



POLITECNICO
MILANO 1863

Accounting Finance & Control

How to read financial statements

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Financial Accounting: why?

- It provides the “**numbers**” we normally hear about a company (revenues, profit, assets value, ...)
- It is a fundamental part of **company evaluation**, i.e. it contributes (together with “expectations”) to determine for example:
 - the shares’ price and market capitalization of a company in the day by day trading (financial analysis)
 - the target price in an M&A (due diligence)
 - the selling price of shares in an Initial Public Offering (**due diligence**)
 - the credit stability (rating services)

با دو دلیجانس قیمت سهام رو به دست
میاریم وقتی که شرکت خصوصیه



Stock exchange



Stock exchange



Q3 Results for Fiscal 2023

(In Billions, Except Per Share Amounts)

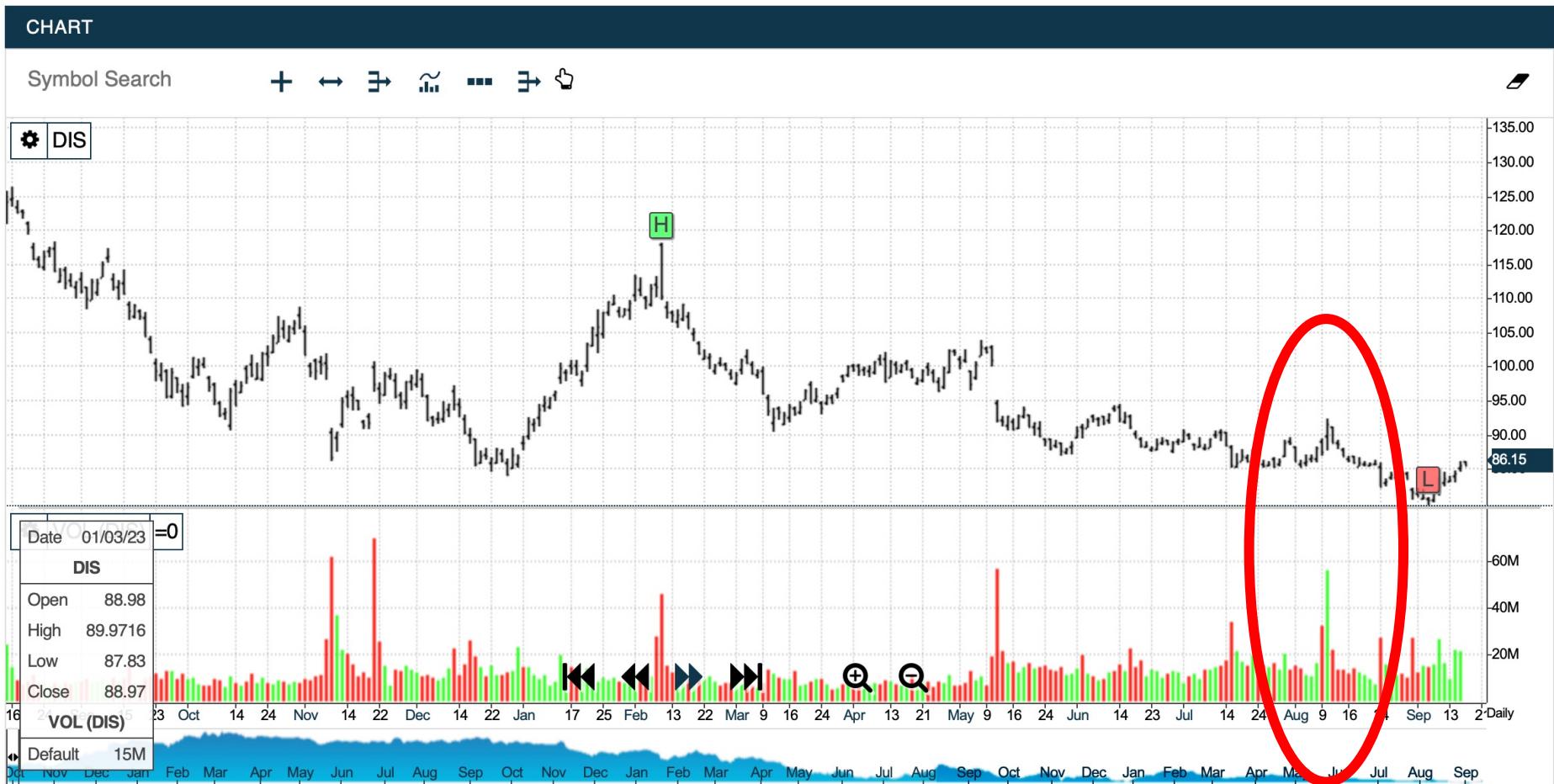
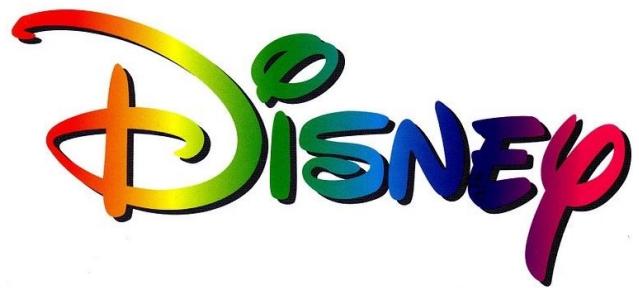


کاری که همیشه شرکت میکنه.
دیسکانتیویس میشه وقتی که مثلاً به کار
غیر اصلی میکنی مثل فروش به ماشین یا
تسست به کار جدید و تکرار نمیشه!



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Stock exchange





Recovering hearts. Saving lives.

Johnson & Johnson (NYSE: JNJ), the world's largest, most diversified healthcare products company, and **Abiomed** (NASDAQ: ABMD), a world leader in breakthrough heart, lung and kidney support technologies, today announced that they have entered into a definitive agreement under which Johnson & Johnson will acquire through a tender offer all outstanding shares of Abiomed, for an upfront payment of \$380.00 per share in cash, corresponding to an enterprise value of approximately **\$16.6 billion** which includes cash acquired.

Abiomed shareholders will also receive a non-tradeable contingent value right (CVR) entitling the holder to receive up to \$35.00 per share in cash if certain commercial and clinical milestones are achieved.

The transaction was unanimously approved by both companies' boards of directors.

<https://www.jnj.com/johnson-johnson-to-acquire-abiomed>





Corporate Credit Rating for BARILLA INIZIATIVE SPA: A3+ (Upgrade)

modefinance Corporate Credit Rating (Unsolicited) for BARILLA INIZIATIVE SPA: A3+ (Upgrade)

modefinance published on [its CRA website](#) the Corporate Credit Rating of BARILLA INIZIATIVE SPA and the rating assigned to the entity is A3+ (Upgrade).

The company has a good capability of meeting its financial obligations. The high capitalization ensures low dependence on possible adverse macroeconomic conditions.

<https://www.modefinance.com/en/blog/2019-06-26-corporate-credit-rating-for-barilla-iniziative-spa-a3-upgrade->



Credit ratings



Reasons behind the review: the publication of 2018 Annual Accounts.

The reasons that have driven this decision are:

- The Group confirms its economic and financial solidity, having a good solvency, an adequate liquidity and a good profitability. Financial and equity structure is solid, able to maintain a long-term balance in a period of economic uncertainty. The company's cash flow is positive, improved respect the previous year. Despite the tougher and fragile economic scenario, Barilla managed to reach a growth in operating sales.
- Comparing Barilla Iniziative Spa with its peer group, the company is well positioned in terms of turnover (100th percentile of the peer group distribution). The solvency ranking could be improved (45/100) respect to its peer group, while the profitability ranking is within the best companies of the same sector with a ranking of 90/100.
- Barilla Group is a well-established company with a long history, founded in 1877, with more than 140 years since foundation. It's a well-diversified company, which operates internationally in 26 countries. All the group companies achieved good results in 2018.
- Analyzing the industry's creditworthiness, solvency of the peer group is improving, and it remains at an adequate level, both for leverage and financial leverage. Liquidity ratios are stable at adequate levels. Finally, profitability for the industry has also improved in the last two years considered, settling at sufficient levels. Barilla Iniziative Spa outperformed in terms of profitability.
- Despite the progressive global economic slowdown, characterized by uncertainty and slowing consumption trends that caused some companies to suspend their investments, in 2018 Barilla shows an increase in sales.
- Barilla is the only bidder for the purchase of pasta ZARA, located in Muggia (Trieste), for which it will pay 118 million Euros. It is expected that the purchase will lead to benefits in terms of turnover in favor of Barilla.
- The trade war between China and USA and the increase in protectionist policies continues to represent a point of uncertainty in the upcoming year.

<https://www.modefinance.com/en/blog/2019-06-26-corporate-credit-rating-for-barilla-iniziative-spa-a3-upgrade->



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Credit ratings



Consolidated income statement

(euro thousands)

	Note	2018	2017
Revenue	6.24	3,483,068	3,459,684
Cost of sales	6.25	(2,057,606)	(2,007,191)
Gross profit		1,425,462	1,452,493
Logistics costs	6.25	(320,956)	(302,703)
Selling costs	6.25	(157,196)	(152,348)
Marketing costs	6.25	(378,834)	(416,815)
Research and development costs	6.25	(26,651)	(27,462)
General and administrative expenses	6.25	(185,240)	(180,547)
Other income and (expenses)	6.26	(15,085)	792
Goodwill and intangible fixed assets impairment loss	6.8 - 6.25	(3,567)	-
Operating profit		337,933	373,410
Finance income and (costs)	6.27	(12,938)	(9,115)
Profit before income tax		324,995	364,295
Income tax expense	6.28	(73,878)	(76,094)
Profit for the year from continuing operations		251,117	288,201
Profit/(Loss) attributable to non-controlling interests		3,033	2,679
Profit/(Loss) attributable to Group equity holders		248,084	285,552



<https://www.modefinance.com/en/blog/2019-06-26-corporate-credit-rating-for-barilla-iniziative-spa-a3-upgrade->



Financial Accounting: how?

- In this course we will adopt:
 - A **financial analyst's perspective**, i.e.
 - being able to read financial statements, but not to draft them
 - being able to interpret financial statement in the light of relevant industry trends
 - A **practical approach**, i.e. engaging with real cases



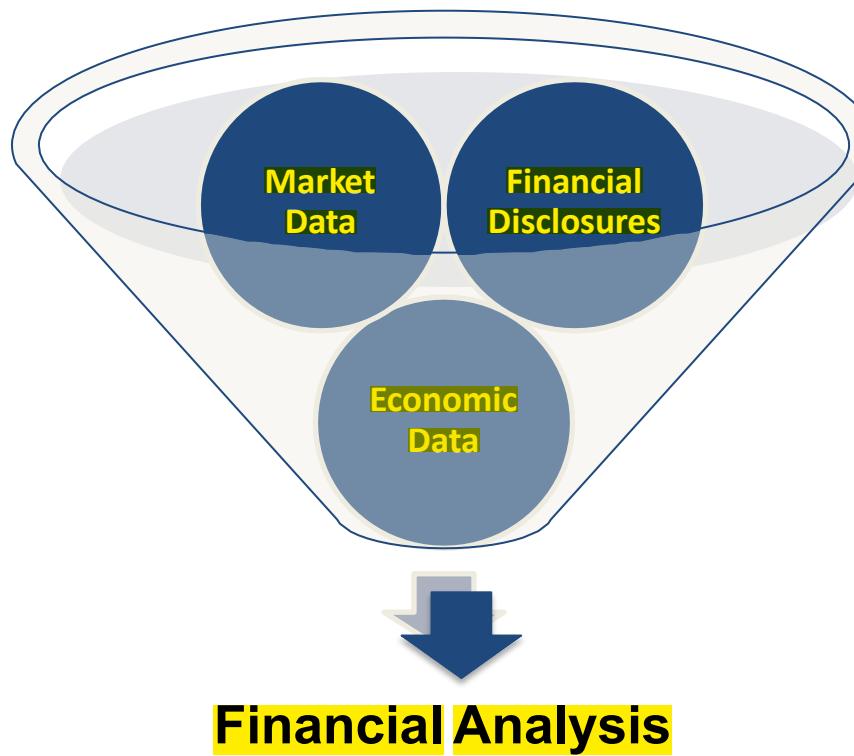
Financial Accounting: how?

- “It is very easy for people approaching financial analysis for the first time to go through a series of reactions, initially seeing the calculation of the indicators as an end in itself and then later asking what use the indicators are for”
- Annual Report analysis sheds light on certain aspects of the company but at the very end is the analyst who has to provide his/her own interpretation
- Remembering that:
 - not all the indicators have the same relevance
 - indicators pose questions more than providing answers



Financial Analysis (1)

- Financial analysis is a process of **selecting, evaluating, and interpreting financial data**, along with other pertinent **information**, in order to formulate an assessment of a company's present and future financial condition and performance.



Financial Analysis (2)

- Financial analysis is more than calculating indicators, but it requires the following:

1. Sources selection and data “triangulation”
2. Segmental analysis
3. Common size analysis
4. Reclassification and adjustments
5. Benchmarking
6. Accounting based indicators (selection)
7. Interpretation



- 1. Sources selection and data “triangulation”**
2. Segmental analysis
3. Common size analysis
4. Reclassification and adjustments
5. Benchmarking
6. Accounting based indicators (selection)
7. Interpretation



1. Sources selection and data ‘triangulation’

datas are available in their website

• Financial disclosures

- Financial statements schemes
- Shareholder letter
- Segmental analysis

ifours ???
local => italian
We use IFRS

• Non financial disclosures

- Sustainability report
- Country report

• Market data

- Market price of stock
- Volume traded
- Value of bonds

سهام با سود مشخصه بہت میکن کے کی و چقدر پولت رو پس میدن

• Industry and economic data

مارکت ریسروج



1. Sources selection. Financial disclosure: SEC filings

SEC (US Securities and Exchange Commission) **filling** is a financial statement submitted to SEC by publicly traded corporations

These are the major reference documents adopted by analysts and investors

There are different types of formats (some of them):

- Form **10-K**: audited financial statement audit = before submitting, by consultancy make sure it is done correctly.
- Form **10-Q**: unaudited financial statement
- Form **8-K**: current report companies must file to announce major events
- Form **20-F**: annual financial statement filled by a non US company that has listed equity shares in the US



1. Sources selection – financial disclosures: LVMH example

LVMH 364.45€ -1.51%

EN ▾ 

LVMH

GROUP HOUSES NEWS TALENTS INVESTORS

2018 Full Year Results

RESULTS · JANUARY 29, 2019

PRESS RELEASE

> [Access the press release](#)

DOCUMENTATION

> [Presentation](#)



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http://event.vodalys.com/Datas/lvmh/1145672_5c3df1c05e4df/

1. Sources selection – sustainability report: 3M example

3M Science.
Applied to Life.™

Go to bCom Log in | Help

PRODUCTS FOR BUSINESS ▾ PRODUCTS FOR CONSUMERS ▷ ABOUT US ▷

Search 

United States > About 3M > 3M Sustainability > Goals & Progress

3M Sustainability

OVERVIEW ▷ SUSTAINABILITY STRATEGY ▷ GOALS & PROGRESS **GOALS & PROGRESS** ▷ INDUSTRY SOLUTIONS ▷ SUSTAINABILITY NEWS ▷ REPORTS & POLICIES ▷



We've been setting and meeting goals for 25 years

Looking at Sustainability in terms of shared global needs

Science operates within a set of rules. It follows specific methods. It delivers proof and proves cause and effect. But science also breaks boundaries, challenges the status quo, and improves lives.



https://www.3m.com/3M/en_US/sustainability-us/goals-progress/



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1. Sources selection – sustainability report: 3M example

Global challenge	2025 goal	2018 progress
 Raw materials	<ul style="list-style-type: none">Invest to develop more sustainable materials and products to help our customers reach their environmental goalsReduce manufacturing waste by an additional 10%, indexed to salesAchieve “zero landfill” status at more than 30% of manufacturing sitesDrive supply chain Sustainability through targeted raw material traceability and supplier performance assurance	<ul style="list-style-type: none">Launched Sustainability Value Commitment; advancing goal11.7% reduction indexed; exceeding goal30.4% (56 manufacturing facilities) achieved; exceeding goalRevised and re-launched 3M’s Supplier Responsibility Code; maintaining our commitment
 Water	<ul style="list-style-type: none">Reduce global water use by an additional 10%, indexed to salesEngage 100% of water-stressed/scarce communities where 3M manufactures on community-wide approaches to water management	<ul style="list-style-type: none">0.7% increase indexed; behind goal100% engaged (25 manufacturing facilities); maintaining goal
 Climate & energy	<ul style="list-style-type: none">Improve energy efficiency indexed to net sales by 30%Increase renewable energy to 25% of total electricity useEnsure GHG emissions at least 50% below our 2002 baseline, while growing our business¹Help our customers reduce their GHGs by 250 million tons of CO2 equivalent emissions through use of 3M products	<ul style="list-style-type: none">2.8% improvement indexed; toward goal26.8% increase; exceeding goal63.7% below baseline; ahead of goal¹Over 40 million metric tons CO2 equivalent customer avoided emissions; toward goal



1. Sources selection – industry report: Automotive report

Key findings

McKinsey&Company

Advanced Industries



Overall, the global automotive industry is in better shape than it was five years ago, especially in the US, where profits and sales have recovered following the recent economic crisis, and in China, where growth remains strong. This progress will likely continue. By 2020, global profits for automotive OEMs are expected to rise by almost 50 percent. The new profits will come mainly from growth in emerging markets and, to a lesser extent, the US. Europe, Japan, and South Korea will be stagnant in terms of profit growth.

There are four key challenges that OEMs need to address to get a piece of future profitability. The analysis of this report projects to 2020, but these challenges will shape the industry until at least 2025.

- *Complexity and cost pressure.* There will be more platform sharing and more modular systems. At the same time, regulatory pressures will tighten, and prices in established markets are likely to be flat.
- *Diverging markets.* OEMs need to adapt to changing regional and segment patterns of supply and demand with respect to their production and supply base footprints, supply chains, and product portfolios; and the emerging Chinese aftersales market offers new growth opportunities.
- *Digital demands.* Consumers want more connectivity, are focused on active safety and ease of use, and are increasingly using digital sources in making their purchase decisions.
- *Shifting industry landscape.* Suppliers will add more value in alternative powertrain technologies and in innovative solutions for active safety and infotainment; Europe needs to restructure and adjust its capacity to better match demand; and competition is emerging from China.



two type of doc:

- Cash
- Accrual



Financial Statements RECAP

Financial statements Income statement → Our Result

p&l / ... other name

مستقیم در تولید = direct cost

Variable - Fixed

Other cost = Over head

Cost of Sales method Function

1. Net turnover Revenue - services provided - sales of the product -

2. Cost of sales Expenses

Company's operation

3. Gross profit or loss Can you pay for your costs? Cover your production?

4. Distribution costs

5. Administrative expenses

6. Other operating income

7. Income from participating interests Our shares, we are minor investor

8. Income from other investments and loans forming part of the fixed assets we check notes, in other company like bonds

9. Other interest receivable and similar income

10. Value adjustments in respect of financial assets and of investments held as current assets

11. Interest payable and similar expenses برای پرداختن وام ها

مثل تکنولوژی - ایفون جدید میاد و ارزون تر میشه

12. Tax on profit or loss

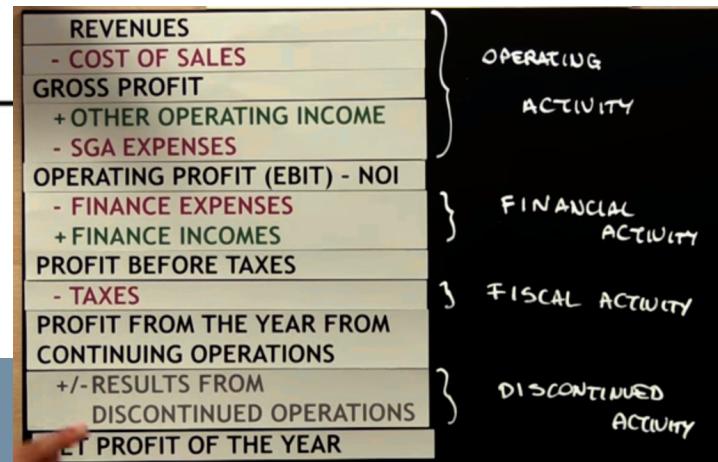
13. Profit or loss after taxation

14. Other taxes not shown under items 1 to 13

15. Profit or loss for the financial year

more privacy !

بازم باید توی نوت ها بگه نیچر هزینه ها رو



Financial statements Income statement

*we don't have gross profit in IS by nature

Nature of Expense method

Nature

1. Net turnover difference is in the cost part
2. Variation in stocks of finished goods and in work in progress
3. Work performed by the undertaking for its own purposes and capitalised
4. Other operating income
5.
 - (a) Raw materials and consumables
 - (b) Other external expenses
6. Staff costs:
 - (a) wages and salaries
 - (b) social security costs, with a separate indication of those relating to pensions
7.
 - (a) Value adjustments in respect of formation expenses and of tangible and intangible fixed assets
 - (b) Value adjustments in respect of current assets, to the extent that they exceed the amount of value adjustments which are normal in the undertaking concerned
8. Other operating expenses
9. Income from participating interests
10. Income from other investments and loans forming part of the fixed assets
11. Other interest receivable and similar income
12. Value adjustments in respect of financial assets and of investments held as current assets
13. Interest payable and similar expenses
14. Tax on profit or loss

15. Profit or loss after taxation

16. Other taxes not shown under items 1 to 15

17. Profit or loss for the financial year

Revenue

Costs

-- Gross profit

other expenses (D&A)

-- operating income = EBIT

##(financial part goes down here:)

Interest expenses

Taxes

-- Profit

EBITDA = income from operating expenses (EBIT + D&A)

EBIT = Operating Income

EBITDA = Possible cashflow of the company
(we are not giving money to anybody for D&A)



Income statements

minority interest (big share of a company) != investment (small Share)

Basic shares => !?

diluted shares => possibility of issuing shares for C-levels

CONSOLIDATED INCOME STATEMENT

(EUR millions, except for earnings per share)	Notes	2020	2019	2018 ^(a)
Revenue	24	44,651	53,670	46,826
Cost of sales		(15,871)	(18,123)	(15,625)
Gross margin		28,780	35,547	31,201
Marketing and selling expenses		(16,792)	(20,207)	(17,755)
General and administrative expenses		(3,641)	(3,864)	(3,466)
Income/(loss) from joint ventures and associates	8	(42)	28	23
Profit from recurring operations	24	8,305	11,504	10,003
Other operating income and expenses	26	(333)	(231)	(126)
EBIT <= Operating profit		7,972	11,273	9,877
Cost of net financial debt		(35)	(107)	(117)
Interest on lease liabilities		(281)	(290)	-
Other financial income and expenses		(292)	(162)	(271)
Net financial income/(expense)	27	(608)	(559)	(388)
Income taxes	28	(2,409)	(2,932)	(2,499)
Net profit before minority interests		4,955	7,782	6,990
Minority interests	18	(253)	(611)	(636)
Net profit, Group share		4,702	7,171	6,354
Basic Group share of net earnings per share (EUR)	29	9.33	14.25	12.64
Number of shares on which the calculation is based		503,679,272	503,218,851	502,825,461
Diluted Group share of net earnings per share (EUR)	29	9.32	14.23	12.61
Number of shares on which the calculation is based		504,210,133	503,839,542	503,918,140

(a) The financial statements as of December 31, 2018 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 to the 2019 consolidated financial statements regarding the impact of the application of IFRS 16.



Income statement

First Analyze => profitable or in loss (!?) / EBIT margin is growing? company is being more efficient. (couple with profit absolute)

Reclassified consolidated income statement

FINCANTIERI
 The sea ahead

(euro/milioni)

	31.12.2020 Excluding pass-through activities ¹	31.12.2020	31.12.2019
Revenue and income	5,191	5,879	5,849
Materials, services and other costs	(3,925)	(4,613)	(4,497)
Personnel costs	(917)	(917)	(996)
Provisions	(35)	(35)	(36)
EBITDA²	314	314	320
EBITDA margin	6.1%	5.3%	5.5%
Depreciation, amortization and impairment	(166)	(166)	(167)
EBIT	148	148	153
EBIT margin	2.9%	2.5%	2.6%
Finance income/(costs)		(131)	(134)
Income/(expense) from investments		(13)	(3)
Income taxes		(46)	(87)
Adjusted profit/(loss) for the year¹	(42)	(71)	
of which attributable to Group		(37)	(64)
Extraordinary and non-recurring income and expenses		(258)	(67)
- of which costs relating to the impacts deriving from the spread of COVID-19 ³		(196)	-
- of which costs related to asbestos litigation		(52)	(40)
- of which costs relating to reorganization plans and non-recurring other personnel costs		-	(9)
- of which other costs linked to non-recurring activities	(10)	(18)	
Tax effect of extraordinary and non-recurring income and expenses	55	14	
Profit/(loss) for the year from continued operations	(245)	(124)	
of which attributable to Group	(240)	(117)	
Net profit/(loss) from discontinued operations		(24)	
Profit/(loss) for the year	(245)	(148)	
of which attributable to Group	(240)	(141)	

¹ See the definition contained in the section Alternative Performance Measures.

² This figure does not include extraordinary and non-recurring income and expenses, including expenses from the impact of the spread of COVID-19; see the contained in the section "Alternative performance measures".

³ Of which Depreciation, amortization and impairment for euro 20 million and Finance costs for 9 million.



Financial Statements

Asset = resources to product
 Equity = Owners of those resources (share/equity holder)
 Debt = Stakeholders like employees, suppliers, ..

Stable !? when equity is greater it is a stable, mature company
 A lot of cash or cash growing? is a negative symptom because they are not using it for operation and inflation!

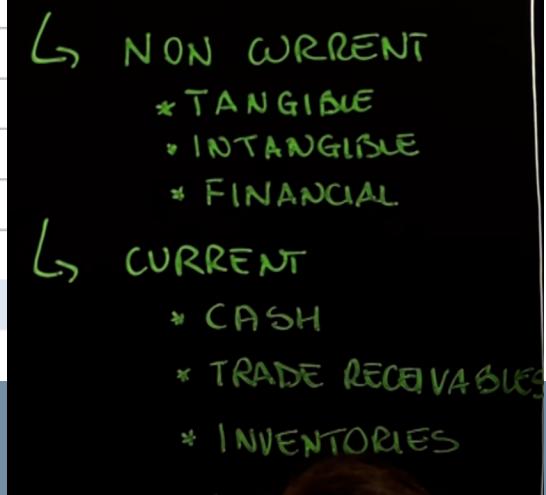
(Amounts in millions of euros)

(Notes)

31/01/2022

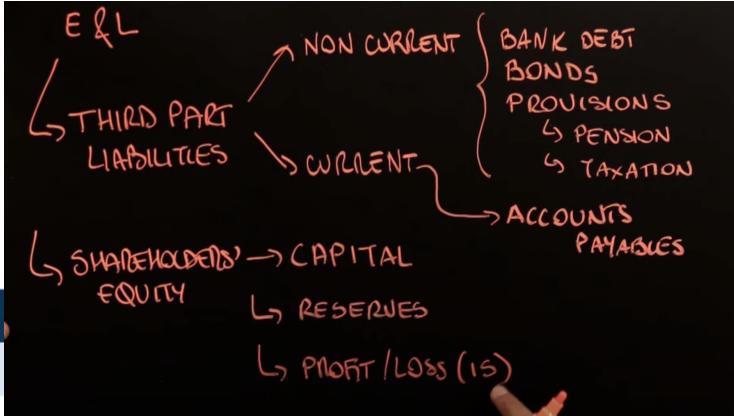
31/01/2021

ASSETS			
NON-CURRENT ASSETS		15,343	15,460
Rights of use	(15)	5,224	5,477
Other intangible assets	(14)	589	444
Goodwill	(16)	202	201
Property, plant and equipment	(13)	7,481	7,401
Investment property		21	21
Financial investments	(17)	307	261
Other non-current assets	(18)	340	380
Deferred tax assets	(24)	1,179	1,276
CURRENT ASSETS		13,602	10,957
Inventories	(12)	3,042	2,321
Trade and other receivables	(11)		
Income tax receivable	(24)		
Other current assets			
Other financial assets	(25)		
Current financial investments	(20)		
Cash and cash equivalents	(20)		
TOTAL ASSETS			



Financial Statements

e&L = who is mainly financing the company!



EQUITY AND LIABILITIES

EQUITY

Equity attributable to the Parent		15,759	14,550
Equity attributable to non-controlling interests		26	30
NON-CURRENT LIABILITIES		5,157	5,529
Provisions	(21)	287	252
Other non-current liabilities	(22)	248	280
Financial debt	(20)	1	3
Lease liability	(15)	4,262	4,599
Deferred tax liabilities	(24)	359	396
CURRENT LIABILITIES		8,030	6,338
Financial debt	(20)	35	11
Other financial liabilities	(25)	22	27
Lease liability	(15)	1,562	1,552
Income tax payable	(24)	211	88
Trade and other payables	(19)	6,199	4,659
TOTAL EQUITY AND LIABILITIES		28,945	26,418

equity => first money in the beginning, grow through the profit

what we can say from the Balance sheet :

1. dimension of the company
2. service or production company
3. how the company is financing ... other



Cash flow statement

Direct Method Cash Flow Statement

Cash receipts from customers	81,800
Cash paid to suppliers	-36,900
Cash paid to employees	-21,700
Cash generated from operations	23,200
Interest paid	-2,300
Income tax paid	-4,100
Cash flow from operating activities	16,800
Purchase of property, plant, and equipment	-20,000
Proceeds from sale of equipment	5,000
Cash flow from investing activities	-15,000
Proceeds from issuance of common stock	5,000
Proceeds from issuance of long-term debt	20,000
Principal payments under capital leases	-4,000
Dividends paid	-12,000
Cash flow from financing activities	9,000
Net increase in cash	10,800
Cash at beginning of period	9,300
Cash at end of period	20,100

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indirect method: start from numbers from IS => Net income (operation profit) & D&A

differs in only the ops part.

when the total is negative => timing has a problem / if it is a trend there is a problem in a company.

effects of exchange rate => Cash flow

Cash flows from operating activities		
Net income	{Income statement => Accrual Cash flow => Cash method, when money is taken}	\$3,000,000
Adjustments for:		
Depreciation and amortization		\$125,000
Provision for losses on accounts receivable		20,000
Gain on sale of facility		(65,000)
		80,000
Increase in trade receivables		(250,000)
Decrease in inventories		325,000
Decrease in trade payables		(50,000)
		25,000
<i>Cash generated from operations</i>		3,105,000
Cash flows from investing activities		
Purchase of property, plant, and equipment		(500,000)
Proceeds from sale of equipment		35,000
<i>Net cash used in investing activities</i>		(465,000)
Cash flows from financing activities		
Proceeds from issue of common stock		150,000
Proceeds from issuance of long-term debt		175,000
Dividends paid		(45,000)
<i>Net cash used in financing activities</i>		280,000
Net increase in cash and cash equivalents		
Cash and cash equivalents at beginning of period		2,080,000
Cash and cash equivalents at end of period		\$5,000,000



Cash flow statement

CONSOLIDATED CASH FLOW STATEMENT

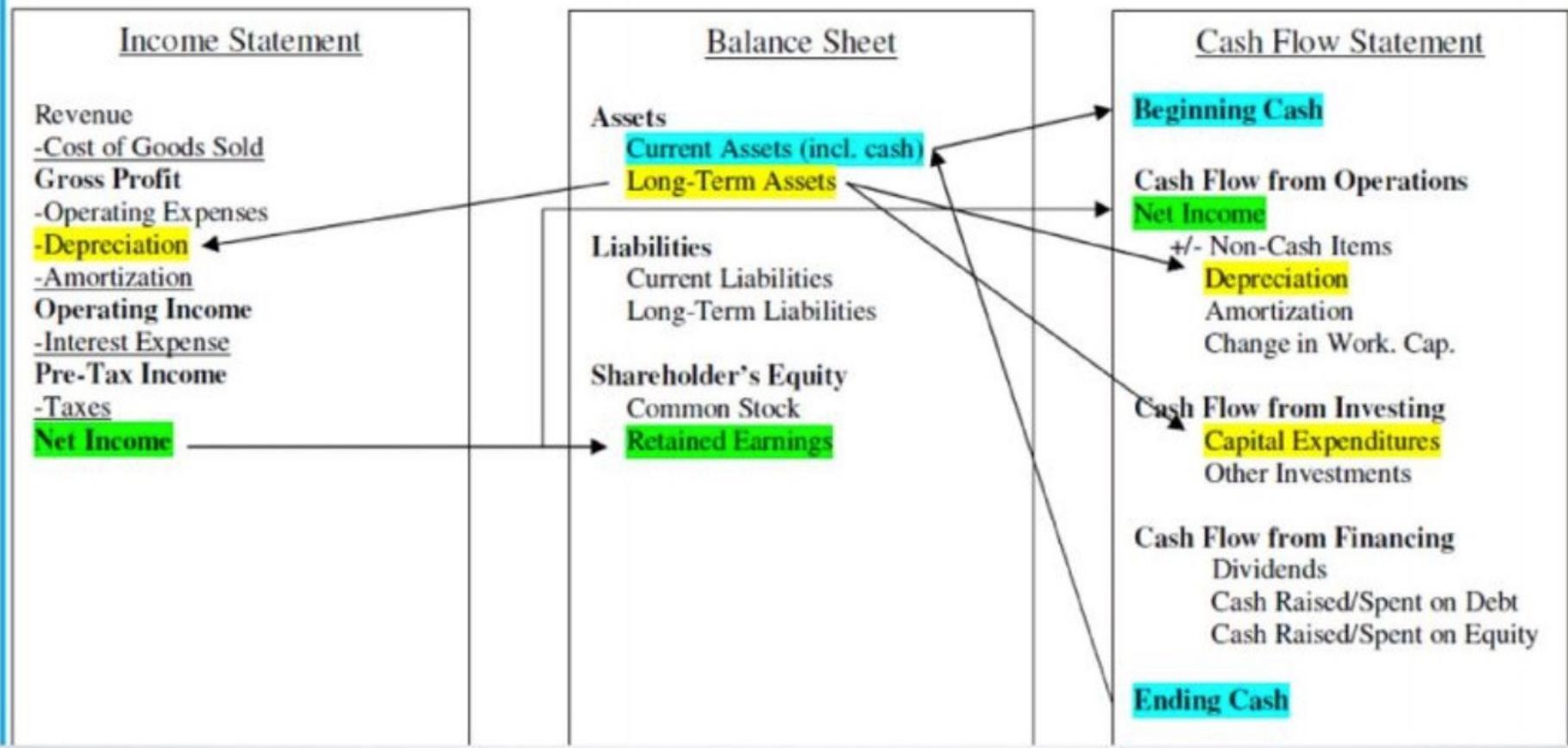
(EUR millions)	Notes	2020	2019	2018 ^(a)
I. OPERATING ACTIVITIES				
Operating profit		7,972	11,273	9,877
(Income)/loss and dividends received from joint ventures and associates	8	64	(10)	5
Net increase in depreciation, amortization and provisions		3,478	2,700	2,302
Depreciation of right-of-use assets	7.1	2,572	2,408	-
Other adjustments and computed expenses		(89)	(266)	(219)
Cash from operations before changes in working capital		13,997	16,105	11,965
Cost of net financial debt: interest paid		(58)	(124)	(113)
Lease liabilities: interest paid		(290)	(239)	-
Tax paid		(2,385)	(2,940)	(2,275)
Change in working capital	15.2	(367)	(1,154)	(1,087)
Net cash from operating activities		10,897	11,648	8,490
II. INVESTING ACTIVITIES				
Operating investments	15.3	(2,478)	(3,294)	(3,038)
Purchase and proceeds from sale of consolidated investments		(536)	(2,478)	(17)
Dividends received		12	8	18
Tax paid related to non-current available for sale financial assets and consolidated investments		-	(1)	(2)
Purchase and proceeds from sale of non-current available for sale financial assets	9	63	(104)	(400)
Net cash from (used in) investing activities		(2,939)	(5,869)	(3,439)
III. FINANCING ACTIVITIES				
Interim and final dividends paid	15.4	(2,799)	(3,678)	(3,090)
Purchase and proceeds from sale of minority interests		(67)	(21)	(236)
Other equity-related transactions	15.4	27	54	(205)
Proceeds from borrowings	19	17,499	2,837	1,529
Repayment of borrowings	19	(5,024)	(1,810)	(2,174)
Repayment of lease liabilities	7.2	(2,302)	(2,187)	-
Purchase and proceeds from sale of current available for sale financial assets	14	69	71	(147)
Net cash from/(used in) financing activities		7,403	(4,734)	(4,323)
IV. EFFECT OF EXCHANGE RATE CHANGES		(1,052)	39	67
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III+IV)		14,309	1,084	795
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	15.1	5,497	4,413	3,618
CASH AND CASH EQUIVALENTS AT END OF PERIOD	15.1	19,806	5,497	4,413
TOTAL TAX PAID		(2,501)	(3,070)	(2,314)

(a) The financial statements as of December 31, 2018 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 to the 2019 consolidated financial statements regarding the impact of the application of IFRS 16.



Link Between Statements

LINK BETWEEN FINANCIAL STATEMENTS



Financial Statements



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(EUR millions)	Number of shares	Share capital	Share premium account	Treasury shares	Cumulative translation adjustment	Revaluation reserves				Net profit and other reserves	Total equity		
						Available for sale financial assets	Hedges of future foreign currency cash flows and cost of hedging	Vineyard land	Employee benefit commitments		Group share	Minority interests	Total
Notes	16.2	16.2	16.3	16.5									18
As of Dec. 31, 2017	507,042,596	152	2,614	(530)	354	-	130	1,114	(133)	25,268	28,969	1,408	30,377
Gains and losses recognized in equity					219	-	(259)	3	20	-	(17)	45	28
Net profit										6,354	6,354	636	6,990
Comprehensive income	-	-	-	-	219	-	(259)	3	20	6,354	6,337	681	7,018
Bonus share plan-related expenses										78	78	4	82
(Acquisition)/disposal of treasury shares				(256)						(26)	(282)	-	(282)
Exercise of LVMH share subscription options	762,851		49								49	-	49
Retirement of LVMH shares	(2,775,952)		(365)	365							-	-	-
Capital increase in subsidiaries											-	50	50
Interim and final dividends paid										(2,715)	(2,715)	(345)	(3,060)
Changes in control of consolidated entities										(9)	(9)	41	32
Acquisition and disposal of minority interests' shares										(22)	(22)	(19)	(41)
Purchase commitments for minority interests' shares										(112)	(112)	(156)	(268)

related to decision of a company



Financial Statements

Consolidated Stockholders' Equity (Euro/000)*	Share Capital		Legal Reserve	Reserve Shares	Retained Earnings	Stock Option Reserve	Translation of foreign operations and other	Treasury Shares	Luxottica Group Stockholders' Equity	Note 26	Non-Controlling interests
	Shares	Amount									
Balance as of January 01, 2017	484,176,083	29,051	5,805	563,011	4,723,283	359,928	364,714	(269,755)	5,776,037	Note 26	5,954
Impact from the application of IFRS 15	-	-	-	-	5,971	-	-	-	5,971		-
Balance as of January 01, 2017 - restated	484,176,083	29,051	5,805	563,011	4,729,254	359,928	364,714	(269,755)	5,782,008	Note 26	5,954
Total Comprehensive Income as of December 31, 2017 - restated	-	-	-	-	1,047,088	-	(589,283)	-	457,805	Note 26	2,007
Exercise of stock options	839,950	50	-	17,436	-	-	-	-	17,486		-
Stock option notional value	-	-	-	-	-	790	-	-	790		-
Tax benefit on stock options	-	-	-	(10,122)	-	-	-	-	(10,122)		-
Assignment of treasury shares to employees	-	-	-	-	(13,077)	-	-	13,077	-		-
Dividends (Euro 0.89 per ordinary share)	-	-	-	-	(439,695)	-	-	-	(439,695)		(2,498)
Allocation of profits to the legal reserve	-	-	6	-	(6)	-	-	-	-		-
Balance as of December 31, 2017 restated (a) (b)	485,016,033	29,101	5,811	570,325	5,323,564	360,718	(224,569)	(256,678)	5,808,272	Note 26	5,463

