. Ltd, a leading Japanese manufacturer based in the eyewear industrial cluster of Fukui that specializes in the production of luxury eyewear frames made of titanium and solid gold. The transaction was finalized on May 18, 2018. Following the acquisition, Luxottica Group S.p.A. promptly verified that Fukui Megane Co. Ltd and its subsidiary do not fall within the scope of CONSOB Market Regulation.

April

At the Meeting on April 19, 2018, stockholders approved the Luxottica Group's Statutory Financial Statements as of December 31, 2017, as proposed by the Board of Directors, and the distribution of a cash

[9] Sabrina Pucci was co-opted as director in replacement of Rafaella Mazzoli pursuant to the resolution of Essilor's Board of Directors dated June 7, 2018. Her cooptation will be submitted for ratification to the first Shareholders' Meeting of EssilorLuxottica to be held after the completion of the Contribution.

dividend of Euro 1.01 per share. The aggregate dividend distribution amounting to Euro 483.8 million was paid in April 2018.

May

On May 11, 2018, Luxottica Group and Bass Pro Outdoor World, L.L.C., a US outdoor retailer, entered into an agreement to open approximately 160 Sunglass Hut shop-in-shops inside Bass Pro Shops and Cabela's stores in the United States. The agreement is expected to generate nearly USD 100 million in annual revenues once it becomes fully operational.

June

On June 22, 2018, Luxottica Group S.p.A. announced the acquisition of Barberini S.p.A., the world's leading manufacturer of optical glass sun lenses.

The approximately Euro 140 million acquisition is expected to close in the third quarter of 2018 and is subject to the customary closing conditions.

3. FINANCIAL RESULTS OF THE GROUP

The Group is a leader in the design, manufacturing and distribution of fashion, luxury, sports eyewear, with net sales amounting to over Euro 9 billion in 2017, approximately 85 thousand employees, and a strong global presence. The Group operates in two operating segments: (i) manufacturing and wholesale distribution (hereinafter also "*Manufacturing & Wholesale*" or "*Wholesale*") and (ii) retail distribution (hereinafter also "*Retail*"). See Note 5—Operating segments of the notes to the condensed consolidated financial statements as of June 30, 2018 for additional disclosures about the Group operating segments.

Through the *Wholesale* distribution segment, the Group is a global leader in the design, manufacturing, distribution and marketing of mid-to-premium and premium-priced prescription frames and sunglasses, with both owned brands and licensed brands. The Group operates in the *Retail* segment, mainly through its own chains—which include, among others, LensCrafters, Sunglass Hut, OPSM, Pearle Vision, Laubman and Pank, Oakley ''O'' Stores and Vaults, David Clulow, GMO, and Salmoiraghi & Viganò—as well as in the licensed brands segment (Sears Optical and Target Optical).

As a result of several acquisitions and the subsequent expansion of the Group business operations in the United States, Group's results, 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 = USD 1.2104 in the first six months of 2018 from Euro 1.00 = USD 1.0830 in the first six months of 2017. Group's results are also susceptible to currency fluctuations between the Euro and the Australian Dollar due to the significant presence in the Australian *Retail* distribution segment. Additionally, the Group incurs part of its manufacturing costs in Chinese Yuan; therefore, the fluctuation of the Chinese Yuan against the other currencies in which the Group generates its revenue could impact the demand for its products or its consolidated profitability. The Group does not engage in long-term hedging operations to mitigate translation risk. This discussion should be read in conjunction with Note 8 of the management report included in Annual Report as of December 31, 2017.

RESULTS OF OPERATIONS FOR THE SIX-MONTHS ENDED JUNE 30, 2018 AND 2017

Results of operations (Euro/000)	Six months ended June 30				Change %
	2018	% net sales	2017 Restated	% net sales	
Net Sales [(a)]	**4,552,547**	**100.0%**	**4,931,632**	**100.0%**	**(7.7%)**
Cost of sales[(a)]	1,617,514	35.5%	1,716,197	34.8%	(5.8%)
Gross Profit	***2,935,032***	***64.5%***	***3,215,435***	***65.2%***	**(8.7%)**
Selling expenses[(a)]	1,441,661	31.7%	1,548,836	31.4%	(6.9%)
Royalties	81,222	1.8%	89,126	1.8%	(8.9%)
Advertising expenses[(a)]	240,332	5.3%	266,411	5.4%	(9.8%)
General and administrative expenses	409,132	9.0%	442,523	9.0%	(7.5%)
Total operating expenses	**2,172,346**	**47.7%**	**2,346,897**	**47.6%**	**(7.4%)**
Income from operations	***762,686***	***16.8%***	***868,538***	***17.6%***	**(12.2%)**
Financial income	8,944	0.2%	8,458	0.2%	5.7%
Financial expenses	(34,160)	(0.8%)	(70,746)	(1.4%)	(51.7%)
Other net income/(expenses)	(2,635)	(0.1%)	45,524	0.9%	>(100%)
Total other income/(expenses)	**(27,850)**	**(0.6%)**	**(16,763)**	**(0.3%)**	**(66.1%)**
Income before taxes	***734,836***	***16.1%***	***851,775***	***17.3%***	**(13.7%)**
Income taxes[(a)]	(203,908)	(4.5%)	(288,275)	(5.8%)	(29.3%)
Net income	***530,928***	***11.7%***	***563,500***	***11.4%***	**(5.8%)**
Of which attributable to					
- Luxottica Group stockholders[(a)]	**530,191**	**11.6%**	**562,041**	**11.4%**	**(5.7%)**
- Non-controlling interests	738	0.0%	1,459	0.0%	(49.4%)

(a) The amounts for the first six months of 2017 have been restated to reflect the impact of the application of IFRS 15. For additional details, please refer to Note 3—New accounting standards of the notes to the condensed consolidated interim financial statements as of June 30, 2018.

To better represent the Group’s operating performance in this interim management report, some information as represented in the Group’s condensed consolidated financial statements as of June 30, 2018 has been adjusted in the tables below (“adjustments”) to take into account the following events.

In the first six months of 2018, the Group incurred:

- Euro 14.0 million (Euro 12.1 million net of taxes) in restructuring and reorganization expenses;
- Euro 4.5 million (Euro 3.2 million net of taxes) in non-recurring expenses related to the Combination with Essilor.

In the first six months of 2017, the Group incurred:

- Euro 22.9 million (Euro 15.8 million net of taxes) in restructuring and reorganization expenses;
- Euro 38.6 million, (Euro 24.5 million net of taxes) in non-recurring expenses regarding: (i) the early repayment of Euro 30.8 million worth of loans (Euro 19.0 million net of taxes), and (ii) Euro 7.9 million (Euro 5.5 million net of taxes) in costs related to the Combination with Essilor;
- Euro 48.7 million (Euro 34.9 million net of taxes) in non-recurring income related to capital gains on the sale of a property owned by the Group.

The cost of sales, operating expenses, gross profit, EBITDA, other income/(expenses), net income attributable to the Group, and EPS, net of the aforementioned adjustments, are as follows:

(Euro mn)	Six months ended June 30				
	2018	% net sales	2017 *Restated*	% net sales	% Change
Net Sales [(a)]	4,552.5	100.0%	4,931.6	100%	(7.7%)
Adjusted cost of sales[(a)]	1,607.2	35.3%	1,706.6	34.6%	(5.8%)
Adjusted gross profit[(a)]	2,945.4	64.7%	3,225.1	65.4%	(8.7%)
Adjusted operating expenses[(a)]	2,164.1	47.5%	2,325.8	47.2%	(7.0%)
Adjusted EBITDA[(a)]	1,032.4	22.7%	1,176.4	23.9%	(12.2%)
Adjusted income from operations[(a)]	781.2	17.2%	899.3	18.2%	(13.1%)
Other adjusted income/(expenses)	(27.9)	(0.6%)	(34.7)	0.7%	(19.6%)
Adjusted net income attributable to Luxottica Group stockholders[(a)]	545.5	12.0%	567.5	11.5%	(3.9%)
Adjusted EPS[(a)]	1.14		1.19		

(a) The amounts for the first six months of 2017 have been restated to reflect the impact of the application of IFRS 15. For additional details, please refer to Note 3—New accounting standards of the notes to the condensed consolidated interim financial statements as of June 30, 2018.

Net Sales. Net sales declined by Euro 379,1 million, or 7.7%, to Euro 4,552.5 million in the first six months of 2018 compared to Euro 4,931.6 million in the same period of 2017. This change was attributable to the *Retail* division for Euro 195.5 million and to the *Wholesale* division for Euro 183.6 million[10].

Net sales for the *Retail* distribution segment were down by Euro 195.5 million, or 6.5%, to Euro 2,821.6 million in the first six months of 2018 compared to Euro 3,017.1 million in the same period of 2017. The impact of exchange rate fluctuations between the Euro, which is our reporting currency, and the other currencies in which the Group conducts business, and specifically the weakening of the U.S. Dollar against the Euro, caused net sales in the *Retail* distribution segment to decline by Euro 281.4 million.

Net sales in the *Wholesale* distribution segment decreased in the first six months of 2018 by Euro 183.6 million, or 9.6%, to Euro 1,730.9 million compared to Euro 1,914.5 million in the same period of 2017. The impact of exchange rate fluctuations between the Euro, which is our reporting currency, and the other currencies in which the Group conducts business, and specifically the weakening of the U.S. Dollar against the Euro, caused net sales in the *Wholesale* distribution segment to decline by Euro 114.4 million.

In the first six months of 2018, net sales in the *Retail* distribution segment accounted for approximately 62% of total net sales, compared to approximately 61% of total net sales in the same period of 2017.

In the first six months of 2018, net sales in our *Retail* distribution segment in the United States and Canada accounted for approximately 73.4% of the segment's total net sales, compared to 75.4% in the same period of 2017. In U.S. Dollars, *Retail* sales in the United States and Canada increased by 1.5% to USD 2,500.5 million compared to USD 2,463.3 million in the same period of 2017. During the first six months of 2018, *Retail* sales in the rest of the world (excluding the United States and Canada) accounted for 26.6% of the segment's total net sales, up 1.1% to Euro 750.8 million in the first six months of 2018 compared to Euro 742.7 million, or 24.6% of the segment's total net sales, in the same period of 2017.

In the first six months of 2018, net sales in Europe amounted to Euro 1,078.7 million, a decline of Euro 66.5 million, or 5.8%, compared to the same period of the previous year.

Cost of Sales. Cost of sales fell by Euro 98.7 million, or 5.8%, to Euro 1,617.5 million in the first six months of 2018 compared to Euro 1,716.2 million in the same period of 2017. As a percentage of net sales, the cost of sales amounted to 35.5% and 34.8% in the first six months of 2018 and 2017, respectively. In the first six months of 2018, the average number of frames produced daily at our facilities was approximately 337,000 (356,000 frames during the same period of 2017).

[10] H1 2017 segment information has been restated to reflect the inclusion of financial information of the Group's e-commerce platforms in the *Retail* division.

The adjusted cost of sales[11], declined by Euro 99.4 million, from Euro 1,706.6 million (34.6% of net sales) to Euro 1,607.2 million (35.3% of net sales). Please find the reconciliation between the adjusted cost of sales[11] and the cost of sales in the following table:

	Six months ended June 30	
(Euro mn)	**2018**	**2017 *Restated***
Cost of sales	**1,617.5**	**1,716.2**
- Restructuring and reorganization expenses	(10.3)	(9.6)
- Non-recurring expenses	-	-
Adjusted cost of sales	**1,607.2**	**1,706.6**

Gross Profit. As a result of the above, gross profit decreased by Euro 280.4 million, or 8.7%, to Euro 2,935.0 million in the first six months of 2018, compared to Euro 3,215.4 million in the same period of 2017. As a percentage of net sales, gross profit fell to 64.5% in the first six months of 2018 compared to 65.2% in the same period of 2017.

Adjusted gross profit[12] decreased by Euro 279.7 million from Euro 3,225.1 million (65.4% of net sales) to Euro 2,945.4 million (64.7% of net sales). The reconciliation between gross profit and adjusted gross profit[12] is shown in the table below:

	Six months ended June 30	
(Euro mn)	**2018**	**2017 *Restated***
Gross Profit	**2,935.0**	**3,215.4**
- Restructuring and reorganization expenses	10.3	9.6
- Non-recurring expenses	-	-
Adjusted gross profit	**2,945.4**	**3,225.1**

Operating Expenses. Total operating expenses decreased by Euro 174.6 million, or 7.4%, to Euro 2,172.3 million in the first six months of 2018 compared to Euro 2,346.9 million in the same period of 2017. As a percentage of net sales, operating expenses rose to 47.7% in the first six months of 2018 from 47.6% in the same period of 2017. The decline in absolute amount was primarily driven by general and administrative expenses, down Euro 33.4 million, and selling expenses, down Euro 107.2 million as a result of the initiatives the Group pursued in the first half of 2018 to improve its efficiency.

Adjusted operating expenses[13] decreased by Euro 161.7 million from Euro 2,325.8 million (47.2% of net sales) to Euro 2,164.1 million (47.5% of net sales). The reconciliation between operating expenses and adjusted[13] operating expenses is shown in the table below:

[11] For further discussion on the adjusted cost of sales, see Appendix—Non-IFRS Measures and adjusted measures.
[12] For further discussion on adjusted gross profit, see Appendix—Non-IFRS Measures and adjusted measures.
[13] For further discussion on adjusted operating expenses, see Appendix—Non-IFRS Measures and adjusted measures.

(Euro mn)	Six months ended June 30 2018	2017 Restated
Operating expenses	**2,172.3**	**2,346.9**
- Restructuring and reorganization expenses	(3.7)	(13.2)
- Non-recurring expenses	(4.5)	(7.9)
Adjusted operating expenses	**2,164.1**	**2,325.8**

Selling and advertising expenses - Selling and advertising expenses (including royalties) declined by Euro 141.2 million, or 7.4%, to Euro 1,763.2 million in the first six months of 2018 compared to Euro 1,904.4 million in the same period of 2017, due to the combined impact of the following factors: (i) Euro 107.2 million decrease in selling expenses; (ii) Euro 26.1 million decrease in advertising expenses; and (iii) Euro 7.9 million decrease in royalties. As a percentage of net sales, the Group's selling and advertising expenses rose to 38.7% in the first six months of 2018 from 38.6% in the same period of 2017.

In the first six months of 2018, adjusted selling and advertising expenses[14], including expenses for royalties, declined by Euro 135.7 million from Euro 1,898.7 million (38.5% of net sales) to Euro 1,763.0 million (38.7% of net sales). Please find the reconciliation between adjusted selling and advertising expenses[14] and selling and advertising expenses in the following table:

(Euro mn)	Six months ended June 30 2018	2017 Restated
Selling and advertising expenses	**1,763.2**	**1,904.4**
- Restructuring and reorganization expenses	(0.2)	(5.6)
- Non-recurring expenses	-	-
Adjusted selling and advertising expenses	**1,763.0**	**1,898.7**

General and administrative expenses - General and administrative expenses, including amortization, decreased by Euro 33.4 million, or 7.5%, to Euro 409.1 million in the first six months of 2018 from Euro 442.5 million in the same period of 2017. As a percentage of net sales, general and administrative expenses amounted to 9.0% in the first six months of 2018, in line with the same period of 2017. This decrease was mainly due to initiatives aimed at improving the Group's efficiency.

Adjusted general and administrative expenses[15] decreased by Euro 26.0 million form Euro 427.1 million (8.7% of net sales) to Euro 401.1 million (8.8% of net sales). Please find the reconciliation between adjusted general and administrative expenses[15] and general and administrative expenses in the following table:

(Euro mn)	Six months ended June 30 2018	2017 Restated
General and administrative expenses	**409.1**	**442.5**
- Restructuring and reorganization expenses	(3.5)	(7.6)
- Non-recurring expenses	(4.5)	(7.9)
Adjusted general and administrative expenses	**401.1**	**427.1**

Income from Operations. As a result of the above, income from operations declined by Euro 105.8 million or 12.2% to Euro 762.7 million in the first six months of 2018 compared to Euro 868.5 million in the same period of 2017. As a percentage of net sales, income from operations decreased to 16.8% in 2018 from 17.6% in 2017.

[14] For further discussion on adjusted selling and advertising expenses, see Appendix—Non-IFRS Measures and adjusted measures.
[15] For further discussion on adjusted general and administrative expenses, see Appendix—Non-IFRS Measuresand adjusted measures.

Adjusted income from operations[3] was down 118.0 million from Euro 899.3 million (18.2% of net sales) to Euro 781.2 million (17.2% of net sales). The reconciliation between income from operations and adjusted income from operations[3] is shown in the table below:

	Six months ended June 30	
(Euro mn)	2018	2017 *Restated*
Income from operations	**762.7**	**868.5**
- Restructuring and reorganization expenses	14.0	22.9
- Non-recurring expenses	4.5	7.9
Adjusted income from operations	**781.2**	**899.3**

Other income/(expenses). Other income (expenses) totaled Euro (27.9) million in the first six months of 2018 compared to Euro (16.8) million in the same period of 2017. Net interest expense amounted to Euro 25.2 million in the first six months of 2018 compared to Euro 62.3 million in the same period of 2017.

Other net income/(expenses) were down Euro 48.2 million, mainly due to the non-recurring capital gains on the sale of a property owned by the Group recognized in 2017.

Adjusted other income/(expenses)[16] declined by Euro 6.8 million from Euro (34.7) million (0.7% of net sales) to Euro (27.9) million (0.6% of net sales). The reconciliation between other income/(expenses) and adjusted other income/(expenses)[16] is shown in the table below:

	Six months ended June 30	
(Euro mn)	2018	2017
Other income/(expenses)	**(27.9)**	**(16.8)**
- Non-recurring expenses	-	30.8
- Non-recurring income	-	(48.7)
Adjusted other income/(expenses)	**(27.9)**	**(34.7)**

Income before taxes. Income before taxes decreased by Euro 116.9 million, or 13.7%, to Euro 734.8 million in the first six months of 2018 from Euro 851.8 million in the same period of 2017. As a percentage of net sales, income before taxes decreased to 16.1% in 2018 from 17.3% in 2017.

Adjusted income before taxes[17] was down Euro 111.2 million from Euro 864.6 million (17.5% of net sales) to Euro 753.4 million (16.5% of net sales). The reconciliation between income before taxes and adjusted[17] income before taxes is shown in the table below:

[16] For further discussion on adjusted other income/(expenses), see Appendix—Non-IFRS Measures and adjusted measures.
[17] For further discussion on adjusted income before taxes, see Appendix—Non-IFRS Measures and adjusted measures.

(Euro mn)	Six months ended June 30 2018	2017 Restated
Income before taxes	**734.8**	**851.8**
- Restructuring and reorganization expenses	14.0	22.9
- Non-recurring expenses	4.5	38.6
- Non-recurring income		(48.7)
Adjusted income before taxes	**753.4**	**864.6**

Tax rate – At June 30, 2018, the effective tax rate was 27.7%, compared to 33.8% at June 30, 2017. In the first six months of 2018, the Group's adjusted effective tax rate[18] was 27.5%, compared to 34.2% in the same period of 2017. The reconciliation between the tax rate and the adjusted tax rate[18] is shown in the table below:

Six months ended June 30, 2018					
(Euro mn)	Income before taxes	Taxes	Net Income	Tax Rate	Tax rate reconciliation*
Reported	**734.8**	**(203.9)**	**530.2**	**27.7%**	**27.1%**
Restructuring and reorganization expenses	14.0	(1.9)	12.1	13.8%	0.3%
Non-recurring expenses	4.5	(1.3)	3.2	29.6%	0.2%
Adjusted	**753.4**	**(207.2)**	**545.5**	**27.5%**	**27.5%**

* Represents the percentage of taxes on adjusted income before taxes.

Six months ended June 30, 2017 - *Restated*					
(Euro mn)	Income before taxes	Taxes	Net Income	Tax Rate	Tax rate reconciliation*
Reported	**851.8**	**(288.3)**	**562.0**	**33.8%**	**33.3%**
Restructuring and reorganization expenses	22.9	(7.1)	15.8	31.0%	0.8%
Non-recurring expenses	38.6	(14.1)	24.6	36.4%	1.6%
Non-recurring income	(48.7)	13.8	(34.9)	28.4%	-1.6%
Adjusted	**864.6**	**(295.7)**	**567.5**	**34.2%**	**34.2%**

*Represents the percentage of taxes on adjusted income before taxes.

Net income - Net income attributable to Luxottica's stockholders declined by Euro 31.9 million, or 5.7%, to Euro 530.2 million in the first six months of 2018 from Euro 562.0 million in the same period of 2017. Net income attributable to Luxottica's stockholders as a percentage of net sales rose to 11.6% in the first six months of 2018 compared to 11.4% in the first six months of 2017.

Adjusted net income[5] attributable to Luxottica's stockholders was down Euro 22.0 million from Euro 567.5 million (11.5% of net sales) to Euro 545.5 million (12.0% of net sales). The reconciliation between net income attributable to Luxottica's stockholders and adjusted net income[5] attributable to Luxottica's stockholders is shown in the table below:

[18] For further discussion on adjusted effective tax rate, see Appendix—Non-IFRS Measures and adjusted measures.

(Euro mn)	Six months ended June 30 2018	2017 Restated
Net income	**530.2**	**562.0**
- Restructuring and reorganization expenses	14.0	22.9
of which tax effect	*(1.9)*	*(7.1)*
- Non-recurring expenses	4.5	38.6
of which tax effect	*(1.3)*	*(14.1)*
- Non-recurring income	-	(48.7)
of which tax effect	-	*13.8*
Adjusted net income	**545.5**	**567.5**

Basic earnings per share amounted to Euro 1.11 for the first six months of 2018, compared to Euro 1.18 in the prior-year period. Adjusted basic earnings per share[6] totaled Euro 1.14 in the first six months of 2018 compared to Euro 1.19 in the same period of 2017.

Net income attributable to non-controlling interests amounted to Euro 0.7 million in the first six months of 2018, compared to Euro 1.5 million in the prior-year period.

STATEMENT OF CASH FLOWS

The complete consolidated statement of cash flows is presented in the consolidated financial statements. A summary version with comments is shown below:

	Statement of cash flows *(Euro/000)*	June 30, 2018	June 30, 2017 *Restated*
A)	**Opening cash and cash equivalents**	**1,159,320**	**866,864**
B)	Cash provided by/(used in) operating activities	647,766	696,353
C)	Cash provided by/(used in) investing activities	(304,548)	(217,218)
D)	Cash provided by/(used in) financing activities	(516,517)	(448,353)
E)	Exchange rate differences	315	(36,721)
F)	**Net change in cash and cash equivalents**	**(172,985)**	**(5,939)**
G)	**Closing cash and cash equivalents**	**986,335**	**860,925**

Operating activities. The Company’s net cash from operating activities in the first six months of 2018 and 2017 totaled Euro 647.8 million and Euro 696.4 million, respectively.

Depreciation and amortization amounted to Euro 251.2 million in the first six months of 2018 as compared to Euro 277.1 million in the same period of 2017. The cash outlay arising from accounts receivable totaled Euro (179.5) million in the first six months of 2018, as compared to Euro (246.7) million in the same period of 2017. The cash outlay arising from accounts receivable was in line with the seasonal nature of the Group’s business. The free cash flow from inventories amounted to Euro 6.7 million in the first six months of 2018, as compared to Euro (4.1) million in the first six months of 2017. Stock levels is lower compared to the previous period. The free cash flow from accounts payable totaled Euro 53.5 million in the first six months of 2018, as compared to Euro 23.0 million in the same period of 2017. The increase was mainly due to the trend in payments. Income taxes paid in the first six months of 2018 amounted to Euro (47.6) million, as compared to Euro (164.0) million in the same period of 2017. The change during the first quarter of 2018 as compared to the prior-year period was due to how the Group pays taxes in the different jurisdictions in which it operates.

Interest paid totaled Euro (41.3) million and Euro (86.1) million in the first six months of 2018 and 2017, respectively.

Investing activities. Net cash used in investing activities totaled Euro (304.5) million and Euro (217.2) million in the first six months of 2018 and 2017, respectively. The investments made in the first six months of 2018 mainly referred to (i) the purchase of Euro (256.2) million in property, plant and equipment, and (ii) the acquisition of Euro (43.7) million in intangible assets. The investments made in the first six months of 2017 mainly referred to (i) the purchase of Euro (259.5) million in property, plant and equipment, and (ii) the acquisition of Euro (31.6) million in intangible assets. In the first six month of 2017, the Group finalized the sale of a property classified under assets held for sale as of December 31, 2016. This generated Euro 100.0 million in cash.

Financing Activities. The Company's net cash used in financing activities totaled Euro (516.5) million and Euro (448.3) million in the first six months of 2018 and 2017, respectively. Cash flows from financing activities in the first six months of 2018 mainly consisted of: *(i)* the payment of Euro (483.8) million in dividends to the Company's stockholders; and *(ii)* the repayment of Euro (19.8) million worth of loans. Cash flows from financing activities in the first six months of 2017 mainly consisted of: (i) the payment of Euro (441.7) million in dividends to the Company's stockholders; (ii) Euro 500.0 million in new financing; and (iii) the repayment of Euro (420.4) million worth of loans.

STATEMENT OF FINANCIAL POSITION

ASSETS (EURO/000)	June 30, 2018	December 31, 2017 Restated	% Change
CURRENT ASSETS:			
Cash and cash equivalents	986,335	1,159,320	-15%
Accounts receivable	1,123,235	943,778	19%
Inventories	832,407	831,549	0%
Other current assets[a]	253,161	240,052	5%
Total current assets	**3,195,137**	**3,174,698**	**1%**
NON-CURRENT ASSETS:			
Property, plant and equipment	1,889,380	1,808,834	4%
Goodwill[b]	3,660,127	3,608,225	1%
Intangible assets[b]	1,184,276	1,246,409	-5%
Investments	17,986	14,488	24%
Other non-current assets[a]	162,949	80,911	>100%
Deferred tax assets	127,166	130,454	-3%
Total non-current assets	**7,041,885**	**6,889,322**	**2%**
TOTAL ASSETS	**10,237,022**	**10,064,020**	**2%**

LIABILITIES AND STOCKHOLDERS' EQUITY (EUR/000)	June 30, 2018	December 31, 2017 Restated	% Change
CURRENT LIABILITIES:			
Short-term borrowings	58,668	77,486	-24%
Current portion of medium/long-term debt	704,938	150,411	>100%
Accounts payable	895,554	906,749	-1%
Tax payable	154,384	22,299	>100%
Short-term provisions for risks[a]	155,800	171,015	-9%
Other current liabilities[a]	728,346	764,920	-5%
Total current liabilities	**2,697,690**	**2,092,878**	**29%**
NON-CURRENT LIABILITIES:			
Long-term debt	1,122,005	1,671,281	-33%
Employee benefits	118,029	121,555	-3%
Deferred tax liabilities[a][b]	158,536	157,601	1%
Long-term provisions for risks	128,005	130,453	-2%
Other non-current liabilities [a]	79,774	76,516	4%
Total non-current liabilities	**1,606,349**	**2,157,407**	**-26%**
STOCKHOLDERS' EQUITY:			
Luxottica Group stockholders' equity[a][b]	5,925,543	5,807,271	2%
Non-controlling interests	7,440	5,463	36%
Total stockholders' equity[a][b]	**5,932,983**	**5,813,734**	**2%**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**10,237,022**	**10,064,020**	**2%**

(a) The amounts as of December 31, 2017 have been restated to reflect the impact of the application of IFRS 15. For additional details, please refer to Note 3—New accounting standards in the notes to the condensed consolidated interim financial statements as of June 30, 2018.

(b) The amounts as of December 31, 2017 have been restated to reflect the impact of the events described in Note 4—Business combinations in the notes to the condensed consolidated interim financial statements as of June 30, 2018, to which reference should be made for further details.

As of June 30, 2018, total assets increased by Euro 173.0 million to Euro 10,237.0 million from Euro 10,064.0 million as of December 31, 2017.

In the first six months of 2018, non-current assets were up Euro 152.6 million. The rise was largely attributable to property, plant and equipment (Euro 80.5 million) as well as other non-current assets (Euro 82.0 million), and was partially offset by the decline in intangible assets including goodwill (Euro 10.2 million).

The rise in net property, plant and equipment was largely due to the Euro 207.8 million increase for the period as well as the 18.9 million Euro impact of the changes in exchange rates as of June 30, 2018. This was partially offset by the depreciation for the period, totaling Euro 144.8 million.

Other non-current assets were up mainly because of the increase in security deposits, totaling Euro 33.7 million, and the long-term portion of the upfront payment recognized by Luxottica Retail North America under the Bass Pro agreement, amounting to 36.3 million.

The decrease in intangible assets, including goodwill, was largely due to the amortization for the period (Euro 106.4 million). This decline was partially offset by the Euro 55.6 million impact of exchange rate changes and the Euro 33.7 million increase for the period.

As of June 30, 2018, compared to December 31, 2017:

Accounts receivable were up Euro 179.5 million, mainly due to the seasonality of the Group's business, which is generally characterized by higher sales in the first part of the year and the collection of the relevant receivables in the second part of the year. Inventories rose by Euro 0.8 million. Stock levels as of June 30, 2018 were in line with December 31, 2017. Other current assets were up Euro 13.1 million, largely because of the increase in advance payments for royalties and to suppliers (Euro 24.3 million), Euro 17.8 million in prepaid expenses, and the recognition of the current portion of the upfront payment recognized by Luxottica Retail North America under the Bass Pro agreement, amounting to Euro 14.0 million. These increases were partially offset by the Euro 46.1 million decline in direct and indirect tax receivables.

Accounts payable were down Euro 11.2 million, mainly due to the trend in payments. Tax payables increased by Euro 132.1 million, mainly due to how the Group pays taxes in the different jurisdictions in which it operates. Other current liabilities were down Euro 36.6 million, largely because of the decline in liabilities to employees (Euro 43.7 million), advances from customers (Euro 9.8 million), and premiums, discounts and commissions (Euro 6.7 million). These decreases were partially offset by the Euro 22.4 million increase in sales tax payables. Employee benefits were down Euro 3.5 million, mainly because of the decrease in rates used to discount the liability—offset by the provisions for Long Term Incentives plans.

The following tables shows the net financial position as of June 30, 2018 and December 31, 2017:

Net financial position *(Euro/000)*	**June 30, 2018**	**December 31, 2017** ***Restated***
Cash on hand and at bank	986,335	1,159,320
Short-term borrowings	(58,668)	(77,486)
Current portion of medium/long-term debt	(704,938)	(150,411)
Long-term debt	(1,122,005)	(1,671,281)
Net financial position	**(899,276)**	**(739,858)**

Short-term borrowings largely consist of the utilized portion of short-term credit lines granted to various subsidiaries of the Group. The interest rate applied to these credit lines depends on the loan currency and is usually floating.

As of June 30, 2018, the Luxottica Group and its Italian subsidiaries had unsecured short-term credit lines with leading banks worth a total of Euro 540.1 million, and the subsidiary Luxottica U.S. Holdings had a Euro 107.8 million credit line at the exchange rate as of June 30, 2018 (equivalent to USD 125.7 million). These credit lines were not utilized. As of June 30, 2018, there were Euro 41.4 million in stand-by letters of credit outstanding.

The average interest rate on the above credit lines is negotiated with the banking counterparties when they are used.

4. RELATED PARTY TRANSACTIONS

Related party transactions are neither atypical nor unusual and occur in the ordinary course of business of the Group's companies. These transactions are at arm's length, taking into account the characteristics of the goods and services provided.

For further details on related party transactions during the first six months of 2018, see Note 29—Related party transactions of the notes to the condensed consolidated interim financial statements as of June 30, 2018.

On January 29, 2013, the Company elected to avail itself of the options under Section 70, par. 8, and Section 71, par. 1bis, of CONSOB Issuers' Regulations and, consequently, to depart from the requirement to make an information memorandum available to the public on the occasion of significant transactions involving mergers, spinoffs, increases in capital through contributions in kind, acquisitions, and disposals.

5. SUBSEQUENT EVENTS

For further details regarding any subsequent events, please refer to Note 35—Subsequent events of the notes to the condensed consolidated financial statements as of June 30, 2018.

6. OUTLOOK FOR THE SECOND HALF OF 2018

The results for the first six months of the year were in line with expectations. Therefore, the Group confirms the previously announced growth forecast for the financial year 2018.

APPENDIX

NON-IFRS MEASURES AND ADJUSTED MEASURES

In this management report on the interim financial results, we use certain performance indicators that are not envisaged by the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, and endorsed by the European Union. Such measures are not meant to be considered in isolation or as a substitute for items appearing in 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 operating performance of the Group.

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 additional comparative information on the results for the period under review compared to previous periods, some measures have been adjusted ("adjusted measures"). In particular, in the first six months of 2018, we made adjustments to the following measures: cost of sales, operating expenses, income from operations, EBITDA, other income/(expenses), income before taxes, income taxes, net income, and earnings per share.

Adjusted measures exclude: *(i)* Euro 14.0 million (Euro 12.0 million net of taxes) in restructuring and reorganization expenses, and *(ii)* Euro 4.5 million (Euro 3.2 million net of taxes) in non-recurring expenses net of taxes.

In the first six months of 2017, we made adjustments to the following measures: cost of sales, operating expenses, EBITDA, operating income, income taxes, net income, and earnings per share. Adjusted measures exclude: *(i)* Euro 22.9 million (Euro 15.8 million net of taxes) in restructuring and reorganization expenses, *(ii)* Euro 38.6 million (Euro 24.5 million net of taxes) in non-recurring expenses regarding the early repayment of Euro 30.8 million worth of loans (Euro 19.0 million net of taxes), and Euro 7.9 million (Euro 5.5 million net of taxes) in costs related to the Combination with Essilor; (iii) Euro 48.7 million (Euro 34.9 million net of taxes) in non-recurring income related to capital gains on the sale of a property owned by the Group.

The above adjusted measures are not performance measures calculated in accordance with IFRS accounting standards. The Group believes that these adjusted measures: *(i)* are useful to management and investors in assessing the operating performance of the Group and comparing it to other companies operating in the same sector, and *(ii)* provide an additional view of the results, excluding the impact of elements that are unusual, infrequent, or unrelated to the ordinary course of business.

Non-IFRS performance indicators such as EBITDA, EBITDA margin, free cash flow, and the ratio of net debt to EBITDA are included in this management report on the interim financial results in order to:

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

See the tables below for a reconciliation of the above adjusted measures to their most directly comparable IFRS financial measures. For a reconciliation of EBITDA to its most directly comparable IFRS measures, see the pages following the tables below:

Six months ended June 30, 2018							
Adjusted measures *(Euro/000)*	**Cost of sales**	**Operating expenses**	**EBITDA**	**Income from operations**	**Other Income/ (Expenses)**	**Net income**	**EPS**
Reported	**1,617.5**	**2,172.3**	**1,013.9**	**762.7**	**(27.9)**	**530.2**	**1.11**
- Restructuring and reorganization expenses	(10.3)	(3.7)	14.0	14.0		12.1	0.03
- Non-recurring expenses	-	(4.5)	4.5	4.5		3.2	0.01
- Non-recurring income	-	-	-	-			
Adjusted	**1,607.2**	**2,164.1**	**1,032.4**	**781.2**	**(27.9)**	**545.5**	**1.14**

Six months ended June 30, 2017 *Restated*							
Adjusted measures *(Euro mn)*	**Cost of sales**	**Operating expenses**	**EBITDA**	**Income from operations**	**Other Income/ (Expenses)**	**Net income**	**EPS**
Reported	**1,716.2**	**2,346.9**	**1,145.6**	**868.5**	**(16.8)**	**562.0**	**1.18**
- Restructuring and reorganization expenses	(9.6)	(13.2)	22.9	22.9	-	15.8	0.03
- Non-recurring expenses	-	(7.9)	7.9	7.9	30.8	24.5	0.05
- Non-recurring income	-	-	-	-	(48.7)	(34.9)	(0.07)
Adjusted	**1,706.6**	**2,325.8**	**1,176.4**	**899.3**	**(34.7)**	**567.5**	**1.19**

EBITDA and EBITDA margin

EBITDA represents net income attributable to Luxottica Group stockholders, before net income attributable non-controlling interests, income taxes, other non-operating income/expenses, and depreciation and amortization. EBITDA margin means the ratio of EBITDA to net sales. The Group believes that EBITDA is useful to both management and investors in evaluating the Group's operating performance compared to that of other companies in the industry. Our calculation of EBITDA allows us to compare our operating results with those of other companies excluding any effects related to financing, taxes, and depreciation and amortization, as these factors may vary from one entity to the next for reasons unrelated to the overall operating performance of a company's business.

EBITDA and EBITDA margin are not meant to be considered in isolation or as a substitute for items appearing in the Group's consolidated financial statements prepared in accordance with IFRS. Rather, these non-IFRS measures should be used as a supplement to IFRS results to assist the reader in better understanding the operating performance of the Group.

Investors should be aware that the Group's method of calculating EBITDA may differ from that used by other companies. We recognize that the usefulness of EBITDA has certain limitations, such as:

- EBITDA does not include financial expenses. Because the Group has borrowed money in order to develop its business, interest expense is necessary in determining costs and the ability to generate profits and cash flows. Therefore, any measure that excludes financial expenses may have material limitations;
- EBITDA does not include depreciation and amortization. Since the Group has fixed assets, depreciation and amortization are necessary to determine its costs and the ability to generate profits. Therefore, any measure that excludes depreciation and amortization may have material limitations;
- EBITDA does not include income taxes. Since income taxes are necessarily part of the Group's costs, any measure that excludes income taxes 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 the Group to analyze the effect of certain recurring and non-recurring items that materially affect net income or loss.

The Group compensates for the above limitations by using EBITDA as a comparative tool together with IFRS measurements, so as to facilitate the evaluation of the Group's operating performance and leverage.

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

EBITDA and EBITDA Margin *(Euro mn)*	6M 2017 *Restated*	6M 2018	FY 2017 *Restated*	LTM 30.06.18
Net income attributable to Luxottica Group stockholders (+)	562.0	530.2	1,040.4	1,008.5
Net income attributable to non-controlling interests (+)	1.5	0.7	2.0	1.2
Income taxes (+)	288.3	203.9	215.0	130.6
Other (income)/expenses (+)	16.8	27.9	44.1	55.2
Depreciation and amortization (+)	277.1	251.2	541.0	515.1
EBITDA (=)	**1,145.6**	**1,013.9**	**1,842.4**	**1,710.6**
Net sales (/)	4,931.6	4,552.5	9,184.2	8,805.1
EBITDA margin (=)	**23.2%**	**22.3%**	**20.1%**	**19.4%**

Adjusted EBITDA and adjusted EBITDA margin *(Euro mn)*	6M 2017(1,2) *Restated*	6M 2018(3,4)	FY 2017(5,6,7) *Restated*	LTM 30.06.18
Net income attributable to Luxottica Group stockholders (+)	567.5	545.5	970.6	948.5
Net income attributable to non-controlling interests (+)	1.5	0.7	2.0	1.2
Income taxes (+)	295.7	207.2	407.4	318.9
Other (income)/expenses (+)	34.7	27.9	63.2	56.4
Depreciation and amortization (+)	277.1	251.2	541.0	515.1
Adjusted EBITDA (=)	**1,176.4**	**1,032.4**	**1,984.2**	**1,840.2**
Net sales (/)	4,931.6	4,552.5	9,184.2	8,805.1
Adjusted EBITDA margin (=)	**23.9%**	**22.7%**	**21.6%**	**20.9%**

The adjusted figures exclude:
1) Euro 22.9 million in restructuring and reorganization expenses;
2) Euro 7.9 million in non-recurring expenses related to the Combination with Essilor;
3) Euro 14.0 million in restructuring and reorganization expenses;
4) Euro 4.5 million in non-recurring expenses related to the Combination with Essilor;
5) Euro 115.7 million in restructuring and reorganization expenses;
6) Euro 55.6 million (Euro 33.6 million net of taxes) in non-recurring;
7) Euro 48.7 million in non-recurring income related to capital gains on the sale of a property owned by the Group and Euro 157.4 million in tax benefits deriving from the Patent Box and the US tax reform.

Free Cash Flow

Free cash flow is the income attributable to the Luxottica Group stockholders, before the income attributable to non-controlling interests, income taxes, other non-operating income and expenses, depreciation and amortization (i.e. EBITDA) plus or minus the decrease/(increase) in working capital during the period, minus capital expenditures, plus or minus financial income/(expenses) 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. Specifically, the way the Group calculates free cash flow provides a clearer picture of its ability to generate net cash from operating activities, to be used for the purposes of repaying mandatory debts as well as finance discretionary investments, distribute dividends, or pursue other strategic opportunities.

Free cash flow is not meant to be considered in isolation or as a substitute for items appearing in the 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 operating performance of the Group.

The Group stresses 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 the Group's method of calculating free cash flow may differ from that used by other companies We recognize that the usefulness of free cash flow as a measure may have certain limitations, such as:

- the manner in which the Group calculates free cash flow may differ from that of other organizations, limiting 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 to fund discretionary investments and pursue strategic opportunities during the period as well as the impact of exchange rate changes; and
- free cash flow may be subject to adjustments at the discretion of the Group, should the latter take steps or adopt policies that increase or reduce current liabilities and/or changes in working capital.

The Group compensates for the above limitations by using free cash flow as one of several comparative tools together with IFRS measurements, so as to facilitate the evaluation of the Group's operating performance and leverage.

The following table provides a reconciliation of free cash flow to adjusted EBITDA; the table above provides a reconciliation of EBITDA to net income attributable to Luxottica Group stockholders, which is the most directly comparable IFRS financial measure.

Free cash flow *(Euro mn)*	**6M 2018**
Adjusted EBITDA[1]	**1,032.4**
Δ working capital	(312.5)
Capital expenditures	(241.5)
Operating cash flow	**478.3**
Financial expenses[2]	(25.2)
Income taxes	(50.0)
Other net income/(expenses)[3]	(3.2)
Free Cash Flow	**399.9**

1) Adjusted EBITDA is a non- IFRS measure; please see the above tables for a reconciliation of EBITDA and adjusted EBITDA to net income.
2) Financial income less financial expenses.
3) Extraordinary income less extraordinary expenses.

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 and cash equivalents. The ratio of net debt to EBITDA is a measure used by management to assess the Group's leverage, which affects its ability to refinance its debt as it reaches maturity as well as obtain additional financing 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, as previously defined, and the ratio of net debt to EBITDA are not meant to be considered in isolation or as a substitute for items appearing in the financial statements prepared in accordance with IFRS. Rather, these non-IFRS measures should be used as a supplement to IFRS results to assist the reader in better understanding the operating performance of the Group.

Investors should be aware that the Group's method of calculating EBITDA and the ratio of net debt to EBITDA may differ from that used by other companies.

The Group acknowledges that the usefulness of the ratio of net debt to EBITDA as a measurement tool may have certain limitations. In addition to the aforementioned limitations regarding EBITDA, the ratio of net debt to EBITDA is net of cash and cash equivalents, term deposits, and short-term investments, thereby reducing the Group's debt.

Since the Company may not be able to use cash and cash equivalents to reduce its debt, this measure may have material limitations.

The Company compensates for the above limitations by using EBITDA and the ratio of net debt to EBITDA as two of several comparative tools together with IFRS measurements, so as to facilitate the evaluation of the Group's 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 and adjusted EBITDA to their most directly comparable IFRS measures, see the following table:

Net debt to EBITDA ratio *(Euro mn)*	**June 30, 2018**	**December 31, 2017** ***Restated***
Long-term debt (+)	1,122.0	1,671.3
Current portion of medium-/long-term debt (+)	704.9	150.4
Short-term borrowings (+)	58.7	77.5
Cash and cash equivalents (-)	(986.3)	(1,159.3)
Net debt (=)	899.3	739.9
LTM EBITDA	1,710.6	1,842.4
Net debt/EBITDA	**0.5x**	**0.4x**
Net debt at avg. exchange rates [1]	893.8	718.9
Net debt at avg. exchange rates [1]/EBITDA	**0.5x**	**0.4x**

1) Net debt is calculated using the same exchange rates used to calculate EBITDA.

Net debt to adjusted EBITDA ratio *(Euro mn)*	**June 30, 2018[1,2]**	**December 31, 2017[1,3]** ***Restated***
Long-term debt (+)	1,122.0	1,671.3
Current portion of medium-/long-term debt (+)	704.9	150.4
Short-term borrowings (+)	58.7	77.5
Cash and cash equivalents (-)	(986.3)	(1,159.3)
Net debt (=)	899.3	739.9
LTM Adjusted EBITDA	1,840.2	1,984.2
Net debt/Adjusted EBITDA	**0.5x**	**0.4x**
Net debt at avg. exchange rates [1]	893.8	718.9
Net debt at avg. exchange rates [1]/adjusted EBITDA adjusted	**0.5x**	**0.4x**

1) Net debt is calculated using the same exchange rates used to calculate EBITDA.
2) Adjusted figures exclude:
   - Euro 14.0 million in restructuring and reorganization expenses;
   - Euro 4.5 million in non-recurring expenses;
3) Adjusted figures exclude:
   - Euro 115.7 million in restructuring and reorganization expenses;
   - Euro 26.1 million in non-recurring expenses.

FORWARD-LOOKING INFORMATION

This management report on the interim financial results contains statements regarding future events, including forward-looking statements as defined by the US Private Securities Litigation Reform Act of 1995. These include, but are not limited to, statements on the proposed Combination of Essilor and Luxottica (including the benefits, results, effects, and timing of the transaction), statements on the expected future financial position, operating results, cash flows, dividends, financial plans, business strategies, budgets, investments, competitive positioning, growth opportunities, management plans and targets of Essilor (and of Essilor and Luxottica on a combined basis), as well as statements that contain terms such as “predict”, “approximately”, “consider”, “plan”, “estimate”, “expect”, “might”, “could”, “should”, “will”, “intend”, “can”, “potentially”, “benefits”, and other similar expressions. The statements contained herein on the expected operating performance or future economic results, forecast profits, revenues, expenses, dividends, or other financial items and the growth of Luxottica's product lines or services (and of the combined business of Essilor and Luxottica), together with other statements that do not concern past events, are to be considered forward-looking statements that represent estimates made according to Luxottica’s best evaluations based on the information currently available.

These forward-looking statements are uncertain by nature, and stockholders and other potential investors must acknowledge that actual results may significantly differ from Luxottica’s expectations for a number of reasons. Such forward-looking statements are based on management's current expectations and are subject to significant risks, uncertainties and possibilities as regards business performance, the economy, and the

competitive environment, many of which are unknown or that, in any case, cannot be predicted or controlled by Luxottica. As a result of these factors, the actual results, performance and operating plans of Luxottica, as well as of the group resulting from the Combination of Essilor and Luxottica may significantly differ from the results, performance and operating plans expressed by or that can be inferred from the above forward-looking statements. These risks and uncertainties include, among other things, the risk factors discussed or identified in the public documents that have been or will be filed or submitted by Essilor or Luxottica from time to time. Luxottica cautions its stockholders that none of its forward-looking statements is a guarantee of future performance. Luxottica does not undertake to update any of these factors or to publicly announce the results of any review or amendment of forward-looking statements aimed at reflecting future events or developments.

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Milan, July 23, 2018

Luxottica Group S.p.A.

On behalf of the Board of Directors

Francesco Milleri
(Deputy Chairman - CEO)

LUXOTTICA

2. CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF JUNE 30, 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Pursuant to CONSOB Resolution No. 15519 of July 27, 2006

ASSETS *(Euro/000)*	**Note**	**June 30, 2018**	**Of which related parties (Note 29)**	**December 31, 2017 *Restated***	**Of which related parties (Note 29)**
CURRENT ASSETS:					
Cash and cash equivalents	6	986,335	-	1,159,320	-
Accounts receivable	7	1,123,235	5,197	943,778	349
Inventories	8	832,407	-	831,549	-
Tax receivables	9	26,704	-	66,105	-
Other current assets[a]	9	226,457	841	173,947	5,879
Total current assets		***3,195,137***	***6,038***	***3,174,698***	***6,228***
NON-CURRENT ASSETS:					
Property, plant and equipment	10	1,889,380	116,337	1,808,834	117,750
Goodwill[b]	11	3,660,127	-	3,608,225	-
Intangible assets[b]	11	1,184,276	35,895	1,246,409	29,576
Investments	12	17,986	4,091	14,488	3,622
Other non-current assets[a]	13	162,949	-	80,911	-
Deferred tax assets	14	127,166	-	130,454	-
Total non-current assets		***7,041,885***	***156,322***	***6,889,322***	***150,948***
TOTAL ASSETS		**10,237,022**	**162,361**	**10,064,020**	**157,176**

LIABILITIES AND STOCKHOLDERS' EQUITY *(Euro/000)*	**Note**	**June 30, 2018**	**Of which related parties (Note 29)**	**December 31, 2017 *Restated***	**Of which related parties (Note 29)**
CURRENT LIABILITIES:					
Short-term borrowings	15	58,668	-	77,486	-
Current portion of medium/long-term debt	16	704,938	-	150,411	-
Accounts payable	17	895,554	18,052	906,749	24,194
Tax payable	18	154,384	-	22,299	-
Short-term provisions for risks[a]	19	155,800	-	171,015	-
Other current liabilities[a]	20	728,346	-	764,920	6
Total current liabilities		***2,697,690***	***18,052***	***2,092,878***	***24,199***
NON-CURRENT LIABILITIES:					
Long-term debt	21	1,122,005	-	1,671,281	-
Employee benefits	22	118,029	-	121,555	-
Deferred tax liabilities[a][b]	14	158,536	-	157,601	-
Long-term provisions for risks	23	128,005	-	130,453	-
Other non-current liabilities [a]	24	79,774	-	76,516	-
Total non-current liabilities		***1,606,349***	***-***	***2,157,407***	***-***
STOCKHOLDERS' EQUITY:					
Share capital	25	29,108	-	29,101	-
Legal reserve	25	5,821	-	5,811	-
Other reserves[a]	25	5,608,246	-	4,989,680	-
Treasury shares	25	(247,822)	-	(256,678)	-
Net income attributable to Luxottica Group stockholders[a] [b]	25	530,191	-	1,040,356	-
Luxottica Group stockholders' equity	***25***	***5,925,543***	***-***	***5,808,271***	***-***
Non-controlling interests	26	7,440	-	5,463	
Total stockholders' equity		***5,932,983***	***-***	***5,813,734***	-
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**10,237,022**	**18,052**	**10,064,020**	***24,199***

(a) The amounts as of December 31, 2017 have been restated to reflect the impact of the application of IFRS 15. For additional details, please refer to Note 3—New accounting standards.
(b) The amounts as of December 31, 2017 have been restated to reflect the impact of the events described in Note 4—Business combinations, to which reference should be made for further details.

CONSOLIDATED STATEMENT OF INCOME

Pursuant to CONSOB Resolution No. 15519 of July 27, 2006

		Six months ended June 30			
Consolidated income statement *(Euro/000)**	**Note**	**2018**	**Of which related parties (Note 29)**	**2017** ***Restated***	**Of which related parties (Note 29)**
Net Sales [(a)]	27	**4,552,547**	**659**	**4,931,632**	**843**
Cost of sales[(a)]	27	1,617,514	16,060	1,716,197	24,947
Gross Profit		***2,935,032***	***(15,402)***	***3,215,435***	***(24,104)***
Selling expenses[(a)]	27	1,441,661	130	1,548,836	-
of which net impairment losses on financial assets	*7/32*	*8,841*	-	*10,012*	-
Royalties	27	81,222	417	89,126	233
Advertising expenses[(a)]	27	240,332	69	266,411	32
General and administrative expenses	27	409,132	4,818	442,523	3,468
of which non-recurring expenses	37	*4,545*	-	*7,873*	-
Total operating expenses		**2,172,346**	**5,435**	**2,346,897**	**3,733**
Income from operations		***762,686***	***(20,837)***	***868,538***	***(27,837)***
Financial income	27	8,944	-	8,458	-
Financial expenses	27	(34,160)	-	(70,746)	-
of which non-recurring expenses	32	-	-	*(30,779)*	-
Other net income/(expenses)	27	(2,635)	-	45,524	(9)
of which non-recurring income	32	-	-	48,675	-
Total other income/(expenses)		**(27,850)**	**-**	**(16,763)**	**(9)**
Income before taxes		***734,836***	***(20,837)***	***851,775***	***(27,846)***
Income taxes[(a)]	27	(203,908)	-	(288,275)	-
of which non-recurring expenses	32	*1,344*	-	*339*	-
Net income		***530,928***	***(20,837)***	***563,500***	***(27,846)***
Of which attributable to					
- Luxottica stockholders[(a)]		530,191		562,041	
- Non-controlling interests		738		1,459	
Weighted average number of shares outstanding					
Basic	30	478,844,659		477,671,101	
Diluted	30	478,911,077		478,130,884	
EPS					
Basic	30	1.11		1.18	
Diluted	30	1.11		1.18	

(*) Amounts in thousands of Euro except for the number of shares and EPS, expressed in Euro.

(a) The amounts for the first six months of 2017 have been restated to reflect the impact of the application of IFRS 15. For additional details, please refer to Note 3—New accounting standards.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Consolidated Statement of Comprehensive Income		**Six months ended June 30**	
(Euro/000)	**Note**	**2018**	**2017 *Restated***
Net income for the period[a]		**530,928**	**563,500**
Items that may be subsequently reclassified to profit or loss			
Fair value of hedging derivative contracts (IRS)		(2,336)	(948)
Related tax effect		691	280
Currency translation difference[a]	25	51,334	(356,058)
Total items that may be subsequently reclassified to profit or loss		**49,689**	**(356,726)**
Items that will not be subsequently reclassified to profit or loss			
Actuarial gains/(losses) on pension funds	22	33,594	17,061
Related tax effect		(7,012)	(1,879)
Total items that will not be subsequently reclassified to profit or loss		**26,581**	**15,182**
Total other comprehensive income/(loss) – net of taxes		**76,270**	**(341,544)**
Total comprehensive income for the period		**607,198**	**221,956**
Of which attributable to			
- Luxottica Group stockholders		606,615	220,488
- Non-controlling interests		584	1,468

(a) The amounts for the first six months of 2017 have been restated to reflect the impact of the application of IFRS 15. For additional details, please refer to Note 3—New accounting standards.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Consolidated Stockholders' Equity (Euro/000)*	Share Capital									
	Number of shares	Amount	Legal Reserve	Share Premium Reserve	Retained Earnings	Stock Option Reserve	Translation of foreign operations and other	Treasury Shares	Luxottica Group Stockholders' Equity	Non-Controlling interests
					Note 25					Note 26
Balance as of January 1, 2017	**484,176,083**	**29,051**	**5,805**	**563,011**	**4,723,283**	**359,928**	**364,714**	**(269,755)**	**5,776,037**	**5,954**
Impact from the application of IFRS 15	-	-	-	-	*5,991*	-	-	-	*5,971*	-
Balance as of January 1, 2017 - *restated*	**484,176,083**	**29,051**	**5,805**	**563,011**	**4,729,254**	**359,928**	**364,714**	**(269,755)**	**5,782,008**	**5,954**
Total Comprehensive Income as of June 30, 2017 *restated* [(a)]	**-**	**-**	**-**	**-**	**576,556**	**-**	**(356,266)**	**-**	**220,290**	**1,468**
Exercise of stock options	761,338	46	-	15,587	-	-	-	-	15,632	-
Stock option notional value	-	-	-	-	-	3,301	-	-	3,301	-
Tax benefit on stock options	-	-	-	(1,803)	-	-	-	-	(1,803)	-
Assignment of treasury shares to employees	-	-	-	-	(13,077)	-	-	13,077	-	-
Dividends (Euro 0.89 per ordinary share)	-	-	-	-	(439,695)	-	-	-	(439,695)	(2,035)
Allocation of profits to the legal reserve	-	-	6	-	(6)	-	-	-	-	-
Balance as of June 30, 2017 *restated* [(a)]	**484,937,421**	**29,097**	**5,811**	**576,795**	**4,853,031**	**363,229**	**8,646**	**(256,678)**	**5,579,930**	**5,387**
Balance as of January 1, 2018	**485,016,033**	**29,101**	**5,811**	**570,325**	**5,315,681**	**360,718**	**(223,874)**	**(256,678)**	**5,801,085**	**5,463**
Impact from the application of IFRS 15					*7,541*				*7,541*	-
PPA Oticas Carol					*(390)*		*36*		*(354)*	-
Balance as of January 1, 2018 *restated* [(a) (b)]	**485,016,033**	**29,101**	**5,811**	**570,325**	**5,322,831**	**360,718**	**(223,838)**	**(256,678)**	**5,808,271**	**5,463**
Total Comprehensive Income as of June 30, 2018	**-**	**-**	**-**	**-**	**555,127**	**-**	**51,488**	**-**	**606,615**	**584**
Exercise of stock options	114,500	7	-	2,911	-	-	-	-	2,918	-
Stock option notional value	-	-	-	-	-	1,934	-	-	1,934	-
Tax benefit on stock options	-	-	-	(7,147)	-	-	-	-	(7,147)	-
Obligations to purchase non-controlling interests	-	-	-	-	(3,266)	-	-	-	(3,266)	-
Business combinations	-	-	-	-	-	-	-	-	-	3,340
Assignment of treasury shares to employees	-	-	-	-	(8,856)	-	-	8,856	-	-
Dividends (Euro 0.92 per ordinary share)	-	-	-	-	(483,783)	-	-	-	(483,783)	(1,947)
Allocation of profits to the legal reserve	-	-	9	-	(9)	-	-	-	-	-
Balance as of June 30, 2018	**485,130,533**	**29,108**	**5,820**	**566,090**	**5,382,045**	**362,652**	**(172,350)**	**(247,822)**	**5,925,543**	**7,440**

* Except for the number of shares

(a) The amounts as of December 31, 2017 have been restated to reflect the impact of the application of IFRS 15. For additional details, please refer to Note 3—New accounting standards.
(b) The amounts as of December 31, 2017 have been restated to reflect the impact of the events described in Note 4—Business combinations, to which reference should be made for further details.

CONSOLIDATED STATEMENT OF CASH FLOWS

Consolidated Statement of Cash Flows *(Euro/000)*	Note	June 30, 2018	June 30, 2017 *Restated*
Income before taxes[(a)]		**734,836**	**851,775**
Stock option notional value		1,934	3,301
Depreciation and amortization	10/11	251,168	277,110
Write-down of property, plant and equipment and intangible assets	10/11	6,949	9,066
Financial expenses		34,160	70,746
Other non-cash items		(574)	(957)
Gains from the disposal of assets		-	(48,675)
Changes in accounts receivable		(179,479)	(246,727)
Changes in inventories		6,749	(4,134)
Changes in accounts payable		53,500	22,982
Changes in other assets/liabilities/provisions for risks/employee benefits[(a)]		(172,653)	11,960
Total adjustments		**1,754**	**94,672**
Cash provided by operating activities		**736,590**	**946,447**
Interest expense		(41,261)	(86,097)
Tax expenses		(47,563)	(163,998)
Net cash provided by operating activities		**647,766**	**696,353**
Of which to related parties	*29*	*(22,777)*	*(32,710)*
Purchase of property, plant and equipment	10	(256,230)	(259,549)
Disposal of property, plant and equipment	10	-	100,000
Purchase/(sale) of businesses – net of cash acquired[(b)]		(4,639)	(29,279)
Changes in equity investments	12	-	3,229
Purchase of intangible assets	11	(43,679)	(31,619)
Cash (used in) investing activities		**(304,548)**	**(217,218)**
Of which to related parties	*29*	*(16,650)*	*(6,070)*
Long-term debt			
- Contracted	21	-	500,000
- Repaid	21	(19,807)	(420,400)
Short-term debt			
- Contracted		-	-
- Repaid		(13,897)	(101,885)
Exercise of stock options	25	2,918	15,663
(Purchase)/Sale of treasury shares		-	-
Dividends paid		(485,730)	(441,731)
Cash provided by/(used in) financing activities		**(516,516)**	**(448,353)**
Increase/(decrease) in cash and cash equivalents		**(173,299)**	**30,781**
Cash and cash equivalents, beginning of the period		1,159,320	866,864
Effect of exchange rate changes on cash and cash equivalents		315	(36,721)
Cash and cash equivalents, end of the period		**986,335**	**860,925**

(a) The amounts for the first six months of 2017 have been restated to reflect the impact of the application of IFRS 15. For additional details, please refer to Note 3—New accounting standards.

(b) Purchases of business—net of cash acquired in 2018 mainly referred to the Euro 2.7 million acquisition of Fukui Megane. For additional details please refer to Note 4—Business Combinations.

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Milan, July 23, 2018

Luxottica Group S.p.A.

On behalf of the Board of Directors

Francesco Milleri
(Deputy Chairman - CEO)

Luxottica Group S.p.A.

Headquarter and registered office: Piazzale Luigi Cadorna, 3 – 20123 Milan, Italy
Share capital € 29,107,831.98
Authorized and issued

NOTES
TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS OF JUNE 30, 2018

1. GENERAL INFORMATION

Luxottica Group S.p.A. (hereinafter the ''Company'', "Parent", "Luxottica", "Luxottica Group" or, together with its subsidiaries, the ''Group'') is a joint-stock company listed on Milan Stock Exchange with registered office located in Milan, Italy, at Piazzale Luigi Cadorna 3, incorporated under the Italian Law.

The Group operates in two operating segments: (i) manufacturing and wholesale distribution (hereinafter also "*Manufacturing & Wholesale*" or "*Wholesale*") and (ii) retail distribution (hereinafter also "*Retail*"). In manufacturing and wholesale, the Group is a leader in the design, production and distribution of high-end luxury and sports eyewear, with a strong and well-balanced portfolio of both owned and licensed brands.

The Company is owned by Delfin S.à r.l., a company incorporated under Luxembourg law, through an equity investment of approximately 62.43%. The Executive Chairman of the Board of Directors Leonardo Del Vecchio is also the controlling shareholder of Delfin S.à.r.l..

At its meeting on July 23, 2018, the Company's Board of Directors approved the Group's condensed consolidated interim financial statements as of June 30, 2018 for publication. The condensed consolidated interim financial statements are subject to a limited review.

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements as of June 30, 2018 have been prepared in accordance with article 154-ter of the Legislative Decree n. 58 of February 24, 1998 as amended as well as the CONSOB Issuers Regulation in compliance with the International Financial Reporting Standards (''IFRS'') issued by the International Accounting Standards Board (''IASB'') and endorsed by the European Union in accordance with the regulation (CE) n. 1606/2002 of the European Parliament and of the Council dated July 19, 2002.

IFRS means all the international accounting standards (''IAS/IFRS'') and all the interpretations of the International Financial Reporting Interpretations Committee (''IFRIC''), previously named as "Standing Interpretation Committee" (''SIC'').

Specifically, the Group has prepared the condensed consolidated interim financial statements based on International Accounting Standard ("IAS") 34 *Interim Financial Reporting*, which governs interim financial reporting, as well as the provisions implementing Article 9 of Legislative Decree n. 38/2005.

These condensed consolidated interim financial statements as of June 30, 2018 should be read in conjunction with the consolidated financial statements as of December 31, 2017 which were prepared in accordance with IFRS, as endorsed by the European Union.

In accordance with IAS 34, the Group has chosen to publish a condensed set of consolidated interim financial statements as of June 30, 2018.

Specifically, in preparing these condensed consolidated interim financial statements, the Group applied the same accounting policies used in preparing the consolidated financial statements as of December 31, 2017, except for the adoption of new standards, amendments and interpretations effective for annual periods beginning on or after 1 January 2018, as described below (see Note 3—New accounting standards), and the calculation of income taxes, which are recognized based on the best estimate of the expected effective tax rate for the full year. Similar considerations apply to the use of significant estimates and assumptions, which were unchanged compared to the financial statements as of December 31, 2017, except for estimates and assumptions introduced by new accounting standards (see Note 3—New accounting standards).

The condensed consolidated interim financial statements as of June 30, 2018 have been prepared on a going concern basis. Management believes that there are no indicators that may cast significant doubts on the Group's ability to meet its obligations in the foreseeable future and, specifically, over the next 12 months.

These condensed consolidated interim financial statements consist of the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity, and the notes.

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

The Group presents its consolidated income statement classifying expenses by function, and it presents current and non-current assets and current and non-current liabilities as separate classifications in its consolidated statement of financial position. This classification best reflects the factors that determined the Group's results as well as its financial position. The consolidated statement of cash flows is prepared using the indirect method.

In addition, the Group applied the provisions of CONSOB Resolution no. 15519 dated July 27, 2006 as well as CONSOB Communication no. 6064293 dated July 28, 2006.

The preparation of the condensed consolidated interim financial statements as of June 30, 2018 required management to use estimates and assumptions that affected the reported amounts of revenue, costs, assets and liabilities, as well as disclosures relating to contingent assets and liabilities at the reporting date. The results published on the basis of such estimates and assumptions could differ from the actual results that may be achieved in the future.

These measurement processes, and specifically the more complex ones, such as the calculation of impairment losses on non-current assets or the actuarial valuations necessary to calculate the provisions for employee benefits, are generally carried out only when preparing the annual consolidated financial statements, unless there are indicators requiring to immediately update the estimates.

3. NEW ACCOUNTING STANDARDS

Below are the newly issued accounting standards sorted by effective date.

New endorsed standards, amendments and interpretations that are effective for annual periods beginning on or after January 1, 2018

- **IFRS 9 *Financial Instruments***

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* that replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects relating to the project for the recognition of financial instruments: classification and measurement, impairment, and hedge accounting. IFRS 9 was endorsed by the European Union in November 2016 and is effective for annual periods beginning on or after January 1, 2018 (the Group chose not to early adopt the new standard).

Except for the provisions relating to hedge accounting, which the Group applied prospectively, the Group applied IFRS 9 retrospectively, identifying January 1, 2018 as the date of initial application. In addition, as permitted by IFRS 9, the Group elected not to restate comparative information.

The adoption of IFRS 9 did not significantly impact the Group's financial statements and did not require making adjustments to the consolidated statement of financial position as of the date of initial application of the standard.

The changes introduced by the new standard concerned the three main macro-areas described below.

- *Classification & Measurement*: IFRS 9 introduced new rules governing the classification and measurement of financial instruments, which mainly impact financial assets.
  Below is a reconciliation of the classes of financial assets and liabilities introduced by IFRS 9 to the classes disclosed in the financial statements as of December 31, 2017 applying IFRS 7 *Financial Instruments: Disclosures*.

Amounts as of December 31, 2017 in thousands of Euro.

IAS 39 / IFRS 9	Financial assets at fair value through profit or loss	Loans and receivables	Held-to-maturity investments	Available for sale financial assets	Financial liabilities at fair value through profit or loss	Hedging derivatives	TOTAL
Financial assets at fair value through profit or loss	5,260	-	-	10,881	-	-	**16,141**
Financial liabilities at fair value through profit or loss	-	-	-	-	(3,408)	-	**(3,408)**
Financial assets and liabilities at fair value through other comprehensive income	-	-	-	-	-	-	**-**
Financial assets at amortized cost	-	2,258,603	-	-	-	-	**2,258,603**
Financial liabilities at amortized cost	-	(3,571,777)	-	-	-	-	**(3,571,777)**
Hedging derivatives	-	-	-	-	-	487	**487**
TOTAL	**5,260**	**(1,313,174)**	-	**10,881**	**(3,408)**	**487**	**(1,299,954)**

- *Impairment*: under IFRS 9, the impairment of financial assets measured at amortized cost must be calculated according to an expected loss approach, replacing the current IAS 39 framework usually based on the measurement of incurred losses. In light of the analyses carried out, the Group did not deem it necessary to make adjustments to the consolidated statement of financial position as of the date of initial application of the standard. Concerning specifically accounts receivable, the Group confirmed its bad debt provision guidelines, as the model they apply adequately incorporates expected credit losses (see the following section on *Significant accounting policies*).

- *Hedge Accounting*: concerning the accounting for derivative instruments designated as hedging instruments, IFRS 9 introduces a major overhaul of the requirements and the underlying rules, partially streamlining the current IAS 39 framework and broadening the eligibility criteria for hedge accounting. However, the standard allows entities to elect to continue applying the requirements of IAS 39 or adopt the requirements of IFRS 9. The Group elected to adopt the requirements of IFRS 9. The Group applies hedge accounting only to interest rates swaps used to hedge interest rate risk. Based on the analyses carried out, the Group did not deem it necessary to change the accounting treatment of said instruments.

Below are the parts of the section *Significant accounting policies* from the consolidated financial statements as of December 31, 2017 that were amended following the adoption of IFRS 9.

Accounts receivable and other receivables

Accounts receivable and other receivables are recognized at amortized cost and measured on the basis of

the impairment model introduced by IFRS 9 (see the paragraph *Financial assets* for the measurement on initial recognition). Under this model, the Group measures receivables according to an expected loss approach, replacing the IAS 39 framework usually based on the measurement of incurred losses.

In the case of accounts receivable, the Group adopts a simplified approach that does not require assessing changes in credit risk on a regular basis, allowing instead to recognize an Expected Credit Loss ("ECL") calculated over the entire *lifetime* of the receivable (so-called *lifetime ECL)*. Specifically, under the policy adopted by the Group, accounts receivable are divided into three categories based on the number of days past due and an assessment of the counterparty's solvency. The Group applies different impairment percentages to said categories that reflect the relevant expectations for recovery.

Accounts receivable are fully written down in the absence of a reasonable expectation of recovery, that is in the case of inactive business counterparties (e.g. receivables more than 180 days past due, insolvencies, and/or the commencement of legal proceedings).

The other receivables, for which the Group estimates a low credit risk, are measured using a general approach. Under this approach, the Group estimates the ECL for the next 12 months as well as reviews changes in credit risk compared to the initial measurement at each reporting date. In the case of receivables for which the Group recognizes no significant increases in credit risk, loss allowance continues to be measured at an amount equal to 12 months ECL. In the case of receivables for which the Group identifies significant increases in credit risk, the loss allowance is measured at an amount equal to the entire *lifetime* ECL.

The amount of receivables is reported in the statement of financial position net of the relevant bad debt provisions. The impairment losses reported pursuant to IFRS 9 (including reversals of impairment losses or impairment gains) are recognized in the consolidated income statement and are presented under *Net impairment losses on financial assets* within the line item *Selling expenses*.

Financial assets

The Group's financial assets are classified based on the business model for managing them and the contractual cash flow characteristics of the financial assets. The Group has identified the following categories:

a. Financial assets measured at amortized cost

   This category includes financial assets that meet the following requirements: (i) the financial asset is held within a business model whose objective is to hold financial assets to collect their contractual cash flows; and (ii) the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. These are mainly accounts receivable, loans, and other receivables already described in the paragraph *Accounts receivable and other receivables*. Loans and receivables are included in current assets, except for those with contractual maturities greater than 12 months compared to the reporting date, which are classified as non-current assets. The Group's loans and receivables are classified in the statement of financial position as accounts receivable and other receivables. Except for accounts receivable that do not contain a significant financing component, other loans and receivables are initially recognized at fair value plus directly attributable transaction costs. Accounts receivable that do not contain a significant financing component are recognized at the transaction price (determined in accordance with IFRS 15 – Revenue from Contract with Customers). After initial recognition, the assets included in this category are measured at amortized cost, using the effective interest method. The effects of this measurement are recognized within the financing components of income. In addition, these assets are subject to the impairment model described in the paragraph *Accounts receivable and other receivables*.

b. Financial assets at fair value through other comprehensive income ("FVOCI")

   This category includes financial assets that meet the following requirements: (i) the financial asset is

held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and (ii) the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets are initially recognized at fair value plus directly attributable transaction costs. Subsequently, the measurement on initial recognition is updated and any changes in fair value are recognized through other comprehensive income. As in the case of the previous category, these assets are subject to the impairment model described in the paragraph *Accounts receivable and other receivables*.

c. Financial assets at fair value through consolidated profit or loss ("FVPL")

This category includes financial assets not classified in any of the previous categories (i.e. residual category). These are mainly derivative instruments as well as quoted and unquoted equity instruments that the Group did not irrevocably designate as FVOCI on initial recognition or at the date of transition. Assets in this category are classified as current or non-current assets based on their maturity and are initially recognized at fair value. Specifically, investments in non-consolidated companies over which the Group does not have significant influence are included within this category and recognized under *Investments*. Any ancillary costs incurred on initial recognition of the assets are immediately recognized through consolidated profit or loss. After initial recognition, financial assets at FVPL are measured at fair value. Gains and losses deriving from changes in fair value are recognized through consolidated profit or loss in the period in which they occur, under *Other net income/(expenses)*.

Purchases and sales of financial assets are recognized at the settlement date.

Financial assets are derecognized when the rights to receive cash flows from the instrument have expired and the Group has transferred substantially all risks and rewards of ownership.

The fair value of quoted financial instruments is based on the current bid price. If the market for a financial asset is not active (or if it refers to unquoted 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.

During the valuation process, the Group primarily uses market data rather than internal sources of information specifically associated with the nature of the business in which the Group operates.

Derivative financial instruments

Derivative financial instruments are accounted for in accordance with IFRS 9.

At the inception of the contract, derivative instruments are initially recognized at fair value as financial assets at FVPL when the fair value is positive, or financial liabilities at FVPL when the fair value is negative. If the financial instruments are not designated as hedging instruments, any changes in fair value after initial recognition are treated as components of profit or loss for the year. If the derivative instruments meet the requirements to qualify as hedging instruments, any subsequent changes in fair value are recognized according to specific criteria, for which reference should be made to the relevant note to the financial statements as of December 31, 2017. Its content was confirmed on the basis of the analyses the Group conducted to assess the impact of the new standard.

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 initially recognized at fair value and subsequently measured at amortized cost.

Borrowings from banks and other financial institutions

The adoption of IFRS 9 has not changed the classification of financial liabilities. Borrowings from banks and other financial institutions are initially recorded at fair value, less directly attributable transaction costs, and subsequently measured at their amortized cost by applying the effective interest method. If there is a change in expected cash flows, the carrying amount of the liability is recalculated by computing the present value of estimated future cash flows at the financial instrument's original internal rate of return. Borrowings from banks and other financial institutions are classified among current liabilities, unless the Group has an unconditional right to defer their payment for at least 12 months after the reporting date. The Group considers whether to offset cash and cash equivalents with bank overdrafts when it has a legal right to do so.

Borrowings from banks and other financial institutions are derecognized when they are settled, i.e. when all risks and costs associated with the instrument are transferred, canceled, or extinguished.

- **IFRS 15 *Revenue from Contracts with Customers* and clarifications to IFRS 15 *Revenue from Contracts with Customers***

In May 2014, the IASB issued IFRS 15, a new revenue recognition standard that replaces IAS 18 *Revenue* and IAS 11 *Constraction Contracts*. In April 2016 IFRS 15 was supplemented by additional guidance clarifying its application. The European Union endorsed the new standard and the clarifications in September 2016 and October 2017, respectively.

IFRS 15 introduces a new five-step model that applies to all revenue arising from contracts with customers (unless the contracts are in the scope of other standards). The new standard requires recognizing revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the transfer of goods or services to the customer.

The standard is effective for annual periods beginning on or after January 1, 2018 (the Group chose not to adopt the new standard early). For the purposes of the transition, the Group adopted a full retrospective approach, which required restating the comparative amounts for the year 2017.

Below is a summary of the impact of the adoption of IFRS 15.

a) *Recognition of advertising fees paid by franchisees* – the franchise agreements entered into by the Group, with a special reference to the Pearle and OPSM chains, envisage the charging of a fee for the management and carrying-out of advertising and marketing initiatives to the franchisees. Following the analyses carried out, this service was considered to be a separate performance obligation over which the Group exercises control before transferring it to the customer; therefore, the Group operates as principal in these transactions. Pursuant to IFRS 15, the Group reclassified Euro 27.3 million in fees arising from this service for the full year 2017 (Euro 14.3 million for the six months ended June 30, 2017) to revenue. These fees had been previously classified as a deduction from advertising expenses in the consolidated income statement. The reclassification did not require adjustments to the Group's income from operations or changes in net income for the period.

b) *Accounting for renovation and/or improvement fees* these fees are charged to franchisees for the renovation and/or improvement of retail premises (so-called *Site Development Services Addendum*, or SDSA), and were entirely recognized as revenue in the year in which the work was performed. Following the analyses carried out, this service was considered not to be a separate performance obligation under the franchising agreement. Pursuant to IFRS 15, the Group recognized the relevant revenue over the term of the franchising agreement, recognizing a liability corresponding to the portions of revenue attributable to subsequent years in the statement of financial position. The costs incurred for this work are recognized as a contractual asset when first applying the standard. The overall negative impact on the income from operations and net income for the period was immaterial. As of December 31, 2017, the Group recognized a Euro 2.4 million liability (including Euro 1.9 million under non-current liabilities) as well as Euro 0.9 million in capitalized costs (including Euro 0.6 million under current liabilities).

c) *Recognition of certain costs incurred for the acquisition and performance of contracts* – as part of the provision of administrative services related to the vision care business, the Group bears costs for the acquisition and performance of long-term contracts with customers, which typically have a term of four years. These costs, which can be specifically referred to new individually identifiable contracts, generate resources used to comply with the contract and will be recovered by means of revenue deriving from the contracts. For this reason, these costs are capitalized in accordance with IFRS 15 and were recognized as a contractual asset when first applying the standard. As of the date of retrospective application, i.e. January 1, 2017, the Group recognized a Euro 7.0 million impact on stockholders' equity. As of December 31, 2017, the costs capitalized among intangible assets, less the relevant accumulated amortization, totaled Euro 11.7 million, while the positive impact on the income from operations and net income for the year, before taxes, was immaterial.

d) *Presentation of contractual assets and liabilities in the financial statements* - IFRS 15 requires a separate presentation of contractual assets and liabilities in the financial statements. This required identifying the component associated with the returns expected from customers within the line item *Short-term provisions for risks* as well as the corresponding asset within the line item *Other current assets*. In addition, in the notes to the financial statements on *Other current assets* and *Other non-current assets*, the Group separately identified the costs for the acquisition and performance of long-term contracts with customers.

e) *Other adjustments* – as a result of the above adjustments, with the adoption of IFRS 15, other line items in the main financial statements were restated as needed. These include deferred taxes, taxes, and retained earnings. In addition, the Group restated the exchange differences arising from the translation of foreign financial statements.

f) *Presentation and disclosure requirements* – pursuant to IFRS 15, the Group disaggregated the revenue from contracts with customers into categories that depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors (see Note 27—Information on the consolidated income statement). The Group disclosed also the relationship between disaggregated revenue disclosures and the revenue disclosures for each segment (see Note 5—Segment information).

Impact on consolidated statement of income for the six months ended June 30, 2017

	1st Half 2017			
(Euro/000)	Published		Adjustment	Under IFRS 15
Net sales	**4,917,340**	**a), b)**	**14,292**	**4,931,632**
Cost of sales	1,716,191	**c)**	**6**	1,716,197
Gross Profit	**3,201,149**		**14,286**	**3,215,435**
Selling expenses	1,549,506	**c)**	(670)	1,548,836
Royalties	89,126		**-**	89,126
Advertising expenses	252,099	**a)**	14,312	266,411
General and administrative expenses	442,523		**-**	442,523
Total operating expenses	***2,333,255***		***13,642***	***2,346,897***
Income from operations	**867,894**		**644**	**868,538**
Financial income	8,458		**-**	8,458
Financial expenses	(70,746)		**-**	(70,746)
Other net income (expenses)	45,524		**-**	45,524
Total other income (expenses)	***(16,763)***		**-**	***(16,763)***
Income before taxes	**851,131**		**-**	**851,775**
Income taxes	(288,060)	**e)**	(215)	(288,275)
Net income	**563,071**		**429**	**563,500**
Of which attributable to				
- *Luxottica Group stockholders*	*561,612*		*429*	*562,041*
- *Non-controlling interests*	*1,459*		-	*1,459*

Impact on consolidated statement of comprehensive income for the six months ended June 30, 2017

	1st Half 2017			
(Euro/000)	Published		Adjustment	Under IFRS 15
Net income for the period	**563,071**		**429**	**563,500**
Items that may be subsequently reclassified to profit or loss				
Fair value of hedging derivative contracts (IRS)	(948)		-	(948)
Related tax effect	280		-	280
Currency translation difference	(356,378)	**e)**	320	(356,257)
Total items that may be subsequently reclassified to profit or loss	**(357,046)**		**320**	**(356,726)**
Items that will not be subsequently reclassified to profit or loss				
Actuarial gains/(losses) on pension funds	17,061		-	17,061
Related tax effect	(1,879)		-	(1,879)
Total items that will not be subsequently reclassified to profit or loss	**15,182**		**-**	**15,182**
Total other comprehensive income/(loss) – net of taxes	**(341,864)**		**320**	**(341,544)**
Total comprehensive income for the period	**221,207**		**749**	**221,956**
Of which attributable to				
- *Luxottica Group stockholders*	*219,739*			*220,488*
- *Non-controlling interests*	*1,468*			*1,468*

Impact on the consolidated statement of financial position as of December 31, 2017

ASSETS	December 31, 2017			
(Euro/000)	**Published**		**Adjustment**	**Under IFRS 15**
Current assets				
Cash and cash equivalents	1,159,320		-	1,159,320
Accounts receivable	943,778		-	943,778
Inventories	831,549		-	831,549
Tax receivables	66,105		-	66,105
Other current assets	166,716	c), d)	7,231	173,947
Total current assets	***3,167,467***		***7,231***	***3,174,698***
Non-current assets				
Property, plant and equipment	1,808,834		-	1,808,834
Goodwill	3,622,396		-	3,622,396
Investments	1,225,475		-	1,225,475
Other non-current assets	73,756	c)	7,155	80,911
Deferred tax assets	130,454		-	130,454
Total non-current assets	***6,875,403***		***7,155***	***6,882,558***
Total assets	**10,042,870**		***14,386***	**10,057,256**

LIABILITIES AND STOCKHOLDERS EQUITY	December 31, 2017			
(Euro/000)	**Published**		**Adjustment**	**Under IFRS 15**
Current liabilities:				
Short-term borrowings	77,486		-	77,486
Current portion of medium/long-term debt	150,411		-	150,411
Accounts payable	906,749		-	906,749
Tax payable	22,299		-	22,299
Short-term provisions for risks	169,226	d)	1,789	171,015
Other current liabilities	764,394	b)	526	764,920
Total current liabilities	***2,090,564***		***2,314***	***2,092,878***
Non-current liabilities:			-	
Long-term debt	1,671,281		-	1,671,281
Employee benefits	121,555		-	121,555
Deferred tax liabilities	147,843	e)	2,641	150,484
Long-term provisions for risks	130,453		-	130,453
Other non-current liabilities	74,626	b)	1,890	76,516
Total non-current liabilities	***2,145,758***		***4,531***	***2,150,289***
Stockholders' equity				
Share capital	29,101		-	29,101
Reserves	4,733,538	e)	5,239	4,738,777
Net income attributable to Luxottica Group stockholders	1,038,445	b), c)	2,301	1,040,746
Luxottica Group stockholders' equity	***5,801,085***		**7,541**	***5,808,626***
Non-controlling interests	5,463		-	5,463
Total stockholders' equity	***5,806,548***		**7,541**	**5,814,089**
Total liabilities and stockholders' equity	**10,042,870**		**14,386**	**10,057,256**

Impact on opening stockholders' equity as of January 1, 2017 and 2018

Stockholders' equity		*(Euro/000)*
Impact on the balance as of January 1, 2017		**5,971**
Accounting for renovation and/or improvement fees	**b)**	(994)
Recognition of certain costs incurred for the acquisition and performance of contracts	**c)**	6,965
Impact on the balance as of January 1, 2018		**7,541**
Accounting for renovation and/or improvement fees	**b)**	(1,115)
Recognition of certain costs incurred for the acquisition and performance of contracts	**c)**	8,656

Other impacts

There was no impact on the cash flows reported in the statement of cash flows and on earnings per share.

Below are the parts of the section *Significant accounting policies* from the consolidated financial statements as of December 31, 2017 that were amended following the adoption of IFRS 15.

Recognition of revenue

The Group develops, manufactures and sells prescription frames and sunglasses. The Group's revenue includes:

(i) considerations for the sales of goods to customers (both wholesale and retail);

(ii) considerations for the rendering of services: this includes the fees for the rendering of insurance and administrative services associated with the vision care business as well as fees arising from eye exams and the related services;

(iii) considerations for the sales of goods to franchisees along with other revenue from franchisees, such as royalties based on sales and initial franchise fee revenue.

Under the five-step model introduced by IFRS 15, the Group recognizes revenue after identifying the contracts with its customers and the relevant performance obligations (transfer of goods and/or services), determining the consideration to which it expects to be entitled in exchange for performing each of said obligations, and assessing how to perform these obligations (at a specific point in time *versus* over time).

Specifically, the Group recognizes revenue only if the following requirements are met (so-called requirements for identifying the "contract" with the customer):

a) the parties have approved the contract (either in writing, orally, or in accordance with other customary business practices) and are committed to perform their respective obligations; there is therefore an agreement between the parties that creates enforceable rights and obligations, regardless of the form of said agreement;
b) the Group can identify each party's rights regarding the goods or services to be transferred;
c) the Group can identify the payment terms for the goods or services to be transferred;
d) the contract has commercial substance; and
e) it is probable that the Group will collect the consideration to which it will be entitled in exchange for goods or services transferred to the customer.

If the above requirements are not met, the relevant revenue is recognized when: (i) the Group has already transferred goods and/or rendered services to the customer and all, or substantially all, of the consideration promised by the customer has been received by the Group and is non-refundable; or (ii) the contract has been terminated and the consideration received from the customer is non-refundable.

If the above requirements are not met, the Group shall apply the following recognition rules.

Sale of goods (Wholesale)

Revenue from the sale of goods is recognized when control of the asset is transferred to the buyer, i.e. when the asset is delivered to the customer in accordance with contractual provisions and the customer acquires the ability to direct the use of and obtain substantially all of the benefits from the asset. If the sales contract includes retrospective volume-related discounts, the Group estimates the relevant impact and treat it as variable consideration. In addition, the Group estimates the impact of potential returns from customers. This impact is accounted for as variable consideration, recognizing a liability for returns and the corresponding asset in the statement of financial position in *Short-term provisions for risks* and *Other current assets*, respectively (separately presenting the portion related to the impact of IFRS 15 in the relevant notes). This estimate is based on the Group's right of return policies and practices along with historical data on returns. The Group includes in the transaction price the variable considerations estimated (discounts and returns) only to the extent that it is highly probable that a significant reversal in the amount of recognized revenue will not occur in the future. There are no post-delivery obligations other than product warranties, if required by local law; these warranties do not represent a separate performance obligation and are accounted for applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

Sale of goods (Retail)

Retail revenue is recognized upon receipt of the goods by the customer at the retail location. The relevant consideration is usually received at the time of the delivery. Any advance payments or deposits from customers are not recognized as revenue until the product is delivered. Concerning sales through the e-commerce channel, the moment in which the customer obtains control of the asset is identified based on the specific terms and conditions applied by the on-line sales platforms used by the Group. In some countries, the Group allows customers to return the products for a certain period of time after the purchase: therefore, it estimates the relevant impact by accounting for it as variable consideration, recognizing the relevant assets and liabilities (see *Sale of goods (Wholesale)*). The estimate is based on the historical trend in returns, accounts for the time elapsed from the purchase date, and is regularly reviewed. The Group includes in the transaction price the variable considerations estimated only to the extent that it is highly probable that a significant reversal in the amount of recognized revenue will not occur in the future. There are no post-delivery obligations other than product warranties, if required by local law; these warranties do not represent a separate performance obligation and are accounted for applying IAS 37.

Loyalty programs

The companies of the *Retail* division offer their customers discount programs or similar loyalty programs with a term of 12 months or greater. Customers who present a valid loyalty card receive a fixed percentage discount off the retail prices for a specified range of products and/or services. Revenue under these arrangements is recognized upon receipt of the products or services by the customer at the retail location.

Rendering of services

The *Retail* division's revenue includes also the consideration arising from vision care services. This revenue is recognized when the service is rendered to the customer. As for the fixed-fee insurance plans offered to customers, the Group acts through a sponsor. The plan sponsor pays the Group a monthly premium for each subscriber. Premium revenue is recognized as earned during the benefit coverage period. Any unearned premium revenue is recognized as deferred revenue in the consolidated statement of financial position. For plans with fees varying according to the service, the sponsor pays the Group a fee to process claims. Revenue is recognized as the services are rendered. For these programs, the sponsor is responsible for the cost associated with claims. The Group makes provisions for the receivables accrued under these agreements based on an estimate of the amounts considered uncollectible.

Franchising and licensing agreements

Revenue from franchising agreements is recognized based on the sales accrued and accounted for by

unconsolidated franchisees. Upfront franchise fees may refer to:

- fees paid for the franchising agreement and/or the improvement of retail premises; in those cases no separate performance obligation are transferred to the franchisee, therefore the related revenue is recognized along with license fees throughout the term of the franchising agreement; and
- fees associated with the sale of tangible assets necessary for business operations (e.g. furniture); these fees are recognized as revenue when control of the asset is transferred to the buyer (i.e. when the asset is delivered to the customer in accordance with contractual provisions and the customer acquires the ability to direct the use of and obtain substantially all of the benefits from the asset).

The franchising agreement may also include:

- fees associated with the ongoing rendering of services to the franchisee throughout the term of the franchising agreement; these fees are recognized at the time the relevant service is rendered;
- fees associated with the management and implementation of advertising and marketing initiatives; in this case, the Group assesses the nature of said initiatives to verify whether these services represent a separate performance obligation under the agreement. If the Group concludes that this service represents a separate performance obligation over which it exercises control before the transfer to the customer, these fees are recognized as revenue.

The Group licenses the rights to certain intellectual property to third parties and recognizes royalty revenue based on the characteristics of the agreements with customers.

Incremental costs for the acquisition of contracts

As part of the provision of administrative services related to the vision care business, the Group bears costs for the acquisition and performance of long-term contracts, which typically have a term of four years. These costs, which can be specifically referred to new individually identifiable contracts, generate resources used to comply with the contract and will be recovered by means of revenue deriving from the contracts. Therefore, these costs are recognized as a contractual asset and amortized over the term of the relevant contracts.

Financing components

The payment terms offered to the Group's customers do not exceed 12 months, therefore the Group recognizes adjustments to the transaction price to account for financing components.

- **IFRIC 22 *Foreign Currency Transactions and Advance Consideration***

The interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The interpretation was endorsed by the European Union in March 2018 and is effective for annual periods beginning on or after January 1, 2018. The adoption of the interpretation by the Group did not require changes to accounting policies or retrospective adjustments.

- ***Annual Improvements to IFRS Standards 2014-2016 Cycle***

The annual improvements are intended to address non-urgent issues related to inconsistencies found in IFRS standards or clarifications on certain terms that have been discussed by the IASB during the project cycle. The provisions issued concern:

- IAS 28 *Investments in Associates and Joint Ventures*: measurement of investments in an associate or joint venture at fair value in the presence of investment entities;
- IFRS 1 *First-time adoption of International Financial Reporting Standards*: deletion of short-term exemptions for first-time adopters;
- IFRS 12 *Disclosure of Interests in Other Entities*: clarification on the scope of the standard.

The provisions were endorsed by the European Union in February 2018 and are effective for annual periods beginning on or after January 1, 2018, in the case of the amendments to IAS 28 and IFRS 1, and January 1, 2017, in the case of the amendments to IFRS 12. The adoption of the provisions by the Group did not require changes to accounting policies or retrospective adjustments.

- **Amendments to IAS 40: *Transfers of Investment Property***

The amendments clarify when an entity should transfer property into, or out of investment property. The interpretation was endorsed by the European Union in March 2018 and is effective for annual periods beginning on or after January 1, 2018. The adoption of the amendments by the Group did not require changes to accounting policies or retrospective adjustments.

- **Amendments to IFRS 2: *Classification and Measurement of Share-based Payment Transactions***

The amendments are intended to clarify the accounting treatment for certain types of share-based payment transactions. The interpretation was endorsed by the European Union in February 2018 and is effective for annual periods beginning on or after January 1, 2018. The adoption of the amendments by the Group did not require changes to accounting policies or retrospective adjustments.

- **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 in light of the new requirements introduced by IFRS 9. These amendments were endorsed by the European Union in November 2017 and are effective for annual periods beginning on or after January 1, 2018. The adoption of the amendments by the Group did not require changes to accounting policies or retrospective adjustments.

New standards, amendments and interpretations not yet endorsed and/or effective for annual periods beginning on or after January 1, 2017 and not yet adopted by the Group

Endorsed

- **IFRS 16 *Leases***

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

The lessees shall also remeasure the lease liability when certain events occur (e.g.: change in the lease term, change in future lease payments resulting from a change in an index or a rate used to determine those payments). In general, the lessee shall recognize the remeasurements of the lease liability as adjustments to the right-of-use asset.

IFRS 16 was endorsed by the European Union in October 2017 and is effective for annual periods beginning on or after January 1, 2019.

The standard allows entities to elect whether to apply the new provisions using a full retrospective or a modified retrospective approach. The Group is oriented towards using a full retrospective approach to ensure the information presented in the financial statements is fully comparable.

The Group is progressing with its analysis of the population of outstanding lease contracts. The leases being analyzed largely concern leased stores, plants, warehouses, offices, motor vehicles, and, to a lesser extent, part of the IT system. As of the date of these consolidated interim financial statements, the Group is still quantifying the potential impact of the application of the standard. An approximate indication of how the new standard will impact the financial position can be inferred from the note on the minimum contractual commitments for operating lease payments (Note 28—Commitments and risks). However, the Group has not yet determined the extent to which said contractual commitments will lead to the recognition of lease assets and liabilities or impact profit or loss.

- **Amendments to IFRS 9: *Prepayment Features with Negative Compensation***

These amendments are intended to clarify the classification of financial assets with particular prepayment features when applying IFRS 9. The interpretation was endorsed by the European Union in March 2018 and is effective for annual periods beginning on or after January 1, 2019. The Group does not expect significant impacts from the adoption of these amendments.

Not yet endorsed

- **IFRS 17 *Insurance Contracts***

The new accounting standard for the accounting of insurance contracts will replace IFRS 4. The new standard will be effective for annual periods beginning on or after January 1, 2021 unless it is subsequently deferred following its endorsement by the European Union, which had not yet been received at the date of these condensed consolidated interim financial statements.

- **IFRIC 23 *Uncertainty over Income Tax Treatments***

The interpretation provides guidance on how to reflect uncertain tax treatments in accounting for income taxes. The interpretation will be effective for annual periods beginning on or after January 1, 2019 unless it is subsequently deferred following its endorsement by the European Union, which had not yet been received at the date of these condensed consolidated interim financial statements.

- **Amendments to IAS 28: *Long-term Interests in Associates and Joint Ventures***

These amendments are intended to clarify the application of IFRS 9 in accounting for long-term receivables due from associates or join ventures that, in substance, form part of the net investment in the associate or joint venture. The amendments will be effective for annual periods beginning on or after January 1, 2019 unless they are subsequently deferred following their endorsement by the European Union, which had not yet been received at the date of these condensed consolidated interim financial statements.

- ***Annual Improvements to IFRS Standards 2015-2017 Cycle***

The provisions issued concern the following standards:

- IAS 12 *Income Taxes*: accounting treatment of the income tax consequences of dividends on financial instruments classified as equity;
- IAS 23 *Borrowing Costs*: classification of borrowing that specifically finance qualifying assets when they are ready for their intended use or sale;
- IFRS 3 *Business Combination* and IFRS 11 *Joint Arrangements*: accounting for the acquisition of control over a business that is a joint operation.

The provisions will be effective for annual periods beginning on or after January 1, 2019 unless they are subsequently deferred following their endorsement by the European Union, which had not yet been received at the date of these condensed consolidated interim financial statements.

- **Amendments to IAS 19: *Plan Amendment, Curtailment or Settlement***

The amendments clarify how to calculate service costs when a defined-benefit plan is amended. The amendments will be effective for annual periods beginning on or after January 1, 2019 unless they are subsequently deferred following their endorsement by the European Union, which had not yet been received at the date of these condensed consolidated interim financial statements.

- **Amendments to References to the Conceptual Framework in IFRS Standards**

In March 2018, the IASB issued a revised version of the Conceptual Framework for Financial Reporting ("Conceptual Framework") as well as a document updating the references to the previous Conceptual Framework in IFRS standards. The new references will be effective for annual periods beginning on or after January 1, 2020 unless they are subsequently deferred following their endorsement by the European Union, which had not yet been received at the date of these condensed consolidated interim financial statements.

4. BUSINESS COMBINATIONS

Óticas Carol

On July 6, 2017, Luxottica Group completed the acquisition of 100% of Óticas Carol, one of the most important optical franchise chains in Brazil. In particular, the subsidiary Luxottica Brasil Produtos Óticos e Esportivos Ltda acquired 100% of the share capital of the Brazilian company Orange County Participaçoes S.A., owner of the Óticas Carol chain. The newly acquired Brazilian company owns six entities based in Brazil. Consequently, as from July 6, 2017, Orange County Participaçoes S.A. and its subsidiaries became part of the scope of consolidation and were consolidated on a line-by-line basis in accordance with IFRS 10 *Consolidated Financial Statements*.

The acquisition of Óticas Carol represents a business combination recognized in accordance with IFRS 3 *Business Combinations*.

For the purposes of the consolidated financial statements as of December 31, 2017, in accordance with the provisions of IFRS 3, the fair value of the identifiable assets and liabilities acquired was determined on a provisional basis, since certain valuation processes had not yet been finalized at the reporting date. This valuation resulted in the provisional determination of goodwill equal to Euro 84.7 million.

As of June 30, 2018, the valuation processes relating to the acquisition of Óticas Carol had been completed and, consequently, the comparative figures for the financial information as of December 31, 2017 were restated on the basis of the final estimates. Below is the reconciliation of the amounts estimated on a provisional basis and the final amounts.

(Euro/000)	Provisional valuation	Adjustments	Final valuation
Acquisition value 100% (A)	97,947	-	97,947
Fair value of the net assets acquired (B)	13,297	14,957	28,254
Goodwill (C=A-B)	**84,650**	**14,957**	**69,693**
Consideration for the acquisition (D)	97,947	-	97,947
Acquiree cash (E)	(658)	-	(658)
Cash flow absorbed by the acquisition (F=E-D)	**97,289**	**-**	**97,289**

The restatement based on the above information caused a decline in the group's goodwill and an increase in intangible assets, and specifically the Óticas Carol brand. Therefore, in accordance with the provisions of IFRS 3, the comparative information as of December 31, 2017 was retrospectively restated to reflect the above changes. Specifically, excluding translation differences:

(i) goodwill declined by Euro 14.2 million;
(ii) intangible assets increased by Euro 20.9 million, excluding the relevant amortization recognized during the period (Euro 0.5 million); and
(iii) deferred tax liabilities increased by Euro 7.1 million.

Net income for the year 2017 was restated to account for the higher amortization of the Óticas Carol brand since the acquisition date until the end of the year as well as the relevant tax impact (Euro 0.6 and Euro 0.2 million, respectively). Meanwhile, the income statement for the six months ended June 30, 2017 was not restated, as the acquisition was finalized in the second half of 2017.

The following table summarizes the impact of the above adjustments on the items in the financial statements as of December 31, 2017.

Impact on the situation as of December 31, 2017	*(Euro/000)*
Goodwill	(14,171)
Intangible assets	20,934
Deferred tax liabilities	7,117
Retained earnings	(390)

Fukui Megane

On May 18, 2018, Luxottica Group finalized the acquisition of 67% of Fukui Megane Co. Ltd ("Fukui Megane"). Therefore, as from said date, Fukui Megane and its subsidiary became part of the Group's scope of consolidation and were consolidated on a line-by-line basis in accordance with IFRS 10 *Consolidated Financial Statements.*

Following the acquisition, Luxottica Group S.p.A. promptly verified that Fukui Megane Co. Ltd and its subsidiary, Monjyu Co. Ltd, do not fall within the scope of CONSOB Market Regulation.

The acquisition of Fukui Megane represents a business combination recognized in accordance with IFRS 3 *Business Combinations.* Accordingly, at the date of acquisition of control, the individual identifiable assets and liabilities acquired were recognized at their fair value.

In accordance with IFRS 3 *Business Combinations*, the fair value of the identifiable assets and liabilities acquired was determined on a provisional basis, since certain valuation processes had not yet been finalized at the date of these condensed consolidated interim financial statements. These fair values are subject to changes within 12 months from the acquisition date.

The consideration agreed for the acquisition was JPY 872.6 million (Euro 6.7 million).

The closing of the transaction did not cause the Group to incur any significant acquisition costs towards third parties.

The accounting effects of this business combination, in accordance with IFRS 3 *Business Combinations*, are as follows:

(Euro/000)	**June 30, 2018**
Acquisition value 100% (A)	10,032
Fair value of the net assets acquired (B)	5,661
Goodwill (C=A-B)	**4,371**
Consideration for the acquisition (D)	6,721
Deferred Payment (E)	(940)
Acquiree cash (F)	(3,131)
Cash flow absorbed by the acquisition (G=D+E+F)	**2,650**

Below is the fair value of Fukui Megane's assets and liabilities at the acquisition date as determined on a provisional basis:

(Euro/000)	**Fair value at the acquisition date**
Cash and cash equivalents (F)	3,131
Accounts receivable*	3,429
Inventories	5,362
Other current assets	66
Property, plant and equipment	5,221
Intangible assets	63
Deferred tax assets	1,978
Other non-current assets	2,908
Total fair value of the assets acquired (H)	**22,157**
Short-term borrowings	1,494
Accounts payable	263
Short-term provisions for risks	-
Other current liabilities	706
Long-term debt	10,741
Long-term provisions for risks	2,961
Deferred tax liabilities (net)	-
Employee benefits	-
Other non-current liabilities	329
Liabilities acquired (I)	**16,496**
Fair value of net assets acquired (B=H-I)	**5,661**
Share attributable to the Group (67% di B)	**3,793**

* Euro 3.4 million net of Euro 0.2 thousand of bad debt provision

Goodwill is not tax deductible and primarily reflects the synergies that the Group estimates it will derive from the acquisition.

Finally, under the agreements Luxottica and the minority shareholder entered into at the time of the acquisition, Luxottica shall purchase, and the minority shareholder sell, the remaining 33% interest in Fukui Megane within 6 months of the approval of the 2022 financial statements for the higher of: a) Euro 3.3 million; and b) the amount resulting from a formula that links the consideration with the trend in sales and the net financial position of the subsidiary. This contractual obligation does not guarantee the Group present access to the returns associated with the ownership of the interest held by the minority shareholder, therefore the Group recognized it as a financial liability with a corresponding deduction from stockholders' equity.

Fukui Megane net sales and net income/(loss), contributed to the consolidated financial statements, are respectively equal to Euro 1.1 million and Euro (0.1) million. On an unaudited pro forma basis, had the acquisition occurred at the beginning of the year, net sales and net income/(loss) contributed by Fukui Megane to the consolidated financial statements would have been approximately Euro 3.8 million and Euro (0.5) million, respectively.

5. SEGMENT INFORMATION

In accordance with IFRS 8 *Operating Segments,* below are the Group's two operating segments:

- *Wholesale*: manufacturing and wholesale distribution;
- *Retail*: retail distribution.

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 Executive Chair Leonardo Del Vecchio and the CEO Francesco Milleri, in their role of Chief Operating Decision Makers, to make decisions about resources to be allocated to the segments and assess their performance.

The operating segments subject to disclosure are consistent with the organization model adopted by the Group during the first six months of 2018.

Segment information *(Euro/000)*	**Wholesale**	**Retail**	**Inter-segment transactions and other adjustments** [c]	**Consolidated**
1st Half 2018				
Net sales [a]	1,730,902	2,821,645	-	4,552,547
Income from operations [b]	462,152	410,523	(109,989)	762,686
Financial income	-	-	-	8,944
Financial expenses	-	-	-	(34,160)
Other net income/(expenses)	-	-	-	(2,635)
Income before taxes	-	-	-	734,836
Income taxes	-	-	-	(203,908)
Net income	-	-	-	530,928
Of which attributable to:				
Luxottica stockholders	-	-	-	*530,191*
Non-controlling interests	-	-	-	*738*
Investments	155,609	85,928	-	241,537
Depreciation and amortization	79,845	126,868	44,455	251,168
1st Half 2017				
Net sales [a] [d]	1,914,516	3,017,116	-	4,931,632
Income from operations [b] [d]	532,516	448,927	(112,905)	868,538
Financial income	-	-	-	8,458
Financial expenses	-	-	-	(70,746)
Other net income/(expenses)	-	-	-	45,524
Income before taxes	-	-	-	851,775
Income taxes	-	-	-	(288,275)
Net income	-	-	-	563,500
Of which attributable to:				
Luxottica Group stockholders	-	-	-	562,041
Non-controlling interests	-	-	-	1,459
Investments	127,656	103,937	-	231,594
Depreciation and amortization [d]	(89,563)	(142,200)	(45,347)	(277,110)

(a) Net sales of both the *Wholesale* and *Retail* segments include sales to third-party customers only.

(b) The income from operations of the *Wholesale* segment is related to net sales to third-party customers only, excluding the ''manufacturing profit'' generated on the inter-company sales to the *Retail* segment. The income from operations of the *Retail* segment is related to retail sales, considering the cost of goods acquired from the *Wholesale* segment at manufacturing cost, thus including the relevant "manufacturing profit" attributable to those sales.

(c) Inter-segment transactions and other adjustments include corporate costs not allocated to a specific segment and the amortization of acquired intangible assets not allocated to the segments.

(d) Net sales, income from operations, depreciation and amortization for the first half of 2017 were restated to reflect the application of the new IFRS 15 accounting standard and the inclusion of the results of the Group's e-commerce platform within the *Retail* segment. The inclusion of the results of the Group's e-commerce platform within the *Retail* segment does not impact the results of the impairment test of goodwill performed as of December 31, 2017.

Concerning the first six months of 2018, below is the disaggregation of the Group's revenue reconciled to the two operating segments.

Revenue by category *(Euro/000)*	**Wholesale**	**Retail**	**Total**
Sales of products	1,724,733	2,403,595	4,128,328
Vision care business	-	360,656	360,656
Eye-exam and related professional fees	-	32,318	32,318
Franchisee revenues	6,169	25,076	31,245
Total net sales for the six months	**1,730,902**	**2,821,645**	**4,552,547**

Revenue by geographic area *(Euro/000)*	**Wholesale**	**Retail**	**Total**
Europe	788,492	290,241	1,078,733
North America	494,904	2,070,843	2,565,747
Asia Pacific	230,303	342,701	573,002
Latin America	153,087	105,579	258,664
Rest of the world	64,116	12,281	76,397
Total net sales for the six months	**1,730,902**	**2,821,645**	**4,552,547**

INFORMATION ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

CURRENT ASSETS

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following items:

Cash and cash equivalents *(Euro/000)*	**June 30, 2018**	**December 31, 2017**
Cash at bank	977,994	1,144,382
Checks	5,492	11,188
Cash and cash equivalents on hand	2,849	3,749
Total	**986,335**	**1,159,320**

See Note 21—Long-term financial debt and the Consolidated Statement 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 according to the impairment model introduced by IFRS 9. Accounts receivable are due within 12 months.

Specifically, the impairment losses reported pursuant to IFRS 9 are recognized in consolidated profit or loss, net of any positive effects associated with reversals of impairment losses or impairment gains, under *Net impairment losses on financial assets* within the line item *Selling expenses*. They amounted to Euro 8.8 million for the six months ended June 30, 2018 (Euro 10.0 million for the six months ended June 30, 2017).

Accounts receivable *(Euro/000)*	**June 30, 2018**	**December 31, 2017**
Accounts receivable	1,201,941	1,018,177
Bad debt provision	(78,706)	(74,399)
Total net accounts receivable	**1,123,235**	**943,778**

The increase in *Accounts receivable* was largely due to the seasonal nature of the Group's business, which is generally characterized by higher sales in the first part of the year and collection of the related receivables in the second part of the year, as described in Note 34—Seasonal and cyclical effects on operations.

8. INVENTORIES

Inventories are comprised of the following items:

Inventories *(Euro/000)*	**June 30, 2018**	**December 31, 2017**
Raw materials and packaging	174,139	181,618
Work in progress	41,458	33,710
Finished goods	779,436	782,263
Total stocks	**995,033**	**997,591**
Inventory obsolescence reserve	(162,626)	(166,042)
Total inventories	**832,407**	**831,549**

Stock levels as of June 30, 2018 were in line with December 31, 2017. The decrease in inventory obsolescence reserve (Euro 3.4 million) was mainly due to their adjustment in light of the different ageing levels of inventories and the different mix of stocks. During the first six months of 2018 the Group accrued Euro 30,0 million to obsolescence reserve.

9. OTHER CURRENT ASSETS and TAX RECEIVABLES

These items comprise:

Other current assets and tax receivables *(Euro/000)*	**June 30, 2018**	**December 31, 2017** ***Restated***
Tax receivables	**26,704**	**66,105**
Sales tax receivables	40,758	47,422
Accrued income	1,752	1,044
Costs for contracts with customers	5,872	5,442
Right to recover returned goods (asset)	3,888	1,789
Derivative instruments - assets	3,816	5,260
Other assets	46,106	44,020
Total other financial assets	**102,192**	**104,977**
Advances to suppliers	43,700	13,636
Prepaid expenses	69,957	52,973
Other assets	10,608	2,361
Total other non-financial assets	**124,265**	**68,970**
Total other current assets	**226,457**	**173,947**

Tax receivables declined by Euro 39.4 million from December 31, 2017, largely because Luxottica Group and Luxottica US Holdings used their receivables for direct taxes against taxes owed for the period.

The Euro 2.8 million reduction in *Other current financial assets* was largely the result of the net Euro 6.7 million decline in *Sales tax receivables*—partially offset by minor increases in other items. As of June 30, 2018, the line item also included: (i) Euro 3.8 million in receivables arising from exchange rate risk hedges (Euro 5.3 million as of December 31, 2017); (ii) Euro 5.9 million in costs for contracts with customers

capitalized in accordance with IFRS 15; and (iii) the asset for the right to recover returned goods from customers, estimated at Euro 3.9 million and included within this line item pursuant to IFRS 15. In addition, the opening balance of the line item was restated, recognizing a Euro 7.2 million increase (including Euro 5.4 million related to *Costs for contracts with customers* and Euro 1.8 million referring to the *Right to recover returned goods (asset)*) to reflect the impact of the adoption of the new international accounting standard IFRS 15 (for more information, see Note 3—New accounting standards).

The increase in *Other current non-financial assets* compared to December 31, 2017 was largely the result of:

(i) Euro 30.1 million in *Advances to suppliers*, mainly attributable to the short-term portion of the upfront payment (totaling USD 100 million, of which USD 60 million paid during the period) recognized under the Bass Pro agreement;

(ii) Euro 17.0 million in *Prepaid expenses*;

(iii) Euro 8.2 million in *Other assets*, referring to the higher advance payments made for guaranteed minimum royalties related to some of the Group's licenses.

The carrying amount of financial assets is approximately equal to their fair value and also corresponds to the maximum exposure to credit risk. The Group has no guarantees or other instruments to mitigate credit risk.

NON-CURRENT ASSETS

10. PROPERTY, PLANT AND EQUIPMENT

Below are the changes in *property, plant and equipment* during the first six months of 2018:

Property, plant and equipment *(Euro/000)*	**Land and buildings, including leasehold improvements**	**Industrial plant, machinery and equipment**	**Aircraft**	**Other equipment**	**Total**
As of December 31, 2017					
Historical cost	1,363,884	1,637,483	11,362	1,055,613	4,068,342
Accumulated depreciation	(659,647)	(1,065,074)	(2,002)	(532,785)	(2,259,508)
Total as of December 31, 2017	**704,237**	**572,409**	**9,360**	**522,828**	**1,808,834**
1st Half 2018					
Increases	49,182	36,350	-	122.279	207,811
Decreases	(528)	(2,041)	-	(4,115)	(6,684)
Business combinations	4,515	285	-	524	5,324
Translation differences and other changes	114,318	54,772	-	(150,289)	18,901
Depreciation	(36,900)	(68,897)	(281)	(38,727)	(144,805)
Total as of June 30, 2018	**834,924**	**592,878**	**9,079**	**452,500**	**1,889,380**
Of which					
Historical cost	1,533,317	1,732,497	11,362	1,010,687	4,287,863
Accumulated depreciation	(698,393)	(1,139,619)	(2,283)	(558,187)	(2,398,482)
Total as of June 30, 2018	**834,924**	**592,878**	**9,079**	**452,500**	**1,889,380**

Of the total depreciation expense of Euro 144.8 million as of June 30, 2018 (Euro 160.1 million in the same period of 2017), Euro 54.5 million (Euro 54.7 million in the same period of 2017) is included in *Cost of sales*, Euro 68.5 million (Euro 77.5 million in the same period of 2017) in *Selling expenses*, Euro 6.1 million (Euro 7.5 million in the same period of 2017) in *Advertising expenses*, and Euro 15.6 million (Euro 20.4 million in the same period of 2017) in *General and administrative expenses*.

Capital expenditures in the first six months of 2018 mainly relate to routine technology upgrades to the manufacturing infrastructure, the opening of new stores, and the remodeling of older stores. In the first six months of 2018, the Group recognized a Euro 49.2 million increase in the sub-line item *Land and buildings*, largely associated with the restructuring of the offices in New York. The leasehold improvements included within this sub-line item totaled Euro 241.7 million and Euro 213.2 million as of June 30, 2018 and December 31, 2017, respectively.

Other property, plant and equipment included Euro 202.4 million in assets under construction as of June 30, 2018 (Euro 267.4 million as of December 31, 2017).

The amount included within “business combinations” mainly represents the fair value of Fukui Megane's property, plant and equipment. For more details, see Note 4—Business combinations.

Management did not deem it necessary to make adjustments to property, plant and equipment, as no impairment indicators were identified during the first six months of 2018.

11. GOODWILL AND INTANGIBLE ASSETS

Below are the changes in goodwill and intangible assets in the first six months of 2018:

Intangible assets *(Euro/000)*	**Goodwill**	**Trade names and trademarks**	**Customer relations, contracts and lists**	**Franchise agreements**	**Others**	**Total**
As of December 31, 2017						
Historical cost	3,622,396	1,743,751	268,013	23,931	1,126,194	6,784,285
Accumulated depreciation	-	(1,062,146)	(156,452)	(15,261)	(702,554)	(1,936,413)
Total as of December 31, 2017	**3,622,396**	**681,605**	**111,561**	**8,670**	**423,640**	**4,847,872**
PPA Óticas Carol	*(14,171)*	*20,934*				*6,763*
Total as of December 31, 2017 *Restated*	**3,608,225**	**702,539**	**111,561**	**8,670**	**423,640**	**4,854,635**
1st Half 2018						
Increases	-	3	-	-	33,723	33,726
Decreases	-	-	-	-	(154)	(154)
Business combinations	7,016	-	-	-	63	7,079
Translation differences and other changes	44,886	5,817	595	226	4,032	55,556
Depreciation	-	(36,739)	(6,876)	(593)	(62,232)	(106,440)
Total as of June 30, 2018	**3,660,127**	**671,620**	**105,280**	**8,303**	**399,072**	**4,844,402**
Of which						
Historical cost	3,660,127	1,786,189	271,989	24,618	1,142,693	6,885,616
Accumulated depreciation	-	(1,114,569)	(166,709)	(16,315)	(743,621)	(2,041,214)
Total as of June 30, 2018	**3,660,127**	**671,620**	**105,280**	**8,303**	**399,072**	**4,844,402**

The amortization expense of intangible assets totaled Euro 106.4 million (Euro 117.0 million in the same period of 2017), with Euro 88.0 million (Euro 94.2 million in the same period of 2017) included in *General and administrative expenses*, Euro 12.2 million (Euro 14.6 million in the same period of 2017) in *Selling expenses*, and Euro 6.2 million (Euro 8.2 million in the same period of 2017) in *Cost of sales*.

The increase in *Other intangible assets* was mainly due to the investments aimed at improving the Group's IT infrastructure.

The amount included within "business combinations" mainly represents the fair value of Fukui Megane's property, plant and equipment. For more details, see Note 4—Business combinations.

No impairment indicators were identified during the first half of 2018 as far as groups of cash-generating units used for monitoring goodwill are concerned. In addition, the impairment tests on intangible assets with finite useful lives did not require making adjustments to their amount.

12. INVESTMENTS

The line item amounted to Euro 18.0 million (Euro 14.5 million as of December 31, 2017) and included Euro 4.1 million (Euro 3.6 million as of December 31, 2017) in the equity-accounted investment in the associate Eyebiz Laboratories pty Limited (a joint venture between Luxottica and Essilor International set up in 2010). In addition, this line item included unconsolidated investments over which the Group does not exercise significant influence. In accordance with IFRS 9, these were classified as financial assets at fair value through profit or loss ("FVPL"). Euro 2.8 million worth of said investments were recognized following business combinations finalized during the period.

13. OTHER NON-CURRENT ASSETS

Other non-current assets *(Euro/000)*	**June 30, 2018**	**December 31, 2017** ***Restated***
Other financial assets	153,716	70,661
of which Costs for customer contracts	*9,894*	*7,155*
Other non-financial assets	9,233	10,250
Total other non-current assets	**162,949**	**80,911**

Other financial assets primarily included security deposits totaling Euro 70.2 million (Euro 36.5 million as of December 31, 2017). As of June 30, 2018, the line item also included: (i) the positive amount of North American pension plan assets, totaling Euro 11.2 million (negative as of December 31, 2017); and (ii) the non-current portion of the upfront payment recognized under the Bass Pro agreement, amounting to Euro 36.3 million.

The opening balance of *Other financial assets* was restated by Euro 7.2 million to reflect the impact of the adoption of the new international accounting standard IFRS 15 (for more information, see Note 3—New accounting standards).

Other non-financial assets primarily included advance payments made to certain licensees for future contractual minimum royalties, totaling Euro 9.2 million (Euro 10.3 million as of December 31, 2017).

14. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

The balance of deferred tax assets and liabilities as of June 30, 2018 and December 31, 2017 was as follows:

Deferred tax *(Euro/000)*	**June 30, 2018**	**December 31, 2017** ***Restated***
Deferred tax assets	127,166	130,453
Deferred tax liabilities	158,536	157,601
Deferred tax liabilities (net)	**31,370**	**27,147**

Deferred tax assets mainly referred to the temporary differences between the tax base and the carrying amount of inventories, property, plant and equipment, intangible assets, pension funds, and provisions for risks, as well as tax losses that can be carried forward. Deferred tax liabilities mainly referred to the temporary differences between the tax base value and the carrying amount of intangible assets and

property, plant and equipment.

CURRENT LIABILITIES

15. BORROWINGS FROM BANKS

Short-term borrowings from banks as of June 30, 2018 and 2017 reflected current account overdrafts as well as uncommitted credit lines 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 June 30, 2018 and December 31, 2017, Luxottica Group had unused short-term lines of credit of approximately Euro 895.8 million and Euro 897.3 million, respectively.

The Company and its Italian subsidiaries Luxottica S.r.l. and Luxottica Italia S.r.l. maintain unsecured credit lines with leading banks for a total of Euro 540.1 million. These credit lines can be renewed annually, can be canceled at short notice, and have no commitment fees. As of June 30, 2018, these credit lines were not utilized.

Luxottica U.S. Holdings maintains unsecured credit lines with two separate banks totaling Euro 107.8 million (USD 125.7 million). These credit lines can be renewed annually, can be canceled at short notice, and have no commitment fees. As of June 30, 2018, these credit lines were not utilized and there were Euro 41.4 million worth of standby letters of credit outstanding.

The average interest rate on the above credit lines is negotiated with the banking counterparties when they are used.

The book value of borrowings from banks is approximately equal to their fair value.

16. CURRENT PORTION OF MEDIUM/LONG-TERM DEBT

The current portion of the Group's long-term debt totaled Euro 704.9 million (Euro 150.4 million as of December 31, 2017). Please see Note 21—Long-term financial debt for more details.

17. ACCOUNTS PAYABLE

Accounts payable amounted to Euro 895.6 million (Euro 906.7 million as of December 31, 2017). The line item was essentially unchanged from December 31, 2017.

The carrying amount of accounts payable is approximately equal to their fair value.

18. TAX PAYABLE

Below is the breakdown of this line item:

Current taxes payable *(Euro/000)*	**June 30, 2018**	**December 31, 2017**
Income taxes payable	200,357	49,291
Income tax advance payments	(45,973)	(26,992)
Total	**154,384**	**22,299**

The expected adjusted tax rate for the full year is 27.5%. The increase in taxes payable is due to the timing of the tax payments in the different jurisdictions in which the Group operates.

19. SHORT-TERM PROVISIONS FOR RISKS

Below is the breakdown of the line item as of June 30, 2018 and December 31, 2017:

Short term provisions for risks *(Euro/000)*	**June 30, 2018**	**December 31, 2017** ***Restated***
Legal risks	1,608	1,929
Self-insurance	6,055	6,532
Tax provision	50,095	54,106
Returns	58,594	63,866
Other risks	39,447	44,581
Total	**155,800**	**171,015**

Below are the changes in short-term provisions for risks between December 31, 2017 and June 30, 2018:

Short term provisions for risks *(Euro/000)*	**Legal risks**	**Self-insurance**	**Tax provision**	**Returns**	**Other risks**	**Total**
Balance as of January 1, 2018 *Restated*	**1,929**	**6,532**	**54,106**	**63,866**	**44,581**	**171,015**
Increases	134	2,978	10,999	16,117	26,904	57,132
Utilization	(311)	(3,620)	(20,255)	(22,014)	(31,238)	(77,437)
Translation differences, reclassifications, and other changes	(144)	166	5,245	624	(799)	5,091
Balance as of June 30, 2018	**1,608**	**6,055**	**50,095**	**58,594**	**39,447**	**155,800**

The item *Self-insurance* includes provisions made since the Group insures itself against certain risks. The Group 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 Group's liability is estimated using historical claims experience and the industry average.

The provision for *Returns* was down Euro 5.3 million, largely because of net reversals in Europe and the United States. The opening balance of the provision for *Returns* was restated by Euro 1.8 million to reflect the impact of the new international accounting standard IFRS 15 (for more information, see Note 3—New accounting standards).

Other risks were down Euro 5.1 million, mainly because of Euro 2.7 million in net reversals recognized by

20. OTHER CURRENT LIABILITIES

Other current liabilities *(Euro/000)*	**June 30, 2018**	**December 31, 2017** ***Restated***
Salaries payable	303,526	347,209
Due to social security authorities	45,783	48,812
Sales taxes payable	80,693	68,956
Rents and leases	27,301	26,926
Insurance	11,947	10,637
Sales commissions payable	6,729	7,975
Premiums and discounts	2,265	7,672
Royalties payable	730	2,426
Derivative financial instruments	1,804	3,408
Other financial liabilities	188,461	170,906
Total financial liabilities	**669,239**	**694,928**
Deferred income	59,107	69,992
Other liabilities	-	-
Total liabilities	**59,107**	**69,992**
Total other current liabilities	**728,346**	**764,920**

The most significant change in *Financial liabilities* was attributable to the decrease in *Salaries payable* associated with the year-end bonuses paid in the first quarter of 2018.

The opening balance of *Other financial liabilities* and *Deferred income* was restated by Euro 0.5 million to reflect the impact of the new international accounting standard IFRS 15 (for more information, see Note 3—New accounting standards).

NON-CURRENT LIABILITIES

21. LONG-TERM FINANCIAL DEBT

As of June 30, 2018, long-term financial debt (current and non-current portion) totaled Euro 1,826.9 million, including Euro 1,122.0 in non-current debt (Euro 1,821.7 million, including Euro 1,671.3 million in non-current debt, as of December 31, 2017).

Below are the changes in long-term financial debt (current and non-current portion) between December 31, 2017 and June 30, 2018.

Long-term financial debt (current and non-current portion) *(Euro/000)*	**Luxottica Group S.p.A. credit agreements with various financial institutions**	**Unsecured guaranteed notes**	**Other loans from banks and third parties**	**Total**
Balance as of January 1, 2018	**499,068**	**1,288,522**	**34,102**	**1,821,692**
New loans	-	-	19,816	19,816
Repayments	-	-	(19,807)	(19,807)
Loans acquired as a result of business acquisitions	-	-	12,236	12,236
Amortization of bank fees and interests	60	(14,164)	-	(14,104)
Translation reserve	-	6,229	883	7,112
Balance as of June 30, 2018	**499,128**	**1,280,587**	**47,229**	**1,826,944**

The Group uses debt financing to raise financial resources for medium/long-term business operations, and mainly to finance acquisitions. The Group carries out debt restructuring transactions, such as the placement of unsecured guaranteed notes with qualified investors, in order to take advantage of favorable market conditions. The loans in the following table contain financial and operating covenants calculated as described in Note 3—Financial risks (*Default risk: negative pledges and financial covenants*) of the Notes to the Consolidated Financial Statements as of December 31, 2017. These covenants were satisfied as of June 30, 2018.

In the first half of 2018, the Group did not take on new long-term financial debt; the acquisition of Fukui Megane caused *Other loans from banks and third parties* to increase by Euro 12.2 million.

The table below summarizes the Group's long-term financial debt outstanding as of June 30, 2018:

Description	Series	Issuer	Issue Date	Cur.	Initial Debt	Outstanding amount as of June 30, 2018	Coupon /Pricing	Interest rate as of June 30, 2017	Maturity
Private Placement	C	Luxottica US Holdings	7/1/2008	USD	128,000,000	128,000,000	6.770%	6.770%	7/1/2018
Private Placement	F	Luxottica US Holdings	1/29/2010	USD	75,000,000	75,000,000	5.390%	5.390%	1/29/2019
Bond (Listed on Luxembourg Stock Exchange/no covenants)		Luxottica Group Spa	3/19/2012	EUR	500,000,000	500,000,000	3.625%	3.625%	3/19/2019
Private Placement	E	Luxottica US Holdings	1/29/2010	USD	50,000,000	50,000,000	5.750%	5.750%	1/29/2020
Private Placement	H	Luxottica Group Spa	9/30/2010	EUR	50,000,000	50,000,000	4.250%	4.250%	9/15/2020
Bond (Listed on Luxembourg Stock Exchange/no covenants)		Luxottica Group Spa	2/10/2014	EUR	500,000,000	500,000,000	2.625%	2.625%	2/10/2024
Facility agreement Natixis.		Luxottica Group Spa	3/10/2017	EUR	250,000,000	250,000,000	0.62% + Euribor	0.296%	3/10/2022
Facility agreement Intesa		Luxottica Group Spa	3/10/2017	EUR	250,000,000	250,000,000	0.70% + Euribor	0.376%	3/10/2022
Sundry Bank Loans		Fukui Megane	Miscellaneous	JPY	1,663,538,000	1,663,538,000	Miscellaneous	Miscellaneous	Miscellaneous

With regard to material long-term financial debt, the following should be noted:

- on March 19, 2012, Luxottica Group S.p.A. completed an offering in Europe to institutional investors of Euro 500 million of senior unsecured guaranteed notes due March 19, 2019. The Notes expire on March 19, 2019 and interest is calculated at an annual rate of 3.625%. The notes are guaranteed by Luxottica US Holdings Corp. and Luxottica S.r.l.. The Notes are listed on the Luxembourg Stock Exchange under ISIN XS0758640279;
- on April 29, 2013, the Group's Board of Directors authorized a Euro 2 billion "Euro Medium Term Note Program" pursuant to which Luxottica Group S.p.A. may from time to time offer notes to institutional 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 Program. The Notes expire on February 10, 2024 and interest is calculated at an annual rate of 2.625%. The Notes are listed on the Luxembourg Stock Exchange under ISIN XS1030851791.

The fair value of long-term debt as of June 30, 2018 amounted to Euro 1,877.2 million (Euro 1,901.0 million as of December 31, 2017). 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. The above fair value does not include lease obligations totaling Euro 32.4 million.

Long-term debt matures as follows:

Period/Year	(Euro/000)
July 1, 2018 – June 30, 2019	704,940
July 1, 2019 – June 30, 2020	54,285
July 1, 2020 – June 30, 2021	58,124
July 1, 2021 – June 30, 2022	506,487
Subsequent years	508,249
Effect deriving from the adoption of the amortized cost method	(5,141)
Total	**1,826,944**

The *Net Financial Debt* calculated in accordance with CONSOB communication no. DEM/6064293 dated July 28, 2006 and the CESR recommendation dated February 10, 2005 "*Recommendation for the consistent application of the European Commission regulation on Prospectus*" is as follows:

	Net Financial Debt *(Euro/000)*	**Note**	**June 30, 2018**	**December 31, 2017**
A	Cash	6	986,335	1,159,320
B	Other cash equivalents		-	-
C	**Liquidity (A) + (B)**		**986,335**	**1,159,320**
D	**Current financial receivables**		-	-
E	Current bank borrowings	16	58,668	77,486
F	Current portion of long-term debt	16	704,938	150,411
G	Foreign exchange rate hedges (negative fair value)	20	1,804	3,408
H	Exchange rate hedges (positive fair value)	9	(3.816)	(5.260)
I	**Current financial debt (E) + (F) +(G) + (H)**		**761,594**	**226,045**
J	**Net liquidity (I) - (C) - (D)**		**(224,741)**	**(933,275)**
K	Non-current bank borrowings	21	510,613	500,000
L	Notes issued	21	587,781	1,148,275
M	Interest rate hedges	24	1,910	(487)
N	Other non-current debt	21	23,611	23,006
O	**Non-current financial debt (K) + (L) + (M) + (N)**		**1,123,915**	**1,670,794**
P	**NET FINANCIAL DEBT (J) + (O)**		**899,174**	**737,519**

Below is the reconciliation between the above Net Financial Debt and the Net Financial Position presented in the Management Report:

Reconciliation *(Euro/000)*	June 30, 2018	December 31, 2017
Net Financial Debt	**899,174**	**737,519**
Current foreign exchange rate hedges (positive fair value)	3,816	5,260
Current foreign exchange rate hedges (negative fair value)	(1,804)	(3,408)
Non-current interest rate hedges	(1,910)	487
Net financial position of the Group presented in the Management Report	**899,276**	**739,858**

Financial transactions with related parties are to be considered immaterial.

In order to determine the fair value of financial instruments, the Group utilizes valuation techniques based on observable market prices (Mark to Model). These techniques therefore fall within Level 2 of the fair value hierarchy set out in IFRS 13 *Fair Value Measurement*.

IFRS 13 sets out a hierarchy of valuation techniques 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);
- **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 this regard, it should be noted that when deciding which valuation techniques to adopt, the Group uses the following hierarchy:

- use of prices found in (not active) markets 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 non-observable market data.

As of June 30, 2018, the Company did not use input data requiring to include the related financial instruments within level 3 for the determination of fair value.

The Group determined the fair value of the derivatives outstanding as of June 30, 2018 through valuation techniques which are commonly used for instruments similar to those traded by the Group. The models applied to measure 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 at the measurement date).

The Group implemented procedures to determine the fair value of assets and liabilities using the best data available.

The following table shows the Group's financial assets and liabilities measured at fair value (except for the assets recognized under *Investments*. See Note 12—*Investments*):

Description (Euro/000)	Classification	June 30, 2018	Fair Value measurements at reporting date using: Level 1	Level 2	Level 3
Forward exchange rate contracts	Other current assets	3,816	-	3,816	-
Forward exchange rate contracts	Other current liabilities	1,804	-	1,804	-
Interest rate derivatives	Other non-current liabilities	1,910	-	1,910	-

Description (Euro/000)	Classification	December 31, 2017	Fair Value measurements at reporting date using: Level 1	Level 2	Level 3
Forward exchange rate contracts	Other current assets	5,260	-	5,260	-
Interest rate derivatives	Other non-current assets	487	-	487	-
Forward exchange rate contracts	Other current liabilities	3,408	-	3,408	-

22. EMPLOYEE BENEFITS

Employee benefits amounted to Euro 118.0 million (Euro 121.6 million as of December 31, 2017) and largely included liabilities relating to:

(i) Euro 54.1 million in post-employment benefits (Euro 54.2 million as of December 31, 2017);

(ii) Euro 9.8 million in benefits for the employees of US subsidiaries (Euro 39.0 million as of December 31, 2017);

(iii) Euro 38.8 million in the long-term incentive (LTI) plan approved by the Company's Board of Directors in October 2016 (Euro 28.4 million as of December 31, 2017); and

(iv) Euro 15.2 million in the long-term incentive (LTI) plan approved by the Company's Board of Directors in December 2017 (Euro 0.1 million as of December 31, 2017). Whereas the previous plan was recognized in accordance with IAS 19 *Employee Benefits*, this plan was recognized pursuant to IFRS 2 *Share-based Payment* because it includes an option for the conversion into equity instruments.

Recipients will receive the monetary bonus at the end of the plan period, i.e. approximately 3 years, if the relevant conditions precedent are not fulfilled (for instance, the recipient leaves the Group during the plan period).

The decline from December 31, 2017 was largely due to actuarial changes concerning the provisions for employee benefits of the US subsidiaries as well as the provisions set aside during the period for the two LTI plans mentioned above.

23. LONG-TERM PROVISIONS FOR RISKS

Below is the breakdown of the line item as of June 30, 2018 and December 31, 2017:

Long-term provisions for risks *(Euro/000)*	June 30, 2018	December 31, 2017
Legal risks	18,576	19,140
Self-insurance	25,840	23,855
Tax provision	43,371	47,005
Warranty	7,904	7,755
Other risks	32,314	32,697
Total	**128,005**	**130,453**

Below are the changes in the long-term provision for risks between December 31, 2017 and June 30, 2018:

Long-term provisions for risks *(Euro/000)*	Legal risks	Self-insurance	Tax provision	Warranty	Other risks	Total
Balance as of December 31, 2017	**19,140**	**23,855**	**47,005**	**7,755**	**32,697**	**130,453**
Increases	1,437	5,028	1,131	724	(659)	7,662
Utilization	(902)	(3,776)	(79)	(361)	(794)	(5,913)
Translation differences, reclassifications, and other changes	(1,100)	733	(4,686)	(214)	1,069	(4,197)
Balance as of June 30, 2018	**18,576**	**25,840**	**43,371**	**7,904**	**32,314**	**128,005**

Other risks mainly included: *(i)* Euro 5.6 milioni in provisions for risks related to disputes with agents of the Italian entities (Euro 5.5 million as of December 31, 2017); *(ii)* Euro 12.2 million in provisions for contingent liabilities recognized as a result of business combinations (Euro 9.5 million as of December 31, 2017); (iii) Euro 2.9 million provisions associated with the renovation of the stores of some entities in the *Retail* segment (Euro 2.3 million as of December 31, 2017).

Please refer to Note 19—Short-term provisions for risks for additional details related to the provisions for self-insurance.

24. OTHER NON-CURRENT LIABILITIES

The balance of other liabilities totaled Euro 79.8 million (Euro 76.6 million as of December 31, 2017).

The balance mainly included Euro 37.9 million in long-term liabilities of the North American *Retail* division (Euro 33.5 million as of December 31, 2017) and Euro 1,9 million in fair value of Interest rate hedges.

In addition, the opening balance was restated by Euro 1.9 million to reflect the impact of the new international accounting standard IFRS 15 (for more information, see Note 3—New accounting standards).

25. STOCKHOLDERS' EQUITY

Share capital

The share capital of Luxottica Group S.p.A. as of June 30, 2018 amounted to Euro 29,107,831.98 and was

comprised of 485,130,533 ordinary shares with a par value of Euro 0.06 each.

The share capital of Luxottica Group S.p.A. as of January 1, 2018 amounted to Euro 29,100,961.98 and was comprised of 485,016,033 ordinary shares with a par value of Euro 0.06 each.

Following the exercise of 114,500 options to purchase ordinary shares granted to employees under existing stock option plans, the share capital increased by Euro 6,870 during the first six months of 2018.

The total options exercised in the first six months of 2018 numbered 114,500, of which 3,000 referred to the 2009 plan, 10,000 referred to the Extraordinary 2009 plan (reassignment of the 2006 performance plan), 5,000 referred to the 2010 plan, 19,000 referred to the 2011 ordinary plan, and 77,500 referred to the 2012 ordinary plan.

Legal reserve

This reserve represents the portion of the Parent’s earnings that are not distributable as dividends, in accordance with Article 2430 of the Italian Civil Code.

Share premium reserve

This reserve increases following the exercise of options.

Retained earnings

These include the subsidiaries’ earnings that have not been distributed as dividends and the amount of the consolidated companies’ equity in excess of the corresponding carrying amounts of the relevant investments. This item also includes amounts arising as a result of consolidation adjustments. In addition, the opening balance was restated by Euro 7.2 million to reflect the impact of the new international accounting standard IFRS 15 (for more information, see Note 3—New accounting standards) as well as the finalization of the PPA of Óticas Carol (for more information, see Note 4—Business combinations).

Translation of foreign operation and other

Translation differences are generated by the translation into Euro of financial statements prepared in currencies other than Euro.

Treasury shares

Treasury shares amounted to Euro 247.8 million as of June 30, 2018 (Euro 256.7 million as of December 31, 2017). The Euro 8.9 million decrease is due to the 446,767 treasury shares granted to employees, totaling Euro 8.9 million, as the Group achieved the financial targets under the 2015 ordinary and extraordinary Performance Share Plan (‘‘PSP’’). As of June 30, 2018, the Group held 6,071,922 treasury shares.

26. NON-CONTROLLING INTERESTS

Equity attributable to non-controlling interests amounted to Euro 7.4 million and Euro 5.5 million as of June 30, 2018 and December 31, 2017, respectively. The increase was largely attributable to the recognition of the non-controlling interest in Fukui Megane (Euro 3.3 million) net of Euro 1.9 million in dividends paid to third-party shareholders. The net income for the period attributable to non-controlling interests as of June 30, 2018 amounted to Euro 0.6 million (Euro 1.5 million as of June 30, 2017).

27. INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

In addition to the information set out below, please refer to Note 3—Financial Results in the Management Report on the Interim Consolidated Financial Results as of June 30, 2018.

Revenue by category

The break-down of revenues by category was as follows:

Revenue by category	Six-month periods ending June 30	
(Euro/000)	2018	2017
Sales of products	4,128,328	4,479,027
Vision care business	360,656	386,162
Eye-exam and related professional fees	32,318	36,865
Income from franchisee royalties	31,245	29,577
Total net sales	**4,552,547**	**4,931,632**

Analysis of expenses by nature

The reconciliation of the expenses by function to the expenses by nature was as follows:

Analysis of expenses by nature	Six-month periods ending June 30	
(Euro/000)	2018	2017 *Restated*
Cost of sales	1,617,507	1,716,197
Selling expenses, royalties, advertising expenses	1,763,215	1,904,373
General and administrative expenses	409,132	442,523
Total expenses by function	**3,789,854**	**4,063,094**
Employee benefit expenses	1,317,685	1,390,910
Consumption	646,071	754,729
Lease expenses	421,994	383,367
Production costs	360,868	386,256
Depreciation and amortization	251,168	277,110
Advertising expenses	150,513	162,284
Logistics costs	109,510	107,704
Trade marketing	72,817	80,199
Royalties	81,222	89,126
Share-based payments	1,934	3,431
Other	376,071	431,399
Total expenses by nature	**3,789,854**	**4,063,094**

Other income and expenses

The breakdown of other income and expenses was as follows.

Other Income and Expenses *(Euro/000)*	**Six-month periods ending June 30** 2018	2017
Interest expense on bank overdrafts	(81)	(509)
Interest expense on loans	(26,456)	(32,531)
Financial expenses on derivatives	(5,760)	(5,312)
Other financial expenses	(1,863)	(32,394)
Total financial expenses	**(34,160)**	**(70,746)**
Interest income on bank accounts	5,816	5,655
Financial income on derivatives	1,844	1,853
Other financial income	1,284	950
Total financial income	**8,944**	**8,458**
Net income/(expenses) from derivative financial instruments and translation differences	(2,301)	(1,457)
Other income/(expenses)	(334)	46,982
Total Other net income/(expenses)	**(2,635)**	**45,524**

The item *Other financial expenses* included Euro 30.8 million for the six months period ended June 30, 2017 in non-recurring charges relating to the early repayment of the Regulation I private placement contracted by Luxottica US Holdings on December 15, 2011 and the early repayment of the bank loans contracted by Salmoiraghi & Viganò on December 23, 2015.

Other income/(expenses) included the economic impact of the measurement of equity-accounted investees as well as investments classified as financial assets at fair value through profit or loss, totaling Euro 0.4 million as of June 30, 2018 (Euro 1.0 million in the first half of 2017). In the prior-year period, the item included Euro 48.7 million in non-recurring income relating to the capital gains on the sale of a property owned by the Group and sold in March 2017.

28. COMMITMENTS AND RISKS

The Group has commitments under contractual agreements in place. Such commitments related to the following:

- royalty agreements signed with certain designers, whereby the Group is required to pay royalties and advertising fees calculated as a percentage of turnover, guaranteeing, in some cases, a minimum annual amount. The future minimum payments amounted to Euro 815.2 million as of June 30, 2018 and Euro 896.1 million as of December 31, 2017;
- rental and operating lease agreements concerning mainly stores, plants, warehouses, and offices. These agreements can be renewed on different terms and conditions and may include variable lease payments linked to the achievement of the sales levels set out in the agreement, which are not included in the amount reported below. Future minimum lease payments amounted to Euro 1.7 billion as of June 30, 2018 and Euro 1.5 billion as of December 31, 2017;
- other commitments relating to future payments associated with sponsorship agreements (Euro 11.6 million), commitments to buy fixed assets (Euro 49.3 million), and other commitments (Euro 177.2 million).

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 amounted to Euro 0.5 million (USD 0.6 million) as of June 30, 2018 (Euro 1.1 million as of December 31, 2017). The commitments provided for by the guarantee arise if the franchisee cannot honor its financial obligations under the lease agreements. A liability has been recognized based on the present value of the estimated fair value of the commitments related to the guarantees. This liability is not material to the condensed consolidated interim financial statements as of June 30, 2018.

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" or "Authority") 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. This statement outlined the preliminary position of the Authority in relation to the alleged anti-competitive practices and did not anticipate any content of the final decision.

In August 2015, the Company and the French Subsidiaries filed their response to the Statement of Objections. In 2016, the FCA received additional information, as it is typical in these types of proceedings. In July 2016, the FCA issued a report (the "Raport") 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 Raport. Following such filing, a final hearing was held on December 15, 2016. On February 24, 2017, Luxottica was notified of the FCA's decision on the proceedings. The FCA concluded that there was insufficient evidence to confirm the anti-competitive practices alleged in the Raport and referred the case back to FCA's investigation services department for further review and, possibly, the issuance of a supplementary statement of objections. No fines or sanctions were imposed in connection with the FCA's ruling dated February 24, 2017.

Given the current state of the proceeding, the Company, with the support of external legal consultants, quantified the risk of a potential liability for Luxottica as being unlikely and also concluded that it is impossible to quantify the amount associated with the potential liability relating to this proceeding. The outcome of such proceedings is by nature uncertain, and it is thus impossible to know, should the proceeding result in a ruling against Luxottica, whether this will have material repercussions on the operating and financial results.

Other proceedings

The Group is a defendant in various other legal and fiscal lawsuits arising in the ordinary course of business. Management believes it has adopted adequate defense strategies in such disputes, 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 Group's consolidated financial position or results of operations.

29. RELATED PARTY TRANSACTIONS

License Agreements

The Group executed an exclusive worldwide license for the production and distribution of Brooks Brothers branded eyewear. The brand is held by Brooks Brothers Group, Inc., which is owned and controlled by Claudio Del Vecchio. The license expired on December 31, 2015 and has been renewed until December 31, 2019. The Group paid Euro 0.5 million in the first six months of 2018 and Euro 0.3 million in 2017 to Brooks Brothers Group, Inc.. Management believes that the terms of the license agreement are fair to the Company.

Technology Advisory Agreements

The Group has entered into agreements with entities owned or controlled by Francesco Milleri, who was co-opted on March 1, 2016 as acting Director, appointed Deputy Chairman of Luxottica Group S.p.A. on April 29, 2016, and appointed CEO on December 15, 2017. These agreements primarily concern the implementation/development of the Group's IT platforms.

The costs incurred for the services rendered by the entities owned by Francesco Milleri amounted to Euro 14.1 million in the first six months of 2018 and Euro 10.2 million in the prior-year period. In the first six months of 2018, Euro 12.2 million in such costs were capitalized within the line item intangible assets (Euro 8.7 million in the prior-year period). The net carrying amount of these assets as of June 30, 2018 totaled Euro 36.5 million, compared to Euro 29.6 million as of December 31, 2017.

On April 26, 2016, the Company entered into a two-year framework agreement with the companies owned by Francesco Milleri for the implementation and development of the Group's IT platforms. On November 13, 2017, this agreement was amended and supplemented to: (i) include the provision of digital IT services; (ii) extend the agreement by three years, through April 25, 2019. This addendum was approved by Luxottica Group S.p.A.'s Board of Directors.

A summary of related party transactions carried out during the first six month of 2018 is provided below. For this reason, the amounts shown below in the "Assets" column do not correspond to those shown in the consolidated statement of financial position because the latter shows the net carrying amount as of the reporting date. In addition, the amount of Euro 116,3 million included in consolidated statement of financial position under the line item *Property, plant and equipment* represents the net book value of the building purchased form Beni Stabili SIIQ S.p.A. during 2017. The decrease in net book value compared to December 31, 2017 is due to the depreciation recorded for the first six months of 2018.

Six months ended June 30, 2018 Related party *(Euro/000)*	Impact on the consolidated income statement		Impact on the consolidated statement of financial position	
	Revenues	Costs	Assets	Liabilities
Brooks Brothers Group, Inc.	86	463	-	237
Eyebiz Laboratories Pty Limited	481	16,058	9,975	5,130
Milleri's Group	-	1,972	12,163	12,395
Others	91	3,002	336	290
Total	**659**	**21,495**	**22,475**	**18,052**

Six months ended June 30, 2017 Related party *(Euro/000)*	Impact on the consolidated income statement		Impact on the consolidated statement of financial position	
	Revenues	Costs	Assets	Liabilities
Brooks Brothers Group, Inc.	-	260	2	246
Eyebiz Laboratories Pty Limited	739	24,967	7,210	8,614
Milleri's Group	-	933	17,326	4,336
Others	104	2,530	2,224	155
Total	**843**	**28,689**	**26,762**	**13,352**

With reference to the associate Eyebiz Laboratories Pty Limited, the amounts shown above in the "Assets" column includes the value of the investment accounted for applying the equity method.

Total remuneration due to key managers amounted to approximately Euro 14.2 million as of June 30, 2018 (Euro 11.7 million in the prior-year period).

In the first six months of 2018 and 2017, transactions with related parties resulted in cash outflows of approximately Euro 39.4 million and Euro 38.8 million, respectively.

The obligations to the companies owned by Francesco Milleri associated with the provision of IT services totaled Euro 2.1 million as of June 30, 2018 (Euro 5.7 million as of December 31, 2017).

30. EARNINGS PER SHARE

Basic and diluted earnings per share were calculated as the ratio of net income attributable to the stockholders of the Group for the first six months of 2018 and 2017, amounting to Euro 590,1 million and Euro 561.6 million, respectively, to the average weighted number of shares outstanding.

Basic earnings per share amounted to Euro 1.11 as of June 30, 2018, compared to Euro 1.18 in the prior-year period. Diluted earnings per share amounted to Euro 1.11 as of June 30, 2018, compared to Euro 1.18 in the same period of 2017.

The following table shows the reconciliation between the average weighted number of shares utilized to calculate basic and diluted earnings per share:

	1st half 2018	1st half 2017
Weighted average shares outstanding – basic	**478,844,659**	**477,671,101**
Effect of dilutive stock options	*66,507*	*459,783*
Weighted average shares outstanding – dilutive	**478,911,077**	**478,130,884**
Options not included in the calculation of dilutive shares, as the average strike price was greater than the average price during the reporting period and performance conditions had not been met	-	558,832

31. ATYPICAL AND/OR UNUSUAL TRANSACTIONS

During the reporting period, there were no atypical and/or unusual transactions, as defined by the CONSOB communication no. 6064293 dated July 28, 2006.

32. NON-RECURRING TRANSACTIONS

In the first six months of 2018, the Group recognized:

- non-recurring expenses, with a Euro 4.5 million and Euro 3.2 million impact on income before taxes and net income, respectively, associated with the costs of the merger plan with Essilor.

In the first six months of 2017, the Group recognized:

- non-recurring expenses, with a Euro 38.6 million and Euro 24.5 million impact on income before taxes and net income, respectively, associated with: (i) the early repayment of Euro 30.8 million worth of loans (Euro 19.0 million net of taxes), and (ii) Euro 7.9 million (Euro 5.5 million net of taxes) in costs related to the merger plan with Essilor
- non-recurring income, with a Euro 48.7 million and Euro 34.9 million impact on income before taxes and net income, respectively, relating to the capital gains on the sale of a property owned by the Group and sold in March 2017.

Cash flow related to non-recurring transactions led to a cash outflow equal to Euro 2.3 million during the first six months of 2018 and to a cash inflow equal to Euro 67.2 million in the same period of 2017.

33. PERFORMANCE SHARE PLANS

No new PSP plans were granted during the first six months of 2018.

34. SEASONAL AND CYCLICAL EFFECTS ON OPERATIONS

We have historically experienced sales volume fluctuations due to the seasonality associated with the sale of sunglasses, which represented 47.7% percent of our net sales in the first six months of 2018 (47.1% in the same period of 2017). Seasonality also affects *Accounts receivable* (see Note 7—Accounts receivable).

35. SUBSEQUENT EVENTS

On July 26, 2018 the antitrust regulator of the People's Republic of China (SAMR) has approved the proposed combination between Luxottica and Essilor after they made certain commitments with regard to the conduct of their business in China. For further details with respect to the transaction, reference should be made to Note 2 – Significant events in 2018 included in the Management Report on the Interim Financial Results as of June 30, 2018.

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Milan, July 23, 2018
Luxottica Group S.p.A.
On behalf of the Board of Directors

Francesco Milleri
(Deputy Chairman - CEO)

3. ATTACHMENTS

LIST OF INVESTMENTS

In compliance with CONSOB Regulation no. 6064293 dated July 28, 2006, the following table includes a list of Luxottica Group S.p.A.'s investments as of June 30, 2018. For each investment, the list provides the company's name, address, share capital, shares held directly and indirectly by the parent company and each of the subsidiaries, and the applicable consolidation method. In particular, all the companies listed below are consolidated on a line-by-line basis, except for those indicated with (***), which are consolidated using the equity method of accounting:

Investee Company	Investor Company	City	Country	Currency	Share Capital	Unit Par Value	Total No. Shares	No. Shares Held	% directly held	% Luxottica stockholders
AIR SUN	LUXOTTICA RETAIL NORTH AMERICA INC	MASON-OHIO	U.S.A.	USD	1.00	0.01	100.00	70.00	70.00	70.00
ALAIN MIKLI INTERNATIONAL SASU	LUXOTTICA GROUP SPA	PARIS	FRANCE	EUR	4,459,786.64	139.49	31,972.00	31,972.00	100.00	100.00
AUTANT POUR VOIR QUE POUR ETRE' VUES SARL	ALAIN MIKLI INTERNATIONAL SASU	PARIS	FRANCE	EUR	15,245.00	15.25	1,000.00	1,000.00	100.00	100.00
CAMPO VISUAL PARTICIPACOES LTDA	OTICAS CAROL SA	BARUERI	BRAZIL	BRL	58,908,000.00	1.00	58,908,000.00	58,907,999.00	100.00	100.00
	ORANGE COUNTY PARTICIPACOES SA	BARUERI	BRAZIL	BRL	58,908,000.00	1.00	58,908,000.00	1.00	0.00	100.00
CENTRE PROFESSIONNEL DE VISION USSC INC	OAKLEY INC	MISSISSAUGA-ONTARIO	CANADA	CAD	1.00	0.01	99.00	99.00	100.00	100.00
DAVID CLULOW LOUGHTON LIMITED	LUXOTTICA RETAIL UK LTD	LONDON	GREAT BRITAIN	GBP	2.00	1.00	2.00	1.00	50.00	50.00
DAVID CLULOW NEWBURY LIMITED	LUXOTTICA RETAIL UK LTD	LONDON	GREAT BRITAIN	GBP	2.00	1.00	2.00	1.00	50.00	50.00
EYE SAFETY SYSTEMS INC	OAKLEY INC	DOVER-DELAWARE	U.S.A.	USD	1.00	0.01	100.00	100.00	100.00	100.00

Investee Company	Investor Company	City	Country	Currency	Share Capital	Unit Par Value	Total No. Shares	No. Shares Held	% directly held	% Luxottica stockholders
EYEBIZ LABORATORIES PTY LIMITED* **	LUXOTTICA RETAIL AUSTRALIA PTY LTD	MACQUARIE PARK-NSW	AUSTRALIA	AUD	10,000,005.00	0.50	20,000,010.00	6,000,003.00	30.00	30.00
EYEMED INSURANCE COMPANY	LUXOTTICA US HOLDINGS CORP	PHOENIX-ARIZONA	U.S.A.	USD	300,000.00	1.00	300,000.00	300,000.00	100.00	100.00
EYEMED VISION CARE HMO OF TEXAS INC	OAKLEY INC	DALLAS-TEXAS	U.S.A.	USD	1,000.00	1.00	1,000.00	1,000.00	100.00	100.00
EYEMED VISION CARE IPA LLC	EYEMED VISION CARE LLC	NEW YORK-NEW YORK	U.S.A.	USD	1.00	1.00	1.00	1.00	100.00	100.00
EYEMED VISION CARE LLC	LUXOTTICA RETAIL NORTH AMERICA INC	DOVER-DELAWARE	U.S.A.	USD	1.00	1.00	1.00	1.00	100.00	100.00
EYEXAM OF CALIFORNIA INC	OAKLEY INC	LOS ANGELES-CALIFORNIA	U.S.A.	USD	10.00	0.01	1,000.00	1,000.00	100.00	100.00
FIRST AMERICAN ADMINISTRATORS INC	EYEMED VISION CARE LLC	PHOENIX-ARIZONA	U.S.A.	USD	1,000.00	1.00	1,000.00	1,000.00	100.00	100.00
FUKUI MEGANE INDUSTRY CO LTD	LUXOTTICA GROUP SPA	FUKUI	JAPAN	JPY	212,500.00	1.00	212,500.00	142,375.00	67.00	67.00
GLOBAL LUX DO BRASIL DISTRIBUIDORA E IMPORTADORA DE RELOGIO, ACESSORIOS E PRODUTOS OPTICOS LTDA	CAMPO VISUAL PARTICIPACOES LTDA	SÃO PAULO	BRAZIL	BRL	28,103,637.00	1.00	28,103,637.00	1.00	0.00	100.00
	OTICAS CAROL SA	SÃO PAULO	BRAZIL	BRL	28,103,637.00	1.00	28,103,637.00	28,103,636.00	100.00	100.00
GUANGZHOU MING LONG OPTICAL TECHNOLOGY CO LTD	LUXOTTICA (CHINA) INVESTMENT CO LTD	GUANGZHOU CITY	CHINA	CNY	645,500,000.00	1.00	645,500,000.00	645,500,000.00	100.00	100.00
LUNETTES GROUP LIMITED	LUXOTTICA HONG KONG WHOLESALE LIMITED	TAIPA	MACAU	MOP	1,000,000.00	1.00	1,000,000.00	10,000.00	1.00	100.00
	LUXOTTICA RETAIL HONG KONG LIMITED	TAIPA	MACAU	MOP	1,000,000.00	1.00	1,000,000.00	990,000.00	99.00	100.00

Investee Company	Investor Company	City	Country	Currency	Share Capital	Unit Par Value	Total No. Shares	No. Shares Held	% directly held	% Luxottica stockholders
LUXOTTICA (CHINA) INVESTMENT CO LTD	SUNGLASS HUT IRELAND LIMITED	SHANGHAI	CHINA	CNY	1,434,458,960.05	1.00	1,434,458,960.05	1,434,458,960.05	100.00	100.00
LUXOTTICA (SHANGHAI) TRADING CO LTD	LUXOTTICA HOLLAND BV	SHANGHAI	CHINA	CNY	109,999,700.00	1.00	109,999,700.00	109,999,700.00	100.00	100.00
LUXOTTICA (SWITZERLAND) AG	LUXOTTICA GROUP SPA	ZURICH	SWITZERLAND	CHF	100,000.00	1,000.00	100.00	100.00	100.00	100.00
LUXOTTICA ARGENTINA SRL	LUXOTTICA GROUP SPA	BUENOS AIRES	ARGENTINA	ARS	41,837,001.00	1.00	41,837,001.00	39,326,338.00	94.00	100.00
	LUXOTTICA SRL	BUENOS AIRES	ARGENTINA	ARS	41,837,001.00	1.00	41,837,001.00	2,510,663.00	6.00	100.00
LUXOTTICA AUSTRIA GMBH	LUXOTTICA GROUP SPA	VIENNA	AUSTRIA	EUR	508,710.00	10.00	50,871.00	50,871.00	100.00	100.00
LUXOTTICA BELGIUM NV	LUXOTTICA SRL	BERCHEM	BELGIUM	EUR	62,000.00	620.00	100.00	1.00	1.00	100.00
	LUXOTTICA GROUP SPA	BERCHEM	BELGIUM	EUR	62,000.00	620.00	100.00	99.00	99.00	100.00
LUXOTTICA BRASIL PRODUTOS OTICOS E ESPORTIVOS LTDA	LUXOTTICA GROUP SPA	SÃO PAULO	BRAZIL	BRL	1,043,457,587.00	1.00	1,043,457,587.00	605,070,168.00	57.99	100.00
	LUXOTTICA RETAIL CANADA INC	SÃO PAULO	BRAZIL	BRL	1,043,457,587.00	1.00	1,043,457,587.00	438,383,816.00	42.01	100.00
	LUXOTTICA SRL	SÃO PAULO	BRAZIL	BRL	1,043,457,587.00	1.00	1,043,457,587.00	3,603.00	0.00	100.00
LUXOTTICA CENTRAL EUROPE KFT	LUXOTTICA HOLLAND BV	BUDAPEST	HUNGARY	HUF	3,000,000.00	1.00	3,000,000.00	3,000,000.00	100.00	100.00
LUXOTTICA CHILE SPA	LUXOTTICA SPAIN SLU	SANTIAGO	CHILE	CLP	455,000,000.00	1,000.00	455,000.00	455,000.00	100.00	100.00
LUXOTTICA COLOMBIA SAS	LUXOTTICA GROUP SPA	BOGOTA'	COLOMBIA	COP	3,500,000,000.00	100,000.00	35,000.00	35,000.00	100.00	100.00
LUXOTTICA COMMERCIAL SERVICE (DONGGUAN) CO LTD	SUNGLASS HUT IRELAND LIMITED	DONGGUAN CITY, GUANGDONG	CHINA	CNY	3,000,000.00	1.00	3,000,000.00	3,000,000.00	100.00	100.00
LUXOTTICA FRANCE SASU	LUXOTTICA GROUP SPA	VALBONNE	FRANCE	EUR	534,000.00	1,068.00	500.00	500.00	100.00	100.00

Investee Company	Investor Company	City	Country	Currency	Share Capital	Unit Par Value	Total No. Shares	No. Shares Held	% directly held	% Luxottica stockholders
LUXOTTICA FRANCHISING AUSTRALIA PTY LIMITED	LUXOTTICA RETAIL AUSTRALIA PTY LTD	MACQUARIE PARK-NSW	AUSTRALIA	AUD	2.00	1.00	2.00	2.00	100.00	100.00
LUXOTTICA GERMANY GMBH	LUXOTTICA GROUP SPA	GRASBRUNN	GERMANY	EUR	200,000.00	1.00	200,000.00	200,000.00	100.00	100.00
LUXOTTICA GOZLUK ENDUSTRI VE TICARET ANONIM SIRKETI	LUXOTTICA GROUP SPA	ÇIĞLI-İZMIR	TURKEY	TRY	10,390,459.89	0.01	1,039,045,989.00	673,717,419.00	64.84	100.00
	LUXOTTICA THE NETHERLANDS BV	ÇIĞLI-İZMIR	TURKEY	TRY	10,390,459.89	0.01	1,039,045,989.00	365,328,570.00	35.16	100.00
LUXOTTICA HELLAS AE	LUXOTTICA GROUP SPA	PALLINI	GREECE	EUR	1,752,900.00	30.00	58,430.00	40,901.00	70.00	70.00
LUXOTTICA HOLLAND BV	LUXOTTICA GROUP SPA	HEEMSTEDE	HOLLAND	EUR	45,000.00	450.00	100.00	100.00	100.00	100.00
LUXOTTICA HONG KONG SERVICES LIMITED	LUXOTTICA GROUP SPA	HONG-KONG	HONG KONG	HKD	548,536,634.67	63.05	8,700,001.00	8,700,001.00	100.00	100.00
LUXOTTICA HONG KONG WHOLESALE LIMITED	LUXOTTICA HONG KONG SERVICES LIMITED	KOWLOON	HONG KONG	HKD	10,000,000.00	1.00	10,000,000.00	10,000,000.00	100.00	100.00
LUXOTTICA INDIA EYEWEAR PRIVATE LIMITED	LUXOTTICA HOLLAND BV	GURGAON-HARYANA	INDIA	INR	1,330,400.00	10.00	133,040.00	133,036.00	100.00	100.00
	LUXOTTICA INTERNATIONAL DISTRIBUTION SRL	GURGAON-HARYANA	INDIA	INR	1,330,400.00	10.00	133,040.00	4.00	0.00	100.00
LUXOTTICA INTERNATIONAL DISTRIBUTION SRL	LUXOTTICA GROUP SPA	AGORDO	ITALY	EUR	50,000.00	1.00	50,000.00	50,000.00	100.00	100.00
LUXOTTICA ITALIA SRL	LUXOTTICA GROUP SPA	AGORDO	ITALY	EUR	5,000,000.00	1.00	5,000,000.00	5,000,000.00	100.00	100.00
LUXOTTICA KOREA LTD	LUXOTTICA GROUP SPA	SEOUL	SOUTH KOREA	KRW	120,000,000.00	10,000.00	12,000.00	12,000.00	100.00	100.00

Investee Company	Investor Company	City	Country	Currency	Share Capital	Unit Par Value	Total No. Shares	No. Shares Held	% directly held	% Luxottica stockholders
LUXOTTICA MEXICO SA DE CV	LUXOTTICA GROUP SPA	MEXICO CITY	MEXICO	MXN	342,000,000.00	1,000.00	342,000.00	328,320.00	96.00	100.00
	LUXOTTICA SRL	MEXICO CITY	MEXICO	MXN	342,000,000.00	1,000.00	342,000.00	13,680.00	4.00	100.00
LUXOTTICA MIDDLE EAST FZE	LUXOTTICA GROUP SPA	DUBAI	UNITED ARAB EMIRATES	AED	1,000,000.00	1,000,000.00	1.00	1.00	100.00	100.00
LUXOTTICA NORDIC AB	LUXOTTICA GROUP SPA	STOCKHOLM	SWEDEN	SEK	250,000.00	100.00	2,500.00	2,500.00	100.00	100.00
LUXOTTICA NORGE AS	LUXOTTICA GROUP SPA	DRAMMEN	NORWAY	NOK	100,000.00	1,000.00	100.00	100.00	100.00	100.00
LUXOTTICA NORTH AMERICA DISTRIBUTION LLC	LUXOTTICA USA LLC	DOVER-DELAWARE	U.S.A.	USD	1.00	1.00	1.00	1.00	100.00	100.00
LUXOTTICA NORTH EUROPE LTD	LUXOTTICA GROUP SPA	S. ALBANS-HERTFORDSHIRE	GREAT BRITAIN	GBP	90,000.00	1.00	90,000.00	90,000.00	100.00	100.00
LUXOTTICA OPTICS LTD	LUXOTTICA GROUP SPA	TEL AVIV	ISRAEL	ILS	43.50	0.0001	435,000.00	435,000.00	100.00	100.00
LUXOTTICA POLAND SP ZOO	LUXOTTICA GROUP SPA	KRAKÓW	POLAND	PLN	390,000.00	500.00	780.00	195.00	25.00	100.00
	LUXOTTICA HOLLAND BV	KRAKÓW	POLAND	PLN	390,000.00	500.00	780.00	585.00	75.00	100.00
LUXOTTICA PORTUGAL SA	LUXOTTICA SRL	LISBON	PORTUGAL	EUR	3,043,129.00	0.04	76,078,225.00	106,509.00	0.14	100.00
	LUXOTTICA GROUP SPA	LISBON	PORTUGAL	EUR	3,043,129.00	0.04	76,078,225.00	62,034,186.00	81.54	100.00
	LUXOTTICA SPAIN SLU	LISBON	PORTUGAL	EUR	3,043,129.00	0.04	76,078,225.00	13,937,530.00	18.32	100.00
LUXOTTICA RETAIL AUSTRALIA PTY LTD	LUXOTTICA SOUTH PACIFIC HOLDINGS PTY LIMITED	MACQUARIE PARK-NSW	AUSTRALIA	AUD	307,796.00	1.00	307,796.00	307,796.00	100.00	100.00
LUXOTTICA RETAIL CANADA INC	LUXOTTICA GROUP SPA	SAINT JOHN, NEW BRUNSWICK	CANADA	CAD	1,000,000.00	1.00	1,000,000.00	280,000.00	28.00	100.00
	LUXOTTICA RETAIL NORTH AMERICA INC	SAINT JOHN, NEW BRUNSWICK	CANADA	CAD	1,000,000.00	1.00	1,000,000.00	720,000.00	72.00	100.00

Investee Company	Investor Company	City	Country	Currency	Share Capital	Unit Par Value	Total No. Shares	No. Shares Held	% directly held	% Luxottica stockholders
LUXOTTICA RETAIL HONG KONG LIMITED	PROTECTOR SAFETY INDUSTRIES PTY LTD	HONG KONG-HONG KONG	CHINA	HKD	149,127,000.00	100.00	1,491,270.00	1,491,270.00	100.00	100.00
LUXOTTICA RETAIL NEW ZEALAND LIMITED	PROTECTOR SAFETY INDUSTRIES PTY LTD	AUCKLAND	NEW ZEALAND	NZD	67,700,100.00	1.00	67,700,100.00	67,700,100.00	100.00	100.00
LUXOTTICA RETAIL NORTH AMERICA INC	OAKLEY INC	CLEVELAND-OHIO	U.S.A.	USD	1.00	0.05	20.00	20.00	100.00	100.00
LUXOTTICA RETAIL UK LTD	LUXOTTICA US HOLDINGS CORP	ST ALBANS-HERTFORDSHIRE	GREAT BRITAIN	GBP	24,410,765.00	1.00	24,410,765.00	7,601,811.00	31.14	100.00
	LUXOTTICA RETAIL NORTH AMERICA INC	ST ALBANS-HERTFORDSHIRE	GREAT BRITAIN	GBP	24,410,765.00	1.00	24,410,765.00	209,634.00	0.86	100.00
	LUXOTTICA GROUP SPA	ST ALBANS-HERTFORDSHIRE	GREAT BRITAIN	GBP	24,410,765.00	1.00	24,410,765.00	16,599,320.00	68.00	100.00
LUXOTTICA RUS LLC	LUXOTTICA HOLLAND BV	MOSCOW	RUSSIAN FEDERATION	RUB	393,000,000.00	1.00	393,000,000.00	1,230,000.00	0.31	100.00
	LUXOTTICA THE NETHERLANDS BV	MOSCOW	RUSSIAN FEDERATION	RUB	393,000,000.00	1.00	393,000,000.00	391,770,000.00	99.69	100.00
LUXOTTICA SOUTH AFRICA PTY LTD	LUXOTTICA GROUP SPA	CAPE TOWN - OBSERVATORY	SOUTH AFRICA	ZAR	2,200.02	0.01	220,002.00	220,002.00	100.00	100.00
LUXOTTICA SOUTH EAST ASIA PTE LTD	LUXOTTICA HOLLAND BV	SINGAPORE	SINGAPORE	SGD	1,360,000.00	1.00	1,360,000.00	1,360,000.00	100.00	100.00
LUXOTTICA SOUTH EASTERN EUROPE LTD	LUXOTTICA HOLLAND BV	NOVIGRAD	CROATIA	HRK	1,000,000.00	1.00	1,000,000.00	1,000,000.00	100.00	100.00
LUXOTTICA SOUTH PACIFIC HOLDINGS PTY LIMITED	LUXOTTICA GROUP SPA	MACQUARIE PARK-NSW	AUSTRALIA	AUD	322,797,001.00	1.00	322,797,001.00	322,797,001.00	100.00	100.00
LUXOTTICA SPAIN SLU	LUXOTTICA GROUP SPA	MADRID	SPAIN	EUR	8,147,795.20	0.80	10,184,744.00	10,184,744.00	100.00	100.00
LUXOTTICA SRL	LUXOTTICA GROUP SPA	AGORDO	ITALY	EUR	10,100,000.00	1.00	10,100,000.00	10,100,000.00	100.00	100.00
LUXOTTICA THE NETHERLANDS BV	LUXOTTICA GROUP SPA	HEEMSTEDE	HOLLAND	EUR	18,151.20	453.78	40.00	40.00	100.00	100.00

Investee Company	Investor Company	City	Country	Currency	Share Capital	Unit Par Value	Total No. Shares	No. Shares Held	% directly held	% Luxottica stockholders
LUXOTTICA TRISTAR (DONGGUAN) OPTICAL CO LTD	LUXOTTICA HOLLAND BV	DON GUAN CITY	CHINA	USD	128,719,301.00	1.00	128,719,301.00	128,719,301.00	100.00	100.00
LUXOTTICA US HOLDINGS CORP	LUXOTTICA GROUP SPA	DOVER-DELAWARE	U.S.A.	USD	100.00	0.01	10,000.00	10,000.00	100.00	100.00
LUXOTTICA USA LLC	OAKLEY INC	NEW YORK-NY	U.S.A.	USD	1.00	1.00	1.00	1.00	100.00	100.00
LUXOTTICA WHOLESALE (THAILAND) LTD	LUXOTTICA HOLLAND BV	BANGKOK	THAILAND	THB	100,000,000.00	10.00	10,000,000.00	1.00	0.00	100.00
	LUXOTTICA GROUP SPA	BANGKOK	THAILAND	THB	100,000,000.00	10.00	10,000,000.00	9,999,998.00	100.00	100.00
	LUXOTTICA SRL	BANGKOK	THAILAND	THB	100,000,000.00	10.00	10,000,000.00	1.00	0.00	100.00
LUXOTTICA WHOLESALE MALAYSIA SDN BHD	LUXOTTICA GROUP SPA	KUALA LUMPUR	MALAYSIA	MYR	4,500,000.00	1.00	4,500,000.00	4,500,000.00	100.00	100.00
MIKLI DIFFUSION FRANCE SASU	ALAIN MIKLI INTERNATIONAL SASU	PARIS	FRANCE	EUR	1,541,471.20	6.99	220,500.00	220,500.00	100.00	100.00
MIKLI JAPON KK	MIRARI JAPAN CO LTD	TOKYO	JAPAN	JPY	85,800,000.00	50,000.00	1,716.00	1,716.00	100.00	100.00
MIRARI JAPAN CO LTD	LUXOTTICA GROUP SPA	TOKYO	JAPAN	JPY	473,700,000.00	50,000.00	9,474.00	1,500.00	15.83	100.00
	LUXOTTICA HOLLAND BV	TOKYO	JAPAN	JPY	473,700,000.00	50,000.00	9,474.00	7,974.00	84.17	100.00
MONJYU CO LTD	FUKUI MEGANE INDUSTRY CO LTD	FUKUI	JAPAN	JPY	400.00	1.00	400.00	400.00	100.00	100.00
NEXTORE INC	NEXTORE SRL	DELAWARE	U.S.A.	USD	1.00	0.01	100.00	100.00	100.00	60.00
NEXTORE SRL	LUXOTTICA GROUP SPA	MILAN	ITALY	EUR	1,000,000.00	1.00	1,000,000.00	600,000.00	60.00	60.00
OAKLEY AIR JV	LUXOTTICA USA LLC	CHICAGO-ILLINOIS	U.S.A.	USD	1.00	0.01	100.00	70.00	70.00	70.00
OAKLEY INC	LUXOTTICA US HOLDINGS CORP	OLYMPIA-WASHINGTON	U.S.A.	USD	10.00	0.01	1,000.00	1,000.00	100.00	100.00

Investee Company	Investor Company	City	Country	Currency	Share Capital	Unit Par Value	Total No. Shares	No. Shares Held	% directly held	% Luxottica stockholders
OAKLEY SOUTH PACIFIC PTY LTD	LUXOTTICA SOUTH PACIFIC HOLDINGS PTY LIMITED	VICTORIA-MELBOURNE	AUSTRALIA	AUD	12.00	1.00	12.00	12.00	100.00	100.00
OAKLEY SPORT INTERNATIONAL SRL	LUXOTTICA GROUP SPA	AGORDO	ITALY	EUR	50,000.00	1.00	50,000.00	50,000.00	100.00	100.00
OAKLEY UK LTD	OAKLEY INC	ST ALBANS-HERTFORDSHIRE	GREAT BRITAIN	GBP	1,000.00	1.00	1,000.00	1,000.00	100.00	100.00
OPTICAL PROCUREMENT SERVICES LLC	LUXOTTICA RETAIL NORTH AMERICA INC	DOVER	U.S.A.	USD	100.00	1.00	100.00	100.00	100.00	100.00
OPTICAS GMO CHILE SA	LUXOTTICA SPAIN SLU	COMUNA DE HUECHURABA	CHILE	CLP	7,263,089.00	1.00	7,263,089.00	7,263,087.00	100.00	100.00
	LUXOTTICA GROUP SPA	COMUNA DE HUECHURABA	CHILE	CLP	7,263,089.00	1.00	7,263,089.00	2.00	0.00	100.00
OPTICAS GMO COLOMBIA SAS	LUXOTTICA SPAIN SLU	BOGOTA'	COLOMBIA	COP	21,851,033,000.00	1.00	21,851,033,000.00	21,851,033,000.00	100.00	100.00
OPTICAS GMO ECUADOR SA	OPTICAS GMO PERU SAC	GUAYAQUIL	ECUADOR	USD	19,200,000.00	1.00	19,200,000.00	1.00	0.00	100.00
	LUXOTTICA SPAIN SLU	GUAYAQUIL	ECUADOR	USD	19,200,000.00	1.00	19,200,000.00	19,199,999.00	100.00	100.00
OPTICAS GMO PERU SAC	LUXOTTICA SPAIN SLU	LIMA	PERU	PEN	34,631,139.00	1.00	34,631,139.00	34,631,138.00	100.00	100.00
	OPTICAS GMO ECUADOR SA	LIMA	PERU	PEN	34,631,139.00	1.00	34,631,139.00	1.00	0.00	100.00
ORANGE COUNTY PARTICIPACOES SA	LUXOTTICA BRASIL PRODUTOS OTICOS E ESPORTIVOS LTDA	SÃO PAULO	BRAZIL	BRL	11,667,500.00	1.00	11,667,500.00	11,667,500.00	100.00	100.00

Investee Company	Investor Company	City	Country	Currency	Share Capital	Unit Par Value	Total No. Shares	No. Shares Held	% directly held	% Luxottica stockholders
OTICAS CAROL SA	LUXOTTICA BRASIL PRODUTOS OTICOS E ESPORTIVOS LTDA	SÃO PAULO	BRAZIL	BRL	90,625,798.00	1.00	90,625,798.00	7,914,899.00	8.73	100.00
	ORANGE COUNTY PARTICIPACOES SA	SÃO PAULO	BRAZIL	BRL	90,625,798.00	1.00	90,625,798.00	82,710,899.00	91.27	100.00
OTTICA GECELE SRL	SALMOIRAGHI & VIGANO' SPA	TRENTO	ITALY	EUR	50,000.00	1.00	50,000.00	50,000.00	100.00	100.00
OY LUXOTTICA FINLAND AB	LUXOTTICA GROUP SPA	ESPOO	FINLAND	EUR	170,000.00	170.00	1,000.00	1,000.00	100.00	100.00
PROTECTOR SAFETY INDUSTRIES PTY LTD	LUXOTTICA SOUTH PACIFIC HOLDINGS PTY LIMITED	MACQUARIE PARK-NSW	AUSTRALIA	AUD	2,486,250.00	0.50	4,972,500.00	4,972,500.00	100.00	100.00
RAY BAN SUN OPTICS INDIA PRIVATE LIMITED	LUXOTTICA US HOLDINGS CORP	BHIWADI	INDIA	INR	228,372,710.00	10.00	22,837,271.00	22,837,270.00	100.00	100.00
	LUXOTTICA HOLLAND BV	BHIWADI	INDIA	INR	228,372,710.00	10.00	22,837,271.00	1.00	0.00	100.00
RAYBAN AIR	LUXOTTICA GROUP SPA	AGORDO	ITALY	EUR	13,317,242.62	1.00	13,317,242.62	9,006,275.81	67.63	100.00
	LUXOTTICA SRL	AGORDO	ITALY	EUR	13,317,242.62	1.00	13,317,242.62	4,310,966.81	32.37	100.00
RAYS HOUSTON	LUXOTTICA RETAIL NORTH AMERICA INC	MASON-OHIO	U.S.A.	USD	1.00	0.01	100.00	51.00	51.00	51.00
SALMOIRAGHI & VIGANO' OPTIKA DOO****	SALMOIRAGHI & VIGANO' SPA	RIJEKA	CROATIA	HRK	3,540,000.00	1,00	3,540,000.00	1,218,800.00	34.43	34.43
SALMOIRAGHI & VIGANO' SPA	LUXOTTICA GROUP SPA	MILAN	ITALY	EUR	11,919,861.00	1.00	11,919,861.00	11,919,861.00	100.00	100.00

Investee Company	Investor Company	City	Country	Currency	Share Capital	Unit Par Value	Total No. Shares	No. Shares Held	% directly held	% Luxottica stockholders
SGH BRASIL COMERCIO DE OCULOS LTDA	LUXOTTICA GROUP SPA	SÃO PAULO	BRAZIL	BRL	501,720,000.00	1.00	501,720,000.00	501,669,828.00	99.99	100.00
	LUXOTTICA INTERNATIONAL DISTRIBUTION SRL	SÃO PAULO	BRAZIL	BRL	501,720,000.00	1.00	501,720,000.00	50,172.00	0.01	100.00
SGH OPTICS MALAYSIA SDN BHD	LUXOTTICA RETAIL AUSTRALIA PTY LTD	KUALA LUMPUR	MALAYSIA	MYR	3,000,002.00	1.00	3,000,002.00	3,000,002.00	100.00	100.00
SPV ZETA OPTICAL COMMERCIAL AND TRADING (SHANGHAI) CO LTD	LUXOTTICA (CHINA) INVESTMENT CO LTD	SHANGHAI	CHINA	CNY	209,734,713.00	1.00	209,734,713.00	209,734,713.00	100.00	100.00
SPV ZETA Optical Trading (Beijing) Co Ltd	LUXOTTICA (CHINA) INVESTMENT CO LTD	BEIJING	CHINA	CNY	682,231,000.00	1.00	682,231,000.00	682,231,000.00	100.00	100.00
SUNGLASS HUT (South East Asia) PTE LTD	LUXOTTICA HOLLAND BV	SINGAPORE	SINGAPORE	SGD	10,100,000.00	1.00	10,100,000.00	10,100,000.00	100.00	100.00
SUNGLASS HUT (THAILAND) CO LTD	LUXOTTICA SRL	KHET PATUMWAN, BANGKOK	THAILAND	THB	85,000,000.00	1,000.00	85,000.00	2,550.00	3.00	49.00
	LUXOTTICA GROUP SPA	KHET PATUMWAN, BANGKOK	THAILAND	THB	85,000,000.00	1,000.00	85,000.00	39,100.00	46.00	49.00
SUNGLASS HUT AIRPORTS SOUTH AFRICA (PTY) LTD*	SUNGLASS HUT RETAIL SOUTH AFRICA (PTY) LTD	CAPE TOWN - OBSERVATORY	SOUTH AFRICA	ZAR	1,000.00	1.00	1,000.00	450.00	45.00	45.00
SUNGLASS HUT AUSTRALIA PTY LIMITED	LUXOTTICA SOUTH PACIFIC HOLDINGS PTY LIMITED	MACQUARIE PARK-NSW	AUSTRALIA	AUD	46,251,012.00	1.00	46,251,012.00	46,251,012.00	100.00	100.00
SUNGLASS HUT DE MEXICO SAPI DE CV	LUXOTTICA INTERNATIONAL DISTRIBUTION SRL	MEXICO CITY	MEXICO	MXN	315,970.00	1.00	315,970.00	1.00	0.00	100.00
	LUXOTTICA GROUP SPA	MEXICO CITY	MEXICO	MXN	315,970.00	1.00	315,970.00	315,969.00	100.00	100.00

Investee Company	Investor Company	City	Country	Currency	Share Capital	Unit Par Value	Total No. Shares	No. Shares Held	% directly held	% Luxottica stockholders
SUNGLASS HUT FRANCE SASU	LUXOTTICA GROUP SPA	PARIS	FRANCE	EUR	3,600,000.00	1.00	3,600,000.00	3,600,000.00	100.00	100.00
SUNGLASS HUT HONG KONG LIMITED	PROTECTOR SAFETY INDUSTRIES PTY LTD	HONG KONG-HONG KONG	CHINA	HKD	115,000,002.00	1.00	115,000,002.00	115,000,001.00	100.00	100.00
SUNGLASS HUT IRELAND LIMITED	LUXOTTICA GROUP SPA	DUBLIN	IRELAND	EUR	252.50	1.25	202.00	202.00	100.00	100.00
SUNGLASS HUT MIDDLE EAST GENERAL TRADING LLC **	LUXOTTICA GROUP SPA	DUBAI	UNITED ARAB EMIRATES	AED	1,200,000.00	1,000.00	1,200.00	588.00	49.00	49.00
SUNGLASS HUT RETAIL NAMIBIA (PTY) LTD	SUNGLASS HUT RETAIL SOUTH AFRICA (PTY) LTD	WINDHOEK	NAMIBIA	NAD	100.00	1.00	100.00	100.00	100.00	100.00
SUNGLASS HUT RETAIL SOUTH AFRICA (PTY) LTD	LUXOTTICA SOUTH AFRICA PTY LTD	CAPE TOWN - OBSERVATORY	SOUTH AFRICA	ZAR	900.00	1.00	900.00	900.00	100.00	100.00
SUNGLASS HUT TURKEY GOZLUK TICARET ANONIM SIRKETI	LUXOTTICA GROUP SPA	ÇIĞLI-İZMIR	TURKEY	TRY	41,000,000.00	10.00	4,100,000.00	4,100,000.00	100.00	100.00
TORTONA 35 SRL	LUXOTTICA GROUP SPA	MILAN	ITALY	EUR	50,000.00	1.00	50,000.00	50,000.00	100.00	100.00
VISUAL HOLDING PARTICIPACOES LTDA	ORANGE COUNTY PARTICIPACOES SA	SÃO PAULO	BRAZIL	BRL	13,738,900.00	1.00	13,738,900.00	13,738,890.00	100.00	100.00
	LUXOTTICA BRASIL PRODUTOS OTICOS E ESPORTIVOS LTDA	SÃO PAULO	BRAZIL	BRL	13,738,900.00	1.00	13,738,900.00	10.00	0.00	100.00
VISUAL RS COMERCIO DE PRODUTOS OPTICOS LTDA	ORANGE COUNTY PARTICIPACOES SA	SÃO PAULO	BRAZIL	BRL	8,587,575.00	1.00	8,587,575.00	10.00	0.00	100.00
	VISUAL HOLDING PARTICIPACOES LTDA	SÃO PAULO	BRAZIL	BRL	8,587,575.00	1.00	8,587,575.00	8,587,565.00	100.00	100.00

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(*) Control through stockholders' agreements
(**) Control through an investment which ensures a significant influence in the shareholders' meeting
(***) Consolidated using the equity method
(****) Although the Group owns 34.429% of the company, voting rights in the stockholders' meeting correspond to an actual 13% investment

EXCHANGE RATES

	Average exchange rate as of June 30, 2018	Final exchange rate as of June 30, 2018	Average exchange rate as of June 30, 2017	Final exchange rate as of December 31, 2017
U.S. Dollar	1.2104	1.1658	1.0830	1.1993
Australian Dollar	1.5688	1.5787	1.4364	1.5346
Chinese Renminbi	7.7086	7.7170	7.4448	7.8044
Argentine Peso	26.0382	32.7048	17.0173	18.8851
Brazilian Real	4.1415	4.4876	3.4431	3.9729
Canadian Dollar	1.5457	1.5442	1.4453	1.5039
Chilean Peso	740.2163	757.2600	714.8895	737.2900
Colombian Peso	3448.7645	3437.5600	3165.9287	3580.1900
Croatian Kuna	7.4178	7.3860	7.4486	7.4400
Danish Krone	7.4476	7.4525	7.4368	7.4449
United Arab Emirates Dirham	4.4450	4.2814	3.9758	4.4044
Japanese Yen	131.6057	129.0400	121.7804	135.0100
Hong Kong Dollar	9.4863	9.1468	8.4199	9.3720
Indian Rupee	79.4903	79.8130	71.1760	76.6055
British Pound	0.8798	0.8861	0.8606	0.8872
Israeli New Shekel	4.2584	4.2627	3.9637	4.1635
Malaysian Ringgit	4.7670	4.7080	4.7511	4.8536
Mexican Peso	23.0850	22.8817	21.0441	23.6612
Namibian Dollar	14.8913	16.0484	14.3063	14.8054
New Zealand Dollar	1.6908	1.7247	1.5297	1.6850
Norwegian Krone	9.5929	9.5115	9.1785	9.8403
Peruvian Nuevo Sol	3.9309	3.8187	3.5483	3.8854
Polish Zloty	4.2207	4.3732	4.2690	4.1770
Russian Ruble	71.9601	73.1582	62.8057	69.3920
Saudi Riyal	4.5388	4.3718	4.0618	4.4974
Singapore Dollar	1.6054	1.5896	1.5208	1.6024
South African Rand	14.8913	16.0484	14.3063	14.8054
South Korean Won	1302.3752	1296.7200	1236.3302	1279.6100
Swedish Krona	10.1508	10.4530	9.5968	9.8438
Swiss Franc	1.1697	1.1569	1.0766	1.1702
Taiwan Dollar	35.7406	35.5845	33.2144	35.6555
Thailand Bath	38.4189	38.5650	37.5902	39.1210
Turkish Lira	4.9566	5.3385	3.9391	4.5464
Hungarian Forint	314.1128	329.7700	309.4213	310.3300

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4. CERTIFICATION OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF JUNE 30, 2018

LUXOTTICA

Certification of the condensed consolidated interim financial statements pursuant to Article 154-bis of Legislative Decree 58/98.

1. The undersigned Francesco Milleri, as Deputy Chairman and CEO, and Stefano Grassi, as Manager charged with preparing the Company's financial reports of Luxottica Group S.p.A, having also taken into account the provisions of Article 154-*bis*, paragraphs 3 and 4, of Legislative Decree no. 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 condensed consolidated interim financial statements as of June 30, 2018.

2. The assessment of the adequacy of the administrative and accounting procedures for the preparation of the condensed consolidated financial statements as of June 30, 2018 was based on a process developed by Luxottica Group S.p.A in accordance with the model of Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO Model), which accounts for the control environment, risk assessment, control activities, information and communication, and monitoring, and represents a framework generally accepted internationally.

3. Furthermore, it is also certified that:

3.1 the condensed consolidated interim financial statements as of June 30, 2018:

a) have been prepared in accordance with International Accounting Standards recognized in the European Union under EC Regulation no. 1606/2002 of the European Parliament and of the Council of July 19, 2002, in particular with IAS 34—Interim Financial Reporting, and the provisions implementing Article 9 of Legislative Decree no. 38/205;

b) are consistent with the entries in the accounting books and records;

c) are suitable for providing a true and fair view of the financial position, financial performance and cash flows of the issuer as well as of the companies included within the scope of consolidation.

3.2 The management report on the condensed consolidated interim financial statements includes a reliable analysis of operating trends and results for the period as well as the condition of the issuer and of the companies included within the scope of consolidation. The management report also includes a description of the primary risks and uncertainties to which the Group is exposed. The management report also contains information on significant transactions with related parties.

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Milan, July 23, 2018

Luxottica Group S.p.A.

On behalf of the Board of Directors

Francesco Milleri
(Deputy Chairman - CEO)

Stefano Grassi
(Manager charged with preparing the Company's financial reports)

5. INDEPENDENT AUDITORS' REPORT

REVIEW REPORT ON CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the shareholders of
Luxottica Group SpA

Foreword

We have reviewed the accompanying condensed consolidated interim financial statements of Luxottica Group SpA and its subsidiaries ("Luxottica Group") as of 30 June 2018 and for the six-month period then ended, comprising the statement of financial position, the statement of income, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the related notes. The Directors of Luxottica Group SpA are responsible for the preparation of the condensed consolidated interim financial statements in accordance with International Accounting Standard 34 applicable to interim financial reporting, as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

We conducted our work in accordance with the criteria for a review recommended by Consob in Resolution 10867 of 31 July 1997. A review of condensed consolidated interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than a full-scope audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed consolidated interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of the Luxottica Group as of 30 June 2018 and for the six-month period then ended are not prepared, in all material respects, in accordance with International Accounting Standard 34 applicable to interim financial reporting, as adopted by the European Union.

Milan, 26 July 2018

PricewaterhouseCoopers SpA

Signed by

Christian Sartori
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers