Full year 2020 results

Resilience, digitalization and synergies lead to strong recovery and solid foundations for the future

- **Swift reaction to COVID-19 pandemic in favor of employees, customers and society at large**
- **Solid sequential revenue recovery between first and second half of the year**
- **Lenses & Optical Instruments, Retail and e-commerce drive momentum**
- **Rich innovation pipeline and brand investments position Company optimally for the future**
- **Strong rebound in reported[3] as well as adjusted[2] operating margin in the second half**
- **Free cash flow[4] exceeds prior year, synergies and integration on track**

Charenton-le-Pont, France (March 12, 2021 – 7:00am) - The Board of Directors of EssilorLuxottica met on March 11, 2021 to approve the consolidated financial statements for the year ended December 31, 2020. These financial statements were audited by the Statutory Auditors whose certification report is in the process of being issued.

"To really understand what EssilorLuxottica is made of, just look at how we fought through the past year, the way we flipped adversity on its head and turned it into fuel for 2021. Our Company and our people showed new levels of adaptability and customer loyalty in the first half of the year. In the second half, we shifted into a new gear – recovery and reinvestment mode – while continuing to give our teams, our partners and customers the resources and support they needed to make a comeback. This is the hallmark of a leader using its best characteristics to raise the bar for all its stakeholders: an inspiring mission, high employee shareholding, close customer relationships, digital acceleration, supply chain flexibility, and brand and product innovation.

Our solid results demonstrate the strength of our business model and the benefits of our integration. The structural needs for good vision and recognized brands combined with innovation, vertical integration and tight cost control lead to solid profitability.

EssilorLuxottica is now in a unique position to lead the eyecare and eyewear industry into its next chapter, using our unparalleled assets and new categories like myopia management and complete pairs to capture long-term potential" said Francesco Milleri and Paul du Saillant, respectively CEO and Deputy CEO of EssilorLuxottica.

"I would like to thank the current management for the important results it has achieved in a very difficult year. In the light of these results, I intend to propose to the new Board to confirm Francesco Milleri as CEO and Paul du Saillant as Deputy CEO", added Leonardo Del Vecchio, Chairman of EssilorLuxottica.

Full year 2020 results

€ millions	2020	2019	Change at current exchange rates	Change at constant exchange rates[1]
Revenue	14,429	17,390	-17.0%	-14.6%
Gross profit	8,476	10,817	-21.6%	-19.3%
Adjusted[2] gross profit	8,493	10,887	-22.0%	-19.6%
% of revenue	*58.9%*	*62.6%*	-	-
Operating profit	452	1,678	-73.1%	-69.4%
Adjusted[2] operating profit	1,374	2,812	-51.1%	-48.5%
% of revenue	*9.5%*	*16.2%*	-	-
Net profit attributable to owners of the parent	85	1,077	-92.2%	-88.6%
Adjusted[2] net profit attributable to owners of the parent	788	1,938	-59.3%	-57.0%
% of revenue	*5.5%*	*11.1%*	-	-

EssilorLuxottica reported revenue of Euro 14,429 million, down 17.0% at current exchange rates and down 14.6% at constant exchange rates[1], compared to 2019. These declines were the result of COVID-19 related lockdowns across markets in the first part of the year. The Company's reported[3] and adjusted[2] gross profit came in at 58.7% and 58.9% of sales respectively while reported[3] and adjusted[2] operating profit were 3.1% and 9.5% of sales respectively. Reported[3] and adjusted[2] net profit attributable to the owners of the parent were Euro 85 million and Euro 788 million respectively (reported[3] result also reflects Euro 528 million of negative non-cash PPA impact related to the combination of Essilor and Luxottica).

Second half 2020 results

€ millions	H2 2020	H2 2019	Change at current exchange rates	Change at constant exchange rates[1]
Revenue	8,199	8,614	-4.8%	0.3%
Gross profit	4,941	5,331	-7.3%	-2.3%
Adjusted[2] gross profit	4,948	5,337	-7.3%	-2.2%
% of revenue	*60.4%*	*62.0%*	-	-
Operating profit	830	640	29.7%	39.9%
Adjusted[2] operating profit	1,249	1,300	-4.0%	2.3%
% of revenue	*15.2%*	*15.1%*	-	-
Net profit attributable to owners of the parent	496	406	22.2%	32.2%
Adjusted[2] net profit attributable to owners of the parent	781	891	-12.3%	-6.5%
% of revenue	*9.5%*	*10.3%*	-	-

Operational and financial highlights

- Solid V-shaped recovery since May. The optical business, which represents a solid 75% of revenue, drove sales momentum post lockdowns. Fourth quarter and second half revenues were up by 1.7% and 0.3% respectively at constant exchange rates[1].
- Visible outperformance in the full year in key areas such as lenses, optical instruments, optical frames, retail and e-commerce. In all these areas, demand for quality vision care confirmed its resilience and structural characteristics despite the volatile health and business environment, with a good mix in terms of products, channels and geographies.
- Solid pipeline of innovations in major new categories such as complete pairs with Ray-Ban Authentic, myopia management with the Stellest lens, improved eye exams and optometry with the Vision R-800 and AVA package and smart glasses with the Facebook collaboration.
- Significant increase in digitalization: in-store consumer journey (digital displays, smart shopper, virtual mirror), online interactivity (appointment booking system, drive-to-store, information websites), eye exam and measurements (tele-optometry), supply chain.
- Direct e-commerce produced revenues of Euro 1.2 billion in 2020, growing by 40% over the full year and by 39% in the fourth quarter at constant exchange rates[1]. It was driven by all the main mono-brand platforms like Ray-Ban, Oakley, Sunglass Hut and Costa as well as the multi-category platform EyeBuyDirect. The e-commerce business was overall accretive at the operating margin level.
- Good progress on synergies as the integration between the two operating companies continued to ramp up unabated during the pandemic.

Highlights by operating segments and geographical areas

- The Lenses & Optical Instruments division benefited from the growing appetite for value-added vision solutions: its revenues were up 4.0% in the second half of the year and down only 9.5% for the full year at constant exchange rates[1]. Independent Eye Care Professionals (ECPs) adapted quickly to the new environment, fueling the prompt rebound of the business worldwide. North America, France and China were key drivers.
- Wholesale progressively normalized during the second part of the year, along with customers' reopening, nearing revenue parity with prior year. North America was the key driver, up double digits in the second half at constant exchange rates[1], sustained by independents and third-party e-commerce.
- Retail recovered throughout the second half of the year, as more than 90% of the store fleet remained open. In the fourth quarter, the division was supported by the sound performance of optical banners, in particular in North America, Australia and Latin America, while it was impacted by new restrictions at the end of the period in specific areas of Europe and North America.
- By geographical areas, revenue at constant exchange rates[1] in North America, the Company's largest developed market, was up in the fourth quarter and in the second half. Revenue in Mainland China was up around 10% in the fourth quarter at constant exchange rates[1]. Continuously strong Australia and restoring Brazil were among the best performing markets in the fourth quarter, both up double digits at constant exchange rates[1].

Financial highlights

- Efficient cost management resulted in 15.2% of adjusted[2] operating profit as a percentage of revenue in the second half of 2020, in line with the level achieved in the second half of 2019.
- The Company generated strong free cash flow[4] of Euro 1,842 million, in line with the level of 2019, reflecting the swift implementation of both cost containment and cash preservation measures as well as the solid business recovery observed in the second half of the year.

EssilorLuxottica continued to expand its international employee shareholding campaign so that today 44% of employees hold a financial stake in the Company. It also built on its diversity and inclusion initiatives around the world, earning recognition from the Financial Times as a “Diversity Leader”.

COVID-19

While the COVID-19 pandemic weighed on the business environment throughout 2020, it enabled EssilorLuxottica to display in its reaction several key characteristics of its business model and culture:

- **Unwavering commitment to employees and society at large.** The Company’s first priority was to invest in the welfare of its people and communities. This included the commitment of a COVID-19 fund of approximately Euro 160 million to protect the Group’s human capital with measures such as emergency pay schemes for its most vulnerable employees. In parallel, EssilorLuxottica donated more than two million pieces of personal protective equipment to hospitals, public institutions, employees and partners.
- **Swift adaptability to the business environment.** The Company relied on its diverse and flexible manufacturing, supply chain, optical laboratories and retail footprint to ensure business continuity despite closures required by governments. It showed agility at both the global and local levels to adapt to the stop-and-go environments imposed by local lockdowns. It learned to operate its retail stores with new health protocols and reduced opening hours, which resulted in lower traffic but higher conversions. At the end of December, most of its stores around the world had reopened.
- **Customer intimacy.** EssilorLuxottica got even closer to Eye Care Professionals (ECPs) by helping them to restart their business post lockdowns, implement new sales protocols, reorganize their stores and have access to more digital tools. New technology solutions around store locator and appointment booking systems helped steer the consumer journey to Group partners. The Company’s social impact fund Vision for Life also supported many primary vision care entrepreneurs financially in the face of COVID-19.
- **Facilitation of new consumer habits.** The pandemic triggered consumer behaviors for which EssilorLuxottica is uniquely suited: enhanced awareness about the need to take care of their eyes, particularly due to increased screen time during COVID-19 pandemic; higher demand for myopia solutions due to longer screen usage, underpinning the Company’s successful move into myopia management with Stellest; growing appetite for value-added eyecare and eyewear solutions; and a new level of comfort around buying eyecare and eyewear solutions online.
- **Strict financial discipline.** Costs were quickly controlled through reductions or deferrals of executive compensation, prioritization of marketing expenses and negotiations with suppliers and landlords. Cash was preserved via the cessation of share buybacks, the deferral of dividend payments and the temporary suspension of all non-essential investments. New acquisitions and partnerships were put on hold.

Overall, the Company leveraged the situation of the pandemic to proactively foster its integration, digitalize its business processes, enhance its e-commerce platforms, get closer to ECPs, and further enrich its innovation pipeline.

Synergies and integration

In 2020, the integration between the two operating companies continued to ramp up smoothly. As a result, the management team reiterates its confidence in the delivery of synergies in the range of Euro 300 to 350 million in adjusted[2] operating profit by the end of 2021 and of Euro 420 to 600 million by the end of 2023. In spite of the COVID-19 pandemic, 28 work streams are active.

Key highlights of the synergies delivered in 2020 include:

Revenue synergies

- The launch of Ray-Ban Authentic, the new branded complete pair offering with Essilor's advanced lens technologies. After a successful launch in Italy, the product prepared to launch in the United States and Canada;
- The launch of EssilorLuxottica 360 in August, a joint independent ECP program combining the offerings of Essilor, Luxottica and EyeMed in North America;
- The expansion of cross-selling opportunities between the Essilor and Luxottica platforms. For instance, Essilor lenses were rolled out into all Luxottica retail chains globally and delivered a solid performance in 2020. Luxottica frames increased their penetration among Vision Source members and on Essilor's FrameDream platform;

Leveraging expertise and economies of scale

- The integration of Costa into Luxottica's brand portfolio was completed, with plans to expand to the distribution by leveraging the Company's wholesale, retail and e-commerce channels;
- The integration of OPV, the optical banner in Chile, into the Company's retail activities, to be finalized in H1 2021;
- The optimization of distribution, with the implementation of regional programs for combined distribution of the Company's products as well as the combination of e-commerce delivery.

Supply chain structuration

- The integration of the two operating companies' supply chains continued unabated;
- The combination of some laboratories was announced during 2020 (e.g. North America);
- The design of complete pair logistics started, with the goal of implementing a solid process common to all the geographies and serving the main customers;
- Procurement efficiency activities were successfully deployed, thanks to the definition of new processes supporting them.

Infrastructure building

- A unified SAP platform was successfully deployed in Italy and is due to be rolled out globally.
- The ongoing pooling of procurement processes and organizations.

Social impact and sustainability in support of the Company's mission

During 2020, the Company's non-financial performance gathered momentum on many fronts:

Eliminating poor vision around the world

EssilorLuxottica progressed in its ambition to eliminate uncorrected poor vision from the world by 2050. Since 2013, the Company has created sustainable access to vision care for over 420 million people in developing communities at the base of the pyramid by establishing more than 17,300 inclusive businesses or primary vision care entrepreneurs and over 200 Sustainable Vision Centers. It has also corrected and protected the vision of over 39 million people through its inclusive business and philanthropic actions to date. In 2020, despite the difficult backdrop of COVID-19, programs have continued throughout the world in four key areas:

- Creating access to vision care through inclusive business. The structuring of existing informal optical channels in small towns created strong impact in China with the Eye Partner program and in Indonesia with the Mitra Mata program. In Bangladesh, the Eye Mitro program was expanded to train over 1,000 vision care entrepreneurs in the next two years. OneSight completed vision care access in Rwanda, where now 100% of the underserved populations can access a vision center within one day of travel.
- Innovating to fast-track access to vision care. Essilor's Base of the Pyramid (BoP) Innovation Lab pioneered a teleconsultation platform for vision care entrepreneurs to connect with optometrists in urban areas who remotely oversee the refraction process. A home delivery model was piloted in India where customers can schedule at-home vision screenings facilitated by teleconsultation. The BoP Innovation Lab also developed ClickCheck, an award-winning low-cost vision screening device.
- Raising awareness of the importance of good vision. In China, the Company inked partnerships with EyeQMe and Tencent to drive greater awareness of youth myopia. In India, it contributed to expand the See Now campaign, which reached nearly 50 million people in Uttar Pradesh with crucial eye health messaging. It also renewed its partnership with the Fédération Internationale de l'Automobile (FIA) to raise awareness on the importance of good vision for safe mobility.
- Delivering philanthropy to those in need. Essilor launched a vision care program for 300,000 migrant workers in Singapore, created a mobile unit in France to bring vision care to underserved areas and restarted a project in India to free the Doddaballapur region from poor vision. OneSight also held 12 charitable clinics in the United States, Australia, New Zealand, Bangladesh and South Africa, providing more than 13,500 people with free eye exams and glasses. Together EssilorLuxottica provided free vision correction and protection for 1.5 million people in 2020.

Embedding sustainability to the core

EssilorLuxottica contributes to the achievement of 13 of the 17 UN Sustainable Development Goals (SDGs) which form the 2030 Agenda. In 2020, the Company reinforced its commitment towards sustainable development by putting together the historical sustainability anchoring of its subsidiaries:

- It launched cross-organizational work streams on key topics (e.g. R&D, responsible supply chain, climate change related initiatives, sustainable offering, people development) to be the first operational building blocks of a consolidated sustainability roadmap.
- It introduced innovative bio-based materials on all types of products enabling the launch of specific collections, from Arnette to Burberry to Emporio Armani.
- It supported the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) to ensure comprehensive and transparent disclosure on climate-related risks and opportunities as it builds and executes its climate change roadmap.
- It enhanced its sustainability fundamentals with an update of the CSR risks assessment and prioritization, the strengthening of the non-financial reporting protocol, the measurement of more common indicators and the deployment of the Code of Ethics.

Dividend and financial position

The Company ended the year with Euro 8.9 billion in cash and short-term investments and a net debt[5] of Euro 3.0 billion (including leases liabilities) compared to a net debt[5] of Euro 4.0 billion at the end of 2019. In addition, the Company has undrawn committed credit facilities of Euro 5.1 billion. The strong balance sheet also reflects the sound free cash flow[4] generation of the year, as a result of cost control and cash preservation measures.

An interim dividend of Euro 1.15 per share for the 2020 financial year was paid on December 28, 2020. This decision was supported by the efficacy of the measures taken to rein in costs and preserve cash and by the sound business recovery observed in the second half of the year.

The Board of Directors will recommend that shareholders at the Annual Meeting to be held on May 21, 2021 approve the payment of a final dividend of Euro 1.08 per share. Shareholders will be offered the option of receiving their final dividend in cash or in newly issued shares (scrip dividend). The ex-date will be May 28, 2021 and the final dividend will be paid – or the shares issued – as from June 21, 2021.

Outlook

EssilorLuxottica is starting 2021 with confidence in its ability to outperform the eyecare and eyewear industry, thanks to continued innovation in products and processes and ongoing evolution of the consumer journey.

Taking into account the uncertainties around COVID-19, the positive momentum already visible in Asia-Pacific and the hopes that vaccinations will start to normalize the business environment in other regions in the course of the second quarter, the Company has the ambition to deliver a performance comparable to pre-pandemic levels.

Furthermore, the Company believes that some current trends are likely to continue: strong e-commerce, sound prescription sales, optical retail outperforming sun retail.

Conference call

A conference call in English will be held today at 10:30 am CEST.
The meeting will be available live and may also be heard later at:
https://channel.royalcast.com/landingpage/essilorluxotticaen/20210312_1/

Forthcoming investor events

- May 6, 2021: Q1 2021 sales and conference call
- May 21, 2021: Annual Shareholders Meeting
- July 30, 2021: H1 2021 results and conference call
- October 29, 2021: Q3 2021 sales and conference call

Notes

1 Constant exchange rates: figures at constant exchange rates have been calculated using the average exchange rates in effect for the corresponding period in the previous year.
2 Adjusted measures or figures: adjusted from the expenses or income related to the combination between Essilor and Luxottica and other transactions that are unusual, infrequent or unrelated to the normal course of business as the impact of these events might affect the understanding of the Group's performance.
3 Reported measures or figures: measures or figures directly stemming from the IFRS consolidated financial statements.
4 Free Cash Flow: *Net cash flow provided by operating activities* less the sum of *Purchase of property, plant and equipment and intangible assets* and *Cash payments for the principal portion of lease liabilities* according to the IFRS consolidated statement of cash flow.
5 Net debt: sum of *Current and Non-current borrowings*, *Current and Non-current lease liabilities*, minus *Short-term investments*, *Cash and cash equivalents* and the *Interest Rate Swap measured at fair value* as disclosed in the IFRS consolidated financial statements.

CONTACTS

EssilorLuxottica Investor Relations
(Charenton-le-Pont) Tel: + 33 1 49 77 42 16
(Milan) Tel: + 39 (02) 8633 4870
E-mail: ir@essilorluxottica.com

EssilorLuxottica Corporate Communications
(Charenton-le-Pont) Tel: + 33 1 49 77 45 02
(Milan) Tel: + 39 (02) 8633 4470
E-mail: media@essilorluxottica.com

Excerpt from
2020 Management Report

Please refer to the footnotes of the Management Report on page 35.

Significant events

Licenses renewal

On March 18, 2020 Luxottica Group and Dolce&Gabbana announced the early renewal of an exclusive license agreement for the development, production and worldwide distribution of sunglasses and prescription frames under the Dolce&Gabbana brand.

On April 10, 2020 Luxottica Group and Versace announced the early renewal of an exclusive license agreement for the development, production and worldwide distribution of sunglasses and prescription frames under the Versace brand.

Share buyback

On March 17, 2020, the Company announced the launch of a share buyback program. In light of the COVID-19 pandemic EssilorLuxottica decided to stop the execution of its share buyback program on March 27, 2020. In ten days, 1.55 million shares for an average price of €102.54 were repurchased.

Launch of Ray-Ban Authentic

The Company enriched its innovation pipeline including Ray-Ban Authentic, the prescription integrated product fitting for the first time the most loved eyewear brand with Essilor's advanced lens technologies.

EssilorLuxottica's new bond issuances

On May 28, 2020, EssilorLuxottica successfully launched a bond issuance for a total amount of €3 billion with tenors of 3.6 and 5.6 and 8 years, carrying respectively a coupon of 0.25%, 0.375% and 0.5% with an average yield of 0.46%. The order book peaked close to €11 billion, attracting quality institutional investors, demonstrating high confidence in EssilorLuxottica's business model and credit profile.

Updates on GrandVision

The proposed acquisition of GrandVision N.V. ("GrandVision") by EssilorLuxottica (the "Proposed Acquisition"), announced on July 31, 2019, has been unconditionally cleared so far by antitrust authorities in the United States, Russia, Colombia, Mexico and Brazil, and it is currently under review in Chile and Turkey as well as in Europe.

On February 6, 2020, the European Commission has initiated a Phase II review of the Proposed Acquisition. On June 5, 2020, the European Commission issued to EssilorLuxottica a statement of objection which the Company has challenged. The review process is still ongoing. Further information regarding recent developments can be found in paragraph *Subsequent events*.

On July 18, 2020, EssilorLuxottica initiated legal proceedings before a District Court in Rotterdam, the Netherlands, to obtain information from GrandVision. This is to assess the way GrandVision has managed the course of its business during the COVID-19 crisis, as well as the extent to which GrandVision has breached its obligations under the Support Agreement.

On July 30, 2020, GrandVision and Hal Optical Investments B.V. (“HAL”), its majority shareholder, have initiated an arbitration process against EssilorLuxottica, which the Company regards as an obvious attempt by HAL and GrandVision to detract from GrandVision’s breaches of its contractual commitments and its failure to provide EssilorLuxottica with required information.

EssilorLuxottica’s demands for disclosure of information from both HAL and GrandVision was dismissed by the Dutch District Court. On September 4, 2020 EssilorLuxottica filed an appeal against the judgment dismissing the Company’s demands for disclosure of information from GrandVision. Appeal decision is expected on April 6, 2021, and the arbitration proceedings are on-going.

EssilorLuxottica 360

On August 17, 2020, the Company announced EssilorLuxottica 360, a new joint program that will drive growth for independent eyecare professionals across the US. Created at a time when independent ECPs are in need of greater support from the industry, EssilorLuxottica 360 will help increase their traffic, visibility and capture rate, deliver added support around an enhanced patient experience and improve practice profitability.

Partnership with Facebook

On September 16, 2020, EssilorLuxottica and Facebook announced a multiyear collaboration to develop the next generation of smart glasses.

The partnership will combine Facebook apps and technologies, Luxottica’s category leadership and iconic brands, and Essilor’s advanced lens technology to help people stay better connected to their friends and family. The first product will be branded Ray-Ban and is scheduled to launch in 2021.

Organizational changes

On December 17, 2020, the Board of Directors of EssilorLuxottica decided to adjust EssilorLuxottica’s governance in full respect of the equal powers principle of the business combination agreement, in order to accommodate its Executive Vice-Chairman's desire to retire. Mr. Sagnières left all his executive responsibilities at EssilorLuxottica and its subsidiaries and remains as non-executive Vice-Chairman of the Company. In order to preserve the equal powers principle of the business combination agreement currently in place, Leonardo Del Vecchio decided to voluntarily step back from his executive responsibilities at EssilorLuxottica and remains non-executive Chairman of the Company. The Board granted executive powers to Francesco Milleri and Paul du Saillant, who were appointed as Chief Executive Officer (CEO) and Deputy Chief Executive Officer (Deputy CEO) of EssilorLuxottica, respectively, until the appointment of the new Board of Directors by the 2021 Annual General Meeting of Shareholders.

Other organizational changes during the year include the cooptation of Paul du Saillant as a new Director of the Company on March 30, 2020 in place of Laurent Vacherot, former CEO of Essilor International, who elected to retire, and the appointment of David Wielemans as co-CFO of EssilorLuxottica alongside Stefano Grassi, in replacement of Hilary Halper.

Interim dividend

On December 17, 2020, the Board of Directors decided to pay an interim dividend for the 2020 financial year of €1.15 per share. This decision was supported by the efficacy of the measures taken to rein in costs and preserve cash and by the sound business recovery observed in the second half of the year.

Update on recovery of funds in Thailand

On December 30, 2019, the Company announced that it had discovered fraudulent financial activity at an Essilor plant in Thailand and recorded in its 2019 accounts an overall financial impact for the Company of €185 million.

As of March 11, 2021, the Company had recovered approximately €79 million. Additional funds are currently being traced and expected to be recovered in the coming quarters.

Revenue by operating segment

€ millions	2020	2019*	Change at constant exchange rates[1]	Currency effect	Change at current exchange rates
Lenses & Optical Instruments	5,960	6,791	-9.5%	-2.7%	-12.2%
Sunglasses & Readers	595	740	-18.0%	-1.6%	-19.6%
Equipment	158	221	-26.9%	-1.6%	-28.5%
Essilor revenue	**6,714**	**7,752**	**-10.8%**	**-2.6%**	**-13.4%**
Wholesale	2,471	3,383	-24.3%	-2.7%	-27.0%
Retail	5,244	6,255	-14.1%	-2.1%	-16.2%
Luxottica revenue	**7,715**	**9,638**	**-17.7%**	**-2.3%**	**-19.9%**
Total	**14,429**	**17,390**	**-14.6%**	**-2.4%**	**-17.0%**

€ millions	H1 2020	H1 2019*	Change at const. exchange rates[1]	Change at current exchange rates	H2 2020	H2 2019*	Change at const. exchange rates[1]	Change at current exchange rates
Lenses & Optical Instruments	2,592	3,377	-23.1%	-23.2%	3,368	3,414	4.0%	-1.3%
Sunglasses & Readers	268	374	-28.9%	-28.4%	327	366	-6.8%	-10.5%
Equipment	63	99	-36.8%	-36.0%	95	122	-18.9%	-22.3%
Essilor revenue	**2,923**	**3,850**	**-24.0%**	**-24.1%**	**3,790**	**3,902**	**2.3%**	**-2.9%**
Wholesale	1,040	1,829	-42.8%	-43.1%	1,431	1,554	-2.6%	-7.9%
Retail	2,266	3,097	-27.6%	-26.8%	2,978	3,158	-0.8%	-5.7%
Luxottica revenue	**3,307**	**4,926**	**-33.2%**	**-32.9%**	**4,408**	**4,712**	**-1.4%**	**-6.4%**
Total	**6,230**	**8,776**	**-29.2%**	**-29.0%**	**8,199**	**8,614**	**0.3%**	**-4.8%**

€ millions	4Q 2020	4Q 2019*	Change at constant exchange rates[1]	Currency effect	Change at current exchange rates
Lenses & Optical Instruments	1,685	1,701	5.3%	-6.2%	-0.9%
Sunglasses & Readers	188	214	-8.8%	-3.6%	-12.3%
Equipment	50	70	-24.3%	-3.7%	-27.9%
Essilor revenue	**1,923**	**1,985**	**2.7%**	**-5.8%**	**-3.1%**
Wholesale	692	774	-3.9%	-6.7%	-10.6%
Retail	1,498	1,545	3.2%	-6.2%	-3.0%
Luxottica revenue	**2,190**	**2,319**	**0.8%**	**-6.4%**	**-5.6%**
Total	**4,113**	**4,304**	**1.7%**	**-6.1%**	**-4.4%**

* The breakdown of 2019 revenue has been restated following the integration of Costa into Luxottica's brand portfolio.

EssilorLuxottica reported revenue of €14,429 million, down 17.0% at current exchange rates and down 14.6% at constant exchange rates[1], compared to 2019 revenue.

Lenses & Optical Instruments

Lenses & Optical Instruments revenue was down by only 0.9% year-on-year in the fourth quarter (up 5.3% at constant exchange rates[1]). The solid performance at constant exchange rates[1] confirmed the resilience of vision needs and the higher awareness about eyecare resulting from the increased screen time brought about by the pandemic. By products, consumers showed a growing appetite for higher value-added branded solutions, notably around blue-cut and anti-fatigue. The new products launched in the past twelve months continued their successful ramp up, especially the latest myopia management lens Stellest, the new photochromic lens Transitions Signature GEN 8, the new progressive lens Varilux Comfort Max, the Advanced Vision Accuracy lens or the VR-800 measuring instrument.

As a result of this continued sequential recovery, revenue in the second half of the year were up by 4.0% year-on-year at constant exchange rates[1]. By channels, Eye Care Professionals (ECPs) and e-commerce fared better than shopping malls. As ECPs were considered essential needs, they continued to operate during most lockdowns, albeit by appointment or with reduced opening hours. Although foothold suffered as a result, sale conversions surged. EyeBuyDirect.com, Clearly.ca and VisionDirect.co.uk continued to drive online sales. By countries, developed markets outperformed developing economies[5], which often struggled to contain the pandemic with a few notable exceptions such as Greater China.

For the full-year, divisional revenue was down 12.2% (-9.5% at constant exchange rates[1]). This reflected a steep decline in sales in the second quarter, which was followed by a gradual V-shaped recovery driven by the outperformance of the Group's prescription business.

Sunglasses & Readers

The Sunglasses & Readers division posted revenue down 12.3% in the fourth quarter (-8.8% at constant exchange rates[1]). This performance masked two opposite trends. First, a sequential improvement in underlying growth compared to the previous quarter, driven by the optical business. This was due both to Readers at FGX and to prescription frames at Xiamen Yarui Optical (Bolon). Bolon became the leading optical brand in China. The sunglass business, for its part, stayed under pressure.

By channels, online around the world and dollar stores in North America drove the momentum while travel retail, department stores and mass merchandisers remained difficult. Second, the division's activities were streamlined with a view to improve efficiency; FGX simplified its go-to-market and merchandising organizations and stopped its hats/apparel business while MJS downsized its network of franchises in China.

As a result, the magnitude of year-on-year revenue decline shrank materially in the second half of the year compared to the first. This was driven by strong momentum in optical frames, the success of new collections and solid e-commerce sales.

For the year as a whole, revenue was down 19.6% (-18% at constant exchange rates[1]). The above trends partially offset the earlier impact of COVID-19 related lockdowns in China, Europe and the United States as well as the resulting pressures on department stores and travel retail.

Equipment

The Equipment division saw its fourth quarter revenue decline by 27.9% (-24.3% at constant exchange rates[1]). Consumables proved resilient while sales of machines, spare parts and services continued to suffer from the pandemic, due to the limited access to client facilities. In the meantime, customer interest remained high and translated into a significant increase in the order backlog.

For the year, revenue was down 28.5% (-26.9% at constant exchange rates[1]). Customers reduced their investments early in the year as the pandemic weighed on visibility. Sales of new machines remained subdued from March onwards, despite occasional blips supporting second half revenue. Sales of consumables showed resilience throughout the year.

Wholesale

In the fourth quarter, the Wholesale division posted revenue down 10.6% (-3.9% at constant exchange rates[1]) and continued to benefit from the resilience of the optical category, that was positive in the period. In terms of geographies, North America continued to grow driving the overall division, while Latin America significantly improved compared to previous quarters. Conversely, most of the markets and channels in Europe and Asia, Oceania and Africa suffered renewed impact of COVID-19. In particular, the European business decelerated in the last two months of the year because of new restrictions. Among brands, Oakley stood out again as one of the best performers, thanks to growing prescription eyewear and apparel winter collections.

Over the entire second semester, revenue declined by 7.9% (-2.6% at constant exchange rates[1]), experiencing a sharp improvement compared with the first half performance (-42.8% at constant exchange rates[1]). From a geographical perspective, it is worth underlining that in the North American market Wholesale emerged as the fastest growing business in the second half of the year. Performance in the region was boosted by the resilience of the independents channel, fueling the optical category, as well as by the buoyant growth of third-party e-commerce platforms. The European market kept its revenue substantially stable in the semester at constant exchange rates[1], thanks to the restocking activity of independents and key accounts, whilst business with customers exposed to touristic flows remained subdued. The Wholesale performance lingered into negative territory in both Asia, Oceania and Africa and Latin America, notwithstanding revenue going back to positive growth at constant exchange rates[1] in Mainland China in the semester and the strong recovery seen in Brazil in the last quarter of the year.

In the full year, the divisional revenue decreased by 27% (-24.3% at constant exchange rates[1]), following a trajectory that mirrored the COVID-19 outbreak throughout the year. STARS closed the year nearing 17,500 doors (after almost 900 net additions), posting positive revenue growth at constant exchange rates[1] over the entire second semester and ending the full year at 16% of the Wholesale's total turnover.

Retail

The Retail division was heavily affected by the unprecedented business conditions of last year, with total trading hours in the brick-and-mortar activity materially lower than the year before due to lockdowns and restrictions imposed worldwide, with a different phasing depending on the virus outbreak across the regions. Conversely, the e-commerce business was boosted by consumer confinements, gaining a new audience, and posted a spectacular growth in branded eyewear platforms. Since the second quarter, the division posted sequentially improving revenue as the physical business restarted under strict safety protocols. The number of stores open hit a low in mid-April, with approximately three fourths of the corporate fleet closed, then progressively recovered throughout May and June, since when closed locations remained below 10% of the total network. During the course of the fourth quarter, further restrictions were introduced in Europe in November and December and affected SunglassHut, with one third of the network closed, and Salmoiraghi & Viganò, mainly during weekends.

The entire division finished the year on a sound tone, with revenue up 3.2% at constant exchange rates[1] in the fourth quarter (down 3.0% at current exchange rates, mostly due to the US dollar impact), supported by an overall improvement of in-store execution. Comparable store sales[4] were still overall negative in the period, with optical positive and sun negative due to the different impact of restrictions on the two businesses, since optical locations were allowed to remain open (with limitations) as a necessary service even in those areas and periods where sun stores were shut down, as well as the structurally higher resilience of optical. North American and Australian optical banners were the main drivers, with LensCrafters, Target Optical and OPSM all contributing, plus the addition of GMO in Latam. Sun performance was more troubled than optical in brick-and-mortar, with SunglassHut negative worldwide, dragged by store closures and lack of tourism, harder in Europe than North America. The whole division registered different trends in revenue in the two semesters of the year, down by almost one third in the first and flattish in the second half at constant exchange rates[1].

Direct e-commerce kept a strong pace throughout the entire year, with a marked acceleration started in March. Revenue were up 56% year-on-year at constant exchange rates[1] in the fourth quarter and 74% in the full year, boosted by the top-four house brands' online platforms, Ray-Ban, Oakley, SunglassHut and Costa del Mar, which all together generated €576 million revenue.

In the full year the division recorded a drop in revenue of 16% and 14% at current and constant exchange rates[1]. Business-to-consumer activities, including brick-and-mortar and online revenue of the entire Group, represented in the full year slightly more than 40% of the total turnover.

Revenue by geographical area

€ millions	2020	2019*	Change at constant exchange rates[1]	Currency effect	Change at current exchange rates
North America	7,901	9,146	-11.8%	-1.8%	-13.6%
Europe	3,450	4,239	-17.5%	-1.1%	-18.6%
Asia, Oceania and Africa	2,362	2,891	-16.4%	-1.9%	-18.3%
Latin America	715	1,114	-21.9%	-13.8%	-35.8%
Total	**14,429**	**17,390**	**-14.6%**	**-2.4%**	**-17.0%**

€ millions	H1 2020	H1 2019*	Change at const. exchange rates[1]	Change at current exchange rates	H2 2020	H2 2019*	Change at const. exchange rates[1]	Change at current exchange rates
North America	3,426	4,580	-26.9%	-25.2%	4,475	4,566	3.3%	-2.0%
Europe	1,506	2,232	-32.1%	-32.5%	1,944	2,007	-1.2%	-3.1%
Asia, Oceania and Africa	1,016	1,435	-28.5%	-29.2%	1,346	1,457	-4.5%	-7.6%
Latin America	282	530	-38.5%	-46.8%	433	584	-6.9%	-25.8%
Total	**6,230**	**8,776**	**-29.2%**	**-29.0%**	**8,199**	**8,614**	**0.3%**	**-4.8%**

€ millions	4Q 2020	4Q 2019*	Change at constant exchange rates[1]	Currency effect	Change at current exchange rates
North America	2,213	2,270	4.2%	-6.6%	-2.5%
Europe	911	971	-3.7%	-2.5%	-6.3%
Asia, Oceania and Africa	727	757	-1.0%	-3.0%	-4.0%
Latin America	263	305	7.1%	-21.1%	-14.0%
Total	**4,113**	**4,304**	**1.7%**	**-6.1%**	**-4.4%**

* The geographical breakdown of 2019 revenue has been revised to reflect a reclassification of certain geographic markets, which the Group considers immaterial.

North America

In the fourth quarter, Group revenue in North America decreased by 2.5% but were up 4.2% at constant exchange rates[1]. For the full year 2020, revenue decreased by 13.6% (and by 11.8% at constant exchange rates[1]) thanks to a strong rebound during the second half of the year after a significant decline in revenue in the second quarter.

In Lenses and Optical instruments, the business continued its rebound throughout the fourth quarter. This solid recovery was driven by independent ECPs, with an outperformance of the alliances supported by the Group, as well as retail chains, which improved materially after relative weakness in the third quarter. The business with independent ECPs was boosted by the success of the Essilor Experts program, which reached 7,800 doors by the end of 2020, and yielded stronger traffic, better mix of Essilor branded products as well as capture and patient retention rates above market average. The EssilorLuxottica 360 program was deployed to approximately 1,000 doors in the second half of 2020, driving overall value for lenses and complete pairs. Both independent ECPs and retail chains benefitted from a positive product mix driven by Crizal in anti-reflective lenses, Transitions GEN 8 in photochromic lenses and Varilux in progressive lenses. Instrument sales were up double digits as optometrists sought to continue to improve the eye exam experience and the overall level of service. Online sales were again up double digits in the fourth quarter, reflecting growing demand and premiumization. In the second half, divisional revenue was flat in the region and up mid-single digits at constant exchange rates[1]. This was driven by the United States as well as Canada, which performed well despite a stricter lockdown environment than in the neighboring country. Overall, on a full year basis, divisional revenue in the region were down less than 10% at constant exchange rates[1]. Independent ECPs were instrumental in offsetting the negative effect of the first-half lockdowns. They were first to implement new safety protocols to leverage patient interactions, improve conversion rates and support the product mix. Sales were also boosted by the strong e-commerce performance throughout the year, especially at EyeBuyDirect.com in the US and Clearly.ca in Canada.

In Sunglasses & Readers, regional sales were down double digits in the fourth quarter. This was mainly due to a decline of sunglass shipments in December, as customers remained cautious about the upcoming sun season in a persistent COVID-19 environment. Sales of readers were back to year-on-year growth. In the second half of the year, the magnitude of revenue decline more than halved compared to the first half of the year, thanks to the performance of the online channel and dollar stores, which offset weakness in other channels. For the full year, revenue was down double-digits in the region.

Equipment sales in North America were still down double-digits in the fourth quarter as new machine sales continued to suffer from a customer focus on cash preservation. Although revenue fared better in the second half than in the first, it was still significantly down for the year as a whole.

The Wholesale division finished the year on a sound tone, with positive revenue in constant exchange rates[1] in the fourth quarter (then posting 10% growth in the second half at constant exchange rates[1]), as a consequence of the strong rebound of independents and booming third-party e-commerce (+85% in the fourth quarter), while department stores and boutiques were confirmed exceptions. Oakley was the top performer among house brands, up in the high-teens in eyewear in the fourth quarter at constant exchange rates[1], and with growth in both eyewear and AFA businesses still fueled by the successful NFL partnership. In the full year, the entire Wholesale division registered a 15% drop in sales at constant exchange rates[1], dragged by the higher-than-one-third drop in the first half.

The Retail division showed stronger acceleration in the fourth quarter, with revenue up mid-single digit at constant exchange rates[1], leading the second half to positive performance at constant exchange rates[1] following a drop of one fourth in the first. Optical banners drove the recovery, with LensCrafters, Target Optical and Pearle Vision recording positive revenue in the second half and fourth quarter at constant exchange rates[1]. They all regained their sound pre-COVID-19 pace, with LensCrafters in the low-to-mid single digit, and both Target Optical and Pearle Vision in double-digit areas. The Company's optical retail business model proved to be working well, supported by digitalization as well as more focused assortment. Conversely SunglassHut was negative in the fourth quarter and the second half, heavily impacted by dropping in-store domestic traffic as well as dried up tourism flows, which hit hard on locations more depending on travelers' demand. E-commerce on proprietary mono-brand platforms generated sales of half a billion euros in the region on a full year basis, up 76% year-on-year at constant exchange rates[1]. All in all, in the full year, the entire Retail division recorded a 12% decline at constant exchange rates[1].

Europe

In the fourth quarter, revenue in Europe decreased by 6.3% (-3.7% at constant exchange rates[1]). For the full year 2020, revenue in the region declined by 18.6% (-17.5% at constant exchange rates[1]).

In Lenses and Optical instruments, the business confirmed its rebound in the fourth quarter, delivering year-on-year growth at constant exchange rates[1]. This was particularly the case in France, thanks to the success of the multi-network distribution strategy, the restart of marketing campaigns and the desire of consumers to trade up. The Nordics and the UK also fared well. Spain, Portugal and Poland delivered a weaker performance as they were penalized by a challenging COVID-19 business environment. In terms of products, blue-cut lenses continued to benefit from intense screen usage in the new COVID-19 environment. Varilux in progressives, Crizal in anti-reflectives, Transitions GEN 8 in photochromics, Eyezen in anti-fatigue and the VR-800 precision instrument all fared well during the quarter. In the second half of the year, the Lenses and Optical instruments division displayed material year-on-year growth at constant exchange rates[1]. ECPs across the region showed a very strong ability to leverage the new business environment in order to generate better conversion rates as well as an improvement in product sales mix. In addition, e-commerce continued to drive divisional revenue, especially thanks to double-digit growth in sales of eyeglasses. As a result of these trends, for the year as a whole, the division delivered the most resilient performance of the group in Europe, although revenue was still down year-on-year.

The Sunglasses & Readers division experienced double-digit sales declines in the region in the fourth quarter, as its customers were reluctant to update their displays or prepare the upcoming sun season. Despite a sequential recovery in the second half of the year compared to the first, its revenue ended the year materially down, mainly due to the impact of the lockdowns in the UK and Italy.

The Equipment division experienced double-digit revenue declines in the region, both in the fourth quarter and the full year, as its customers were reluctant to buy new machines.

In the fourth quarter, the Wholesale division was once again impacted by COVID-19 in most European countries, with softness persisting in Spain and the UK and partially resurfacing in France, Germany and Italy, while STARS gave some relief to the overall performance of the area on the back of the optical business. Revenue for the division remained roughly stable at constant exchange rates[1] in the second half of the year, benefiting from the restocking activity of independents and key accounts started in July and August, while channels more exposed to tourism continued to be troubled. On a full year basis, the division registered a decline in revenue by approximately one fourth at constant exchange rates[1], dragged by the business drop of the first semester.

In Retail, Europe was the only region remaining into negative territory at constant exchange rates[1] in the fourth quarter, after three negative quarters, due to new waves of virus outbreak and consequent new restrictions. Sunglass Hut had to shut down stores in various important countries, like France, the UK, Germany and the Netherlands. In addition, the locations heavily dependent on travelers' demand were severely hit and had a material adverse impact on the overall banner's performance. After a nice start to the fourth quarter, in November and December Salmoiraghi & Viganò was impacted by new restrictions. Over the entire year, Retail registered a decline in revenue of approximately one third at constant exchange rates[1].

Asia, Oceania and Africa

Revenue in Asia, Oceania, Africa declined by 4% in the fourth quarter (-1.0% at constant exchange rates[1]). For the full year, the revenue decline was 18.3% (-16.4% at constant exchange rates[1]).

The Lenses & Optical Instruments division returned to revenue growth at constant exchange rates[1] in the fourth quarter and was driven by continued momentum in Greater China, Japan and Australia. In Mainland China, sales accelerated further with a good product mix around flagship brands and a good channel mix as high-end distribution networks outperformed mid-tier ones, while e-commerce remained solid. Transitions Signature GEN 8 was launched during the quarter. Stellest continued its successful ramp-up in myopia management and was deployed in both hospitals and traditional networks. In Japan, the division improved its positions thanks to strong innovation and a good level of activity with optical chains. Sales in Australia were driven by branded lenses at both optical chains and independent ECPs. Revenue in the rest of the region remained slow as the countries struggled to contain the COVID-19 pandemic. This was especially the case in India, Indonesia and Malaysia. These trends confirmed the sequential recovery gathering momentum since April and allowed second-half revenue to be flat year-on-year at constant exchange rates[1]. As a result, the division ended the year with a revenue decline in the region of less than 10% at constant exchange rates[1].

The Sunglasses & Readers division enjoyed another quarter of revenue growth in the region, thanks to a very strong performance of the optical business at Xiamen Yarui Optical (Bolon), both in wholesale and own retail, partly driven by new store openings. Online revenue growth remained strong, especially at MJS, which also saw a return to sales growth of its own stores. These trends more than offset the persistent headwinds in the sunglass business (travel and vacation restrictions, homeworking) and the closure of underperforming franchise stores at MJS. As a result, for the second half of the year, the division posted year-on-year revenue growth in the region at constant exchange rates[1]. Although this represented a significant swing compared to the revenue decline of the first half caused by country lockdowns, the division still ended the year with a revenue decline of slightly more than 10% at constant exchange rates[1].

In the fourth quarter the Wholesale division remained under pressure, with most of the countries still impacted by COVID-19. Mainland China was the bright spot, further consolidating the revenue rebound started in the third quarter. At the opposite, Hong Kong and South-East Asia remained into double-digit negative trend in revenue at constant exchange rates[1]. Japan suffered mostly from lower tourism flows, but improved its Oakley apparel, footwear and accessories business. Revenue performance overall lingered into negative territory in the entire second half of the year, despite positive trends in Mainland China and Australia. On a full year basis, the division registered a decline in revenue by more than one third at constant exchange rates[1].

The Retail division turned positive in revenue at constant exchange rates[1] in the fourth quarter. The business pace accelerated further in optical retail in Australia, despite few localized lockdowns as a consequence of COVID-19 new outbreaks. Excellent in-store execution and lens upselling translated into double-digit comparable store sales[4] at OPSM. Retail business progressively improved in Mainland China, with optical and sun including e-commerce moving into positive territory at constant exchange rates[1], while Hong Kong was impacted by a new wave of COVID-19 cases at the end of the year. After a decrease in revenue by almost one third at constant exchange rates[1] in the first half of the year, the second semester was only slightly negative, sustained by the top-performing Australian optical business, leading the division to mid-teen decline in the full year.

Latin America

In the fourth quarter, Group revenue in Latin America decreased by 14.0% but were actually up 7.1% at constant exchange rates[1]. For the full year 2020, revenue in Latin America decreased by 35.8% (-21.9% at constant exchange rates[1]).

The Lenses & Optical instruments division recorded high single-digit revenue growth at constant exchange rates[1] in the fourth quarter. This solid performance was driven by strong momentum in Brazil, Mexico, Chile and Argentina, which all benefitted from the limited level of store closures for most of the quarter. Revenue in Brazil was supported by positive sales momentum of blue-cut products and Kodak lenses in the mid-tier as well as Transitions GEN 8 photochromic lenses and Varilux progressive lenses in the high end. Mexico experienced a good dynamic with key accounts and progressive lenses. Argentina also benefited from a good product mix. Instruments also delivered a strong rebound in the fourth quarter as opticians were eager to invest more into an improved customer experience and the division expanded its business with ophthalmologists in Brazil. In the second half, revenue was down only slightly at constant exchange rates[1] in the region, a very material improvement compared to the first half. This was driven by strong consumer demand for established retailers and innovative brands.

The Sunglasses & Readers division continued to be penalized in the fourth quarter by the caution of its customers about the upcoming sun season in a challenging and uncertain health environment. In 2020, its overall negative performance was significantly impacted by store closures during the second quarter of the year.

Sales in the Equipment division rebounded strongly during the fourth quarter in the region, after reaching a low point in the second quarter. As a result, second half and full year revenue was up year-on-year at constant exchange rates[1].

The Wholesale business rapidly normalized in the fourth quarter, registering slightly negative sales at constant exchange rates[1] on the back of the reopening and restocking of independent retailers and bigger chains. The key market of Brazil bounced back nicely in the period, up high single digit in revenue at constant exchange rates[1], with optical and sun frames both contributing. Óticas Carol stores restarted supporting the business from the lowest level of activity due to restrictions at the end of the third quarter, reflecting the seasonal phasing of the virus outbreak in the country and the region. Mexico was a laggard, still negative in sales in the last quarter of the year.

The Retail activity evolved according to a shifted timeframe compared to other areas, with the store open count at one fifth of the regional fleet at the end of March, slightly above half of the total at the end of June and above 90% during the second half of the year, with the footfall recovery more visible in the last months of the year. Divisional sales were up 20% at constant exchange rates[1] in the fourth quarter, with adjusted comparable store sales[3] at +10%. Both the optical and sun businesses contributed, with GMO up double digit led by Chile (easy comparison base), outpacing Sunglass Hut (stable in Brazil).

In the full year, the Wholesale and Retail divisions posted a decline in revenue of one third and one fifth respectively, at constant exchange rates[1]. Price increases were selectively adopted throughout the year as a result of the sharp devaluation of key markets' currencies, impacting especially the performance of the second semester.

Statement of profit or loss and Alternative Performance Measures

EssilorLuxottica condensed consolidated statement of profit or loss

€ millions	2020	2019	Change
Revenue	14,429	17,390	-17.0%
Cost of sales	(5,953)	(6,573)	-9.4%
Gross profit	**8,476**	**10,817**	**-21.6%**
% of revenue	*58.7%*	*62.2%*	
Total operating expenses	**(8,024)**	**(9,138)**	**-12.2%**
Operating profit	**452**	**1,678**	**-73.1%**
% of revenue	*3.1%*	*9.7%*	
Profit before taxes	**313**	**1,534**	**-79.6%**
% of revenue	*2.2%*	*8.8%*	
Income taxes	(164)	(350)	-53.1%
Effective tax rate	*52.4%*	*22.8%*	
Net profit	**149**	**1,185**	**-87.5%**
Net profit attributable to owners of the parent	**85**	**1,077**	**-92.2%**

The table above shows the performance of EssilorLuxottica activities in 2020 and 2019. The comparability in 2020 consolidated financial statements is no longer affected by the accounting of the combination between Essilor and Luxottica occurred on October 1, 2018 (the "EL Combination"), which was considered a reverse acquisition according to the requirements of IFRS 3 – *Business Combinations*.

The 2020 financial results were heavily affected by the COVID-19 pandemic.

- *Revenue* decreased by 17%; detailed comments on the net sales performance over the year as well as their breakdown by segment and geographical area are reported in paragraphs *Revenue by operating segment* and *Revenue by geographical area*.
- *Operating expenses* are still materially affected by the depreciation and amortization resulting from the recognition of tangible and intangible assets following the purchase price allocation related to the EL Combination (approximately €740 million in 2020 versus approximately €747 million recorded in the same period of last year). Moreover, in 2020 the Company recognized the costs incurred in connection with the COVID-19 fund, implemented, in line with the historical values of Essilor and Luxottica, to support the Company's employees and their families in need with a number of initiatives launched all over the world, for approximately €160 million. Additionally, significant restructuring costs were accrued over the year, mainly link to restructuring plans relating to the North American Lenses and Sunglasses and Readers businesses, as well as the enhancement of the Group's regional organization in Asia (see comments in the paragraph Adjusted measures). Finally, the Group has benefited, in some jurisdictions, from governmental grants and other forms of governmental assistance for approximately €137 million. Those subsidies refer to various governmental schemes on labour costs granted following the periods of reduced operating activity and do not include amounts directly paid to employees through those governmental support schemes.
- *Net profit* decreased to €149 million from €1,185 million reported in 2019, reflecting the contraction of the Company's activities caused by the COVID-19 pandemic.

EssilorLuxottica Alternative Performance Measures (APM)

Condensed consolidated statement of profit or loss: reconciliation with adjusted[2] figures

Year ended December 31, 2020

€ millions	2020	Adjustments related to PPA impacts	Other non-GAAP adjustments	2020 *Adjusted*[2]
Revenue	14,429	-	-	14,429
Cost of sales	(5,953)	-	17	(5,936)
Gross profit	**8,476**	**-**	**17**	**8,493**
% of revenue	*58.7%*			*58.9%*
Total operating expenses	**(8,024)**	**666**	**239**	**(7,118)**
Operating profit	**452**	**666**	**256**	**1,374**
% of revenue	*3.1%*			*9.5%*
Cost of net debt	(119)	(6)	-	(125)
Other financial income / (expenses)*	(21)	-	-	(21)
Profit before taxes	**313**	**660**	**256**	**1,229**
% of revenue	*2.2%*			*8.5%*
Income taxes	(164)	(123)	(73)	(360)
Net profit	**149**	**537**	**183**	**868**
Net profit attributable to owners of the parent	**85**	**528**	**176**	**788**

* Including *Share of profit of associates*.

Year ended December 31, 2019

€ millions	2019	Adjustments related to PPA impacts	Other non-GAAP adjustments	2019 *Adjusted*[2]
Revenue	17,390	-	-	17,390
Cost of sales	(6,573)	61	8	(6,503)
Gross profit	**10,817**	**61**	**8**	**10,887**
% of revenue	*62.2%*			*62.6%*
Total operating expenses	**(9,138)**	**669**	**395**	**(8,074)**
Operating profit	**1,678**	**730**	**404**	**2,812**
% of revenue	*9.7%*			*16.2%*
Cost of net debt	(117)	(7)	9	(115)
Other financial income / (expenses)*	(27)	-	1	(26)
Profit before taxes	**1,534**	**723**	**414**	**2,672**
% of revenue	*8.8%*			*15.4%*
Income taxes	(350)	(142)	(126)	(618)
Net profit	**1,185**	**581**	**288**	**2,054**
Net profit attributable to owners of the parent	**1,077**	**574**	**287**	**1,938**

* Including *Share of profit of associates*.

Adjusted[2] measures

In this document, management presented certain performance indicators that are not envisioned by the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and endorsed by the European Union. Such measures are not meant to be considered in isolation or as a substitute for items appearing in EssilorLuxottica 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 and should be read in conjunction with EssilorLuxottica consolidated financial statements. Such measures are not defined terms under IFRS and their definitions should be carefully reviewed and understood by investors.

The combination of Essilor and Luxottica (the “EL Combination”), as well as events that are unusual, infrequent or unrelated to normal operations, have a significant impact on the consolidated results. Accordingly, in order to provide additional comparative information on the results for the period under review compared to previous periods, to reflect the EssilorLuxottica actual economic performance and enable it to be monitored and benchmarked against competitors, some measures have been adjusted (“adjusted measures”). In particular, management adjusted the following measures: *Cost of sales*, *Gross profit*, *Operating expenses*, *Operating profit*, *Profit before taxes* and *Net profit*. Such adjusted measures are reconciled to their most comparable measures reported in the consolidated statements of profit or loss for the years ended December 31, 2020 and 2019.

In 2020 and 2019, adjusted measures exclude: (i) the incremental impacts of the purchase price allocations related to the EL Combination; and (ii) other adjustments related to transactions that are unusual, infrequent or unrelated to normal operations, as the impact of these events might affect the understanding of the Group’s performance. These adjustments are described below.

Year ended December 31, 2020

- Non-recurring *Cost of sales* for €17 million related to restructuring and reorganization expenses incurred with respect to the optimization of the Group's distribution centers (in US and Italy), the integration of Costa operation within Luxottica perimeter, as well as the costs of Luxottica’s restricted shares plan (LTI) for employees working for operations activities.
- Non-recurring *Selling* expenses for €42 million associated with restructuring projects in US (closing of LensCrafters corners at Macy’s) and Europe, and with the impairment of some stores’ assets in the global retail network.
- Non-recurring *General and administrative* expenses for €198 million associated with the following impacts:
  - non-recurring costs related to restructuring and reorganization projects aiming at increasing the Group’s operational and organizational efficiency for €103 million especially in the North America region for the Lenses and Sunglasses & Readers businesses; the non-recurring costs mainly refer to severance, accelerated depreciation and write-off;
  - non-recurring costs related to the accelerated amortization of software resulting from the decision to progressively converge toward a unified IT platform for approximately €25 million;
  - expenses related to share-based payments for about €28 million linked to the removal of the performance conditions from the 2015 and 2016 Essilor’s share-based plans and to Luxottica’s restricted shares plan (LTI);
  - non-recurring expenses related to M&A projects for €22 million mainly linked to the transaction costs incurred in connection with GrandVision N.V. proposed acquisition announced on July 31, 2019; and

- other one-off costs incurred by the Group of which approximately €10 million of external consulting fees linked to the fraudulent financial activities discovered at the end of 2019 at an Essilor's plant in Thailand (the "EMTC fraud"), both for investigation procedures and recovery work streams (net of the insurance reimbursement received by the Group) and approximately €10 million of other one-off costs linked to integration streams.

- *Other income/(expenses)* are adjusted for a net positive effect of €4 million mainly associated with:
  - the positive effect recorded following the recovery of misappropriated funds from the EMTC fraud for approximately €24 million;
  - the costs linked to early termination of the lease related to Costa facilities and the wind-down of the local activities for about €10 million; and
  - a net negative effect of approximately €11 million related to significant claims and litigations.

- *Income taxes* are adjusted for an amount of €(73) million corresponding to:
  - the tax effects of the above-mentioned adjustments for approximately €(73) million, including the recognition of deferred tax assets on the probable future cash recovery from EMTC fraud; and
  - neutral effect of non-recurring tax impacts, including the negative effect related to the tax strategy on deferred tax valuation in France (€22 million), partially compensated by positive tax effects recorded in North America.

Year ended December 31, 2019

- Non-recurring *Cost of sales* for €8 million mainly associated with restructuring and reorganization expenses incurred with respect to projects aimed at the optimization of the central warehouses of the Group and the costs of Luxottica's restricted shares plan (LTI) for employees working for operations activities.

- Non-recurring *Selling* expenses for €30 million mainly associated with the closing of the US retail chain Sears Optical, announced by the Group in December 2019.

- Non-recurring *General and administrative* expenses for €199 million associated with the following impacts:
  - non-recurring costs related to restructuring and reorganization projects aiming at increasing the Group's operational and organizational efficiency for €71 million; the non-recurring costs mainly refer to severance, accelerated depreciation and write-off;
  - non-recurring expenses related to M&A projects for €21 million mainly linked to the transaction costs incurred in connection with GrandVision N.V. proposed acquisition announced on July 31, 2019, and to the acquisition of Barberini S.p.A. completed in August 2019;
  - one-off costs incurred by the Group for €36 million, including transaction costs linked to the finalization of the Mandatory Tender Offer (MTO) and the delisting of Luxottica shares in the context of the EL Combination and to other one-off integration costs;
  - expenses related to share-based payments for about €65 million linked to the removal of the performance conditions from the 2015 and 2016 Essilor's share-based plans, the international employee shareholding plan extended to Luxottica Group employees in late 2019 and to Luxottica's restricted shares plan (LTI); and
  - non-recurring expenses for €6 million incurred in connection with the settlement of a commercial litigation.

- Non-recurring *Other income/(expenses)* are adjusted for €166 million corresponding to the following impacts:
  - non-recurring loss related to the fraudulent financial activities in a plant in Thailand for an amount of €185 million (including foreign exchanges impacts);
  - non-recurring costs related to M&A and divestment transactions for €22 million mainly related the loss resulting from the sale of Merve as a condition required by the Turkish antitrust authorities to approve the combination of Essilor and Luxottica for €14 million, as well as a non-recurring impact on final deferred payments paid on various past acquisitions;
  - net negative impact of €5 million related to other non-recurring transactions linked to significant claims and litigations; and
  - the elimination of a non-recurring net gain for €46 million mainly related to the profit recorded from the sale of the Group's 25% ownership in a US based entity and the sale of another investment.
- *Cost of net debt* is adjusted for €9 million mainly corresponding to non-recurring financial expenses linked to early repayment of debt at Luxottica Group level in the context of the restructuring and centralization of financial debt at EssilorLuxottica level.
- *Income taxes* are adjusted for an amount of €(126) million corresponding to the tax effects of the above-mentioned adjustments for €(56) million and to the elimination of non-recurring net tax gains for €(70) million mainly due to i) the one-off recognition of deferred tax assets on tax losses carry forward in a Canadian entity following the merger of the Essilor and Luxottica entities in Canada into one tax group and to ii) the reimbursement granted from the Italian tax authorities on IRAP tax related to fiscal years 2014 to 2016.

Adjusted[2] consolidated statement of profit or loss

€ millions	2020	2019	Change at current exchange rates	Change at constant exchange rates[1]
Revenue,	14,429	17,390	-17.0%	-14.6%
Cost of sales	(5,936)	(6,503)	-8.7%	-6.2%
Gross profit	**8,493**	**10,887**	**-22.0%**	**-19.6%**
% of revenue	*58.9%*	*62.6%*		
Research and development	(287)	(291)	-1.1%	-0.3%
Selling	(3,981)	(4,595)	-13.4%	-11.0%
Royalties	(134)	(168)	-20.1%	-17.9%
Advertising and marketing	(1,058)	(1,236)	-14.4%	-12.3%
General and administrative	(1,644)	(1,777)	-7.4%	-5.1%
Other income / (expenses)	(14)	(8)	70.6%	80.1%
Total operating expenses	**(7,118)**	**(8,074)**	**-11.8%**	**-9.5%**
Operating profit	**1,374**	**2,812**	**-51.1%**	**-48.5%**
% of revenue	*9.5%*	*16.2%*		
Cost of net debt	(125)	(115)	8.9%	10.3%
Other financial income / (expenses)	(22)	(24)	-7.7%	8.0%
Share of profits of associates	1	(2)	-151.7%	-149.7%
Profit before taxes	**1,229**	**2,672**	**-54.0%**	**-51.5%**
% of revenue	*8.5%*	*15.4%*		
Income taxes	(360)	(618)	-41.7%	-38.5%
Effective tax rate	*29.3%*	*23.1%*		
Net profit	**868**	**2,054**	**-57.7%**	**-55.4%**
Net profit attributable to owners of the parent	**788**	**1,938**	**-59.3%**	**-57.0%**

Revenue for the year totaled €14,429 million, a decline of 17.0% at current exchange rates and 14.6% at constant exchange rate[1].

Adjusted[2] *Gross profit*: -22.0% at current exchange rates and -19.6% at constant exchange rates[1]

Adjusted[2] *Gross profit* in 2020 ended at €8,493 million, representing 58.9% of revenue versus 62.6% in 2019. The gross margin was mostly affected by the lower cost absorption of the manufacturing footprint, particularly in the first half of the year, and by higher logistics costs. Gross margin was also affected by a lower insurance margin in the second half of the year due to an increased level of claims. However, this impact was partly offset by efficiency programs focusing on the Group's manufacturing footprint in North America and Latin America. The Group also managed to limit the gross margin erosion in 2020 thanks to the good progress on the procurement synergies linked to the integration.

Adjusted[2] *Operating expenses*: -11.8% at current exchange rates and -9.5% at constant exchange rates[1]

Adjusted[2] *Operating expenses* amounted to €7,118 million for 2020, translating to 49.3% of revenue, and decreased by 11.8% (-9.5% at constant exchange rates[1]). The Company put in place material cost containment measures to offset the decline in revenue triggered by the COVID-19 crisis, ranging from employee furloughs reductions or deferrals of manager compensation, reduction of marketing expenses and negotiations with suppliers and landlords.

Operating expenses include:

- *Research and development* costs of €287 million, as the Group put on hold few non-critical investments and benefited from the reorganization of its Lenses R&D footprint in North America.
- *Selling* costs of €3,981 million, a decrease of €615 million compared to the prior year, mainly driven by a decline in labour and occupancy costs starting from the second quarter of 2020.
- *Royalties* of €134 million, a decrease of €34 million compared to 2019 mainly related to the decline in sales of the Group's licensed eyewear brands.
- *Advertising and marketing* costs of €1,058 million, a reduction of approximately €180 million compared to the prior year, due to the re-prioritization of non-crucial marketing activities at the peak of the COVID-19 crisis during the first half of the year, while during the second half of 2020 the Group unlocked some key investments.
- *General and administrative* costs of €1,644 million, a decrease of more than €130 million compared to the prior year, thanks to savings on discretionary spending, simplification of the organization structure and reductions in managers' compensation.

Adjusted[2] *Operating profit*: -51.1% at current exchange rates and -48.5% at constant exchange rates[1]

The Group posted an adjusted[2] *Operating profit* of €1,374, representing 9.5% of revenue compared to 16.2% in the prior year.

Adjusted[2] *Cost of net debt*, *Other financial income/(expenses)* and *Share of profits of associates*

The adjusted[2] *Cost of net debt* increased to €125 million in 2020 following the bonds issuance occurred in November 2019 (€5 billion) as well as in May 2020 (€3 billion). *Other financial expenses* amounted to €22 million and *Share of profits of associates* showed a profit of €1 million.

Adjusted[2] *Income taxes*

EssilorLuxottica reported adjusted[2] *Income taxes* of €360 million, reflecting an adjusted[2] tax rate of 29.3% for 2020 compared to an adjusted[2] tax rate of 23.1% in the prior year, resulting from a more negative geographical mix of earnings and from a negative impact of losses in certain countries.

Adjusted[2] *Net profit attributable to owners of the parent*: -59.3% at current exchange rates and -57.0% at constant exchange rates[1]

Other non-GAAP measures

Other non-GAAP measures such as EBITDA, Free Cash Flows, Net debt and the ratio Net debt to EBITDA are also included in this document in order to:

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

Those other non-GAAP measures are not meant to be considered in isolation or as a substitute for items appearing in EssilorLuxottica's consolidated financial statements prepared in accordance with IFRS. Rather, these other non-GAAP measures should be used as a supplement to IFRS results to assist the reader in better understanding the operating performance of the Group. Moreover, investors should be aware that the Group's method of calculating those non-GAAP measures may differ from that used by other companies.

The following table provides a reconciliation of those non-GAAP measures to the most directly comparable IFRS financial measures.

€ millions	2020	2019
Net cash flow provided by operating activities [(a)]	2,953	3,299
Purchase of property, plant and equipment and intangible assets [(a)]	(650)	(903)
Cash payments for the principal portion of lease liabilities [(a)]	(461)	(571)
Free Cash Flow	**1,842**	**1,825**
Operating profit [(b)]	452	1,678
Depreciation and amortization [(a)]	2,136	2,121
EBITDA	**2,588**	**3,800**
Net debt [(c)]	**2,975**	**4,046**
Net debt / EBITDA	**1.1**	**1.1**

(a) As presented in the consolidated statement of cash flows.
(b) As presented in the consolidated statement of profit or loss.
(c) Net debt is presented in Note 21 – *Financial debt, including lease liabilities* of the Notes to the consolidated financial statements; its components are also reported in the *Net debt* paragraph below.

Statement of financial position, net debt and cash flow

EssilorLuxottica reclassified statement of financial position

The reclassified consolidated statement of financial position aggregates the amount of assets and liabilities from the consolidated statement of financial position in accordance with functional criteria which considers the Group conventionally divided into the three fundamental areas focusing on resources investments, operations and financing.

€ millions	December 31, 2020	December 31, 2019
Goodwill	22,658	24,074
Intangible assets	10,031	11,300
Property, plant and equipment	3,348	3,620
Right-of-use assets	1,753	2,014
Investments in associates	17	18
Other non-current assets	374	378
FIXED ASSETS	**38,181**	**41,404**
TRADE WORKING CAPITAL	**2,131**	**2,808**
EMPLOYEES BENEFIT AND PROVISIONS	**(924)**	**(960)**
Tax receivables / (payables)	(336)	(362)
Deferred tax assets / (liabilities)	(1,470)	(1,708)
TAX ASSETS / (LIABILITIES)	**(1,805)**	**(2,069)**
OTHER OPERATING ASSETS / (LIABILITIES)	**(1,809)**	**(1,805)**
NET INVESTED CAPITAL	**35,774**	**39,378**
EQUITY	**32,798**	**35,332**
NET DEBT	**2,975**	**4,046**

Fixed assets decreased by €3,223 million compared to December 31, 2019 mainly due to foreign currency fluctuations (approximately €1.5 billion on *Goodwill*, €0.4 billion on *Intangible assets* and €0.2 billion on *Property, plant and equipment*) and depreciations and amortization of the period (€2,136 million). These decreases were partially offset by the capital expenditures of the period (additions for €682 million), the recognition of new Right-of use assets in connection with lease contracts signed in 2020 (€442 million) and new acquisitions performed by the Group in the first semester of the year resulting in a €155 million *Fixed assets* increase.

Trade working capital (i.e. the sum of inventories, trade receivables and trade payables) decreased by €677 million compared to December 31, 2019 thanks to the measures the Group undertook to monitor its exposure towards commercial counterparties and manage inventory stock levels, as well as for the effects of foreign currency fluctuations.

Equity decreased as a result of foreign currency fluctuations (for approximately €2 billion) and due to the dividend distribution of the year: €503 million distributed to EssilorLuxottica's shareholders in December 2020, as interim dividend for the year 2020, and €59 million distributed to minorities shareholders of the Group's subsidiaries throughout the course of the year.

Net debt decreased by €1,071 million compared to December 31, 2019 as illustrated in the following paragraph.

Net debt

Group *Net debt (excluding Lease liabilities)* amounted to €1,038 million at the end of December 2020, decreasing by €860 million compared to the position at the end of December 2019.

The measures implemented by the Company to face the COVID-19 pandemic allowed the decrease in Net debt. Moreover, at the end of May 2020, the Company successfully issued €3 billion bonds whose proceeds can be used for general corporate purposes.

€ millions	December 31, 2020	December 31, 2019
Non-current borrowings	9,324	6,864
Current borrowings	633	403
TOTAL LIABILITIES	**9,957**	**7,268**
Short-term investments	(200)	(500)
Cash and cash equivalents	(8,683)	(4,836)
TOTAL ASSETS	**(8,883)**	**(5,336)**
Interest Rate Swap measured at fair value	(36)	(34)
NET DEBT excluding Lease liabilities	**1,038**	**1,898**
Lease liabilities (current and non-current)	1,938	2,148
NET DEBT	**2,975**	**4,046**

Reclassified statement of cash flows

The reclassified consolidated statement of cash flows reconciles the EBITDA to the net cash flow generated by the Group highlighting the cash flow derived from its operations (Free Cash Flow).

In 2020, cost containment and cash preservation measures were swiftly implemented following the spread of the COVID-19 pandemic. The Company stopped the execution of its share buyback program (announced on March 17, 2020) and thoughtfully controlled its capital expenditure and acquisition projects throughout the year. Only at the end of 2020, in light of the sound business recovery observed during the second half of the year, the Company decided to pay to its shareholders an interim dividend for the 2020 financial year for a total cash-out amounting to €503 million.

€ millions	2020	2019
EBITDA	**2,588**	**3,800**
Changes in trade working capital [(a)]	432	(82)
Capital expenditures	(650)	(903)
Lease payments (excluding interests) [(b)]	(461)	(571)
Other cash flows from operations	(67)	(419)
FREE CASH FLOW	**1,842**	**1,825**
Dividend paid	(561)	(959)
Acquisition net of cash acquired	(133)	(370)
Other changes in equity	(217)	(596)
Other changes in financial and non-financial assets	302	(421)
Changes in borrowings (excluding FX)	2,737	3,506
NET CASH FLOW	**3,970**	**2,985**

(a) *Trade working capital* comprises inventories, trade receivables and trade payables.
(b) *Cash payments for the principal portion of lease liabilities* as presented in the consolidated statement of cash flows.

In 2020, *Capital expenditure* amounted to €650 million, representing approximately 5% of the Group's revenue. Capital expenditure were put on hold mainly in retail, manufacturing and IT.

Despite COVID-19, the Group's *Free Cash Flow* increased to €1,842 million from €1,825 generated in 2019.

The line *Other changes in equity* includes the effects of transactions with non-controlling interest (€94 million in 2020; €628 million in 2019 when the cash-out related to the final phases of the Mandatory Tender Offer over Luxottica's shares occurred), the cash-out related to the share buyback program (€159 million on 2020) and the proceeds from share capital increases (€36 million in 2020; €32 million in 2019).

The flows reported in the line *Other changes in financial and non-financial assets* mainly refers to the investment in 2019 of a portion of the proceeds from the issuance of the €5 billion bonds (€500 million) in cash deposits with a maturity of less than 12 months (short-term investments) that were partially re-invested in cash equivalent instruments at the end of 2020 (€300 million).

Acquisitions and partnerships

EssilorLuxottica completed six transactions in 2020, representing full-year revenue of around €95 million.
The major transactions are indicated in the table below.

Company	Country	Business	Full-year revenue	% held	Consolidated from
Optical House Limited	Ukraine	Optical retailer and wholesaler	€69 million	51%	January 2020
Miraflex SAS	Colombia	Designer and manufacturer of ophthalmic frames for children	€4 million	75%	March 2020
Premier Ophthalmic Services LLC	United States	Distribution of ophthalmic instruments	€23 million	80%	March 2020

Investments made and planned for 2021

€ millions	2020 EssilorLuxottica	2019 EssilorLuxottica	2018 Essilor	2018 Luxottica
Property, plant and equipment and intangible assets *(gross of disposals)*	650	903	334	593
Depreciation and amortization	2,136	2,121	361	515
Financial investments net of cash acquired	133	370	270	19
Purchase of treasury shares	159	0	0	0

Capital expenditure

In 2020, EssilorLuxottica cash-out related to capital expenditures amounted to €650 million (4.5% on revenue) and decreased by approximately €250 million compared to 2019, due to the actions implemented after the COVID-19 spread in the first quarter of 2020. Capital expenditures restarted during the last quarter of 2020, driven by operations and IT investments.

Year-on-year, investments in retail decreased by approximately €120 million, while investments in operations and IT decreased by approximately €70 million.

Financial investments

Financial investments net of cash acquired amounted to €133 million in 2020 compared to €370 million in 2019. These amounts represent the net cash-out related to business combinations completed during the year and, to a less extent, price supplements and/or deferred payments on acquisitions completed in prior years. In 2020, the amount included the net cash-out related to the acquisition of Optical House, the leader in the optical market in Ukraine, Premier Ophthalmic Services LLC in US and Miraflex SAS in Colombia, while in 2019 it included the effects of the acquisition of Barberini S.p.A., the world's leading optical glass sun lens manufacturer, as well as the acquisitions of Brille 24 in the online business, Devlyn in Mexico, Future in Sweden, and Optimed in the instrument division.

In 2020, the Company acquired 1.55 million EssilorLuxottica shares in the context of the share buyback program announced on March 17, 2020 (see paragraph *Significant events*) for an average price per share of €102.54 and a total cash-out amounting to €159 million. The shares acquired are intended to be awarded or transferred to employees and corporate directors of EssilorLuxottica and its subsidiaries, especially in the context of profit-sharing plans, bonus and performance share awards, stock option plans, and employee share ownership plan.

Main future investments

In 2021, the Group will re-start investing strongly in the evolution of its retail network and manufacturing capacities, IT and Technology platforms to facilitate the integration, as well as in M&A and partnership projects.

Subsequent events

Ray-Ban Authentic launch in the US

On January 12, 2021, EssilorLuxottica announced the launch in the US of the first commercial product leveraging the strength of the new Group by strategically combining the expertise of Essilor and Luxottica.

The latest edition of Ray-Ban Authentic represents the perfect match of Ray-Ban's legendary style and Essilor's expertise in sight and will capitalize on the assets of both to meet consumer needs with the aim of diversifying the single vision category as well as growing the prescription sun category for private practices. This latest edition was launched on January 19, 2021.

Ray-Ban's history in the field of prescription lenses has witnessed many ground-breaking developments, but the combination of iconic frames and the latest generation of clear, gradient and sun lenses is a significant revolution made possible by the integration of Essilor and Luxottica. The key innovation is the ability to offer premium and lightweight lenses that perfectly adapt to the shape and curvature of the Ray-Ban frame, making the most of the latest optical technologies.

With prescription glasses being an important part of every look, there will be over 1,400 lens-frame combinations available to consumers, including those featuring Transitions technology with photochromic lenses and blue light filtering. The new range also includes a Special Edition, enhanced with Essilor's best-known and most innovative lens solutions such as Varilux, Eyezen and Crizal.

Ray-Ban's complete experience with its tailored optical solutions by Essilor creates a new innovative category for a future of fully customized products for both customers and consumers.

Crossing of legal and statutory thresholds by BPI

On January 25, 2021, BPI Investissement SAS notified the Company that LAC 1 SLP had exceeded the statutory threshold of 1% of the capital and voting rights of EssilorLuxottica. LAC 1 SLP held at that date 4,500,688 shares and voting rights in EssilorLuxottica representing 1.02% of the Company's share capital and voting rights.

Joint venture with CooperCompanies for the acquisition of SightGlass Vision

On February 3, 2021, EssilorLuxottica and CooperCompanies announced they entered into an agreement to create a 50/50 joint venture for the acquisition of SightGlass Vision, a US based life sciences company focused on developing innovative spectacle lenses to reduce the progression of myopia in children.

EssilorLuxottica and CooperCompanies will leverage their shared expertise and global leadership in myopia management to accelerate the commercialization of SightGlass Vision spectacle lenses. Through this partnership, they will further strengthen innovation opportunities and go-to-market capabilities to grow the myopia control category. SightGlass Vision's technology will complement both companies' existing solutions, including Essilor's Stellest lens and CooperVision's MiSight and Orthokeratology contact lenses.

The joint venture will acquire SightGlass Vision from CooperCompanies, and the closing of the acquisition and creation of the joint venture is subject to regulatory approvals and other customary closing conditions. CooperCompanies previously held a minority ownership interest in SightGlass Vision and completed its acquisition of SightGlass Vision in January 2021.

EssilorLuxottica expands employee shareholding reaching a record high

On February 4, 2021, EssilorLuxottica announced the results of its 2020 international employee share ownership campaign (“Boost 2020”), increasing its employee shareholding to a record high of 44% at Company level. Recognizing its long-term commitment towards promoting employee shareholding, EssilorLuxottica has also been awarded with the “Grand Prix FAS 2020" by the French Federation of Employee Shareholder Associations (FAS).

Following the success of Boost 2020, a total of approximately 63,000 EssilorLuxottica employees in 81 countries now hold a financial stake in the Company, up from near 56,000 employees in 2019, representing an increase of approximately 13%. In addition, more than 10,000 EssilorLuxottica employee retirees are also shareholders showing their engagement and confidence in the Group.

Despite the challenging context of the past year, the subscription rate in Boost 2020 reached over 62% of eligible employees, which is considerably above the 2019 market average of 20% and well in line with the previous Boost initiatives. Specific plans rolled-out at local level complemented the global initiative and contributed to its overall success, in particular the French *Plan d'Epargne d'Entreprise* (P.E.E. or employee savings plan), with a record amount invested.

These results illustrate both EssilorLuxottica employees’ desire to contribute to the Company’s long-term development and value creation and their dedication to the Company’s mission to help people see more, be more and live life to its fullest.

The continued expansion of employee shareholding across EssilorLuxottica represents another major step in the integration of the combined Company and was recognized by the “Grand Prix FAS 2020” at the 16th edition of the French Grand Prix FAS Employee Shareholding Awards on February 2, 2021. This award acknowledges the Company’s leadership and continued commitment in the area of employee shareholding, a cornerstone of EssilorLuxottica’s governance model and long-term strategy.

Update on the proposed acquisition of GrandVision by EssilorLuxottica

On February 9, 2021, the European Commission has initiated a new market test in connection with possible remedies submitted by the Company aiming at finalizing the Phase II review relating to the proposed acquisition of GrandVision by EssilorLuxottica.

The European Commission is likely to make a final decision on or before April 12, 2021.

Update on fraud at Essilor Manufacturing Thailand Co.

On December 30, 2019, the Company announced that it had discovered fraudulent financial activity at an Essilor plant in Thailand and recorded in its 2019 accounts an overall financial impact of €185 million.

Approximately €24 million were recovered during the course of 2020. Moreover, following a Court's decision issued at the end of January 2021, additional USD 67 million were recovered in 2021 as of the date of approval of the consolidated financial statements. Additional funds are currently being traced and expected to be recovered in the coming quarters.

Nominees to the new Board

On February 24, 2021, EssilorLuxottica Board of Directors decided to propose the nomination of the following individuals to compose the future Board:

- Mr. Leonardo Del Vecchio, as non-independent director
- Mr. Francesco Milleri, as non-independent director
- Mr. Paul du Saillant, as non-independent director
- Mr. Romolo Bardin, as non-independent director
- Ms. Juliette Favre, as non-independent director
- Mr. Jean-Luc Biamonti, as independent director
- Ms. Marie-Christine Coisne, as independent director
- Mr. José Gonzalo, as independent director
- Ms. Swati Piramal, as independent director
- Ms. Cristina Scocchia, as independent director
- Ms. Nathalie von Siemens, as independent director
- Mr. Andrea Zappia, as independent director

Resolutions will be submitted to shareholders' vote at the Company's 2021 Annual General Shareholders' Meeting. The mandates of the directors representing employees, Ms. Delphine Zablocki and Mr. Léonel Pereira Ascencao, will expire on September 20, 2021 and are not up for immediate renewal.

Notes

1 Constant exchange rates: figures at constant exchange rates have been calculated using the average exchange rates in effect for the corresponding period in the previous year.
2 Adjusted measures or figures: adjusted from the expenses or income related to the combination between Essilor and Luxottica and other transactions that are unusual, infrequent or unrelated to the normal course of business as the impact of these events might affect the understanding of the Group's performance.
3 Adjusted comparable store sales: reflect, for comparison purposes, the change in sales from one period to another by taking into account in the more recent period only those stores already open during the comparable prior period. Stores that are or were temporarily closed due to the COVID-19 crisis are excluded from the calculation for the duration of the store closure. For each geographic area, the calculation applies the average exchange rate of the prior period to both periods.
4 **Comparable store sales or comps**: reflect, for comparison purposes, the change in sales from one period to another by taking into account in the more recent period only those stores already open during the comparable prior period. For each geographic area, the calculation applies the average exchange rate of the prior period to both periods.
5 Fast-growing/emerging/developing countries/economies/markets: China, India, South Asia, South Korea, Hong Kong, Taiwan, Africa, the Middle East, Russia, Eastern Europe and Latin America.

Excerpts from the Consolidated Financial Statements

Consolidated statement of profit or loss

€ millions	2020	2019
Revenue	14,429	17,390
Cost of sales	(5,953)	(6,573)
GROSS PROFIT	**8,476**	**10,817**
Research and development	(544)	(548)
Selling	(4,320)	(4,918)
Royalties	(134)	(168)
Advertising and marketing	(1,149)	(1,331)
General and administrative	(1,867)	(2,000)
Other income / (expenses)	(10)	(174)
Total operating expenses	**(8,024)**	**(9,138)**
OPERATING PROFIT	**452**	**1,678**
Cost of net debt	(119)	(117)
Other financial income / (expenses)	(22)	(25)
Share of profits of associates	1	(2)
PROFIT BEFORE TAXES	**313**	**1,534**
Income taxes	(164)	(350)
NET PROFIT	**149**	**1,185**
Of which attributable to:		
Owners of the parent	85	1,077
Non-controlling interests	64	108
Weighted average number of shares outstanding:		
Basic	435,868,811	434,084,752
Diluted	439,003,665	441,137,525
Earnings per share (EPS) for net profit attributable to owners of the parent:		
Basic (in euro)	0.19	2.48
Diluted (in euro)	0.19	2.44

Consolidated statement of financial position

Assets

€ millions	December 31, 2020	December 31, 2019
Goodwill	22,658	24,074
Intangible assets	10,031	11,300
Property, plant and equipment	3,348	3,620
Right-of-use assets	1,753	2,014
Investments in associates	17	18
Other non-current assets	374	378
Deferred tax assets	418	429
TOTAL NON-CURRENT ASSETS	**38,598**	**41,833**
Inventories	1,930	2,166
Trade receivables	2,066	2,411
Tax receivables	195	94
Other current assets	847	1,243
Cash and cash equivalents	8,683	4,836
TOTAL CURRENT ASSETS	**13,720**	**10,750**
TOTAL ASSETS	**52,318**	**52,583**

Equity and liabilities

€ millions	December 31, 2020	December 31, 2019
Share capital	79	79
Share premium reserve	22,012	21,979
Treasury shares reserve	(201)	(68)
Other reserves	10,294	11,730
Net profit attributable to owners of the parent	85	1,077
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	**32,268**	**34,796**
Equity attributable to non-controlling interests	530	536
TOTAL EQUITY	**32,798**	**35,332**
Non-current borrowings	9,324	6,864
Non-current lease liabilities	1,411	1,619
Employee benefits	484	556
Non-current provisions	170	265
Other non-current liabilities	73	193
Deferred tax liabilities	1,887	2,137
TOTAL NON-CURRENT LIABILITIES	**13,349**	**11,634**
Current borrowings	633	403
Current lease liabilities	527	529
Trade payables	1,864	1,770
Tax payables	530	455
Current provisions	271	139
Other current liabilities	2,346	2,320
TOTAL CURRENT LIABILITIES	**6,171**	**5,617**
TOTAL EQUITY AND LIABILITIES	**52,318**	**52,583**

Consolidated statement of cash flows

€ millions	2020	2019
NET PROFIT	**149**	**1,185**
Depreciation and amortization	2,136	2,121
(Gains) / losses from disposal of assets	6	(43)
Expense arising from share-based payments	156	154
Income taxes	164	350
Finance result, net	140	142
Other non-cash items	(4)	29
Changes in provisions	63	(13)
Changes in trade working capital	432	(82)
Changes in other operating receivables and payables	178	75
Taxes paid, net	(356)	(502)
Interest paid, net	(112)	(116)
NET CASH FLOWS PROVIDED BY / (USED IN) OPERATING ACTIVITIES	**2,953**	**3,299**
Purchase of property, plant and equipment and intangible assets	(650)	(903)
Disposal of property, plant and equipment and intangible assets	8	30
Acquisitions of businesses, net of cash acquired	(133)	(370)
Changes in other non-financial assets	8	(13)
Changes in other financial assets	287	(437)
NET CASH FLOWS PROVIDED BY / (USED IN) INVESTING ACTIVITIES	**(480)**	**(1,692)**
Share capital increase	36	32
(Purchase) / sale of treasury shares	(159)	-
Dividends paid:		
- to the owners of the parent	(503)	(887)
- to non-controlling interests	(59)	(72)
Transactions with non-controlling interests	(94)	(628)
Cash payments for principal portion of lease liabilities	(461)	(571)
Issuance of bonds, private placements and other long-term debts	2,981	4,954
Repayment of bonds, private placements and other long-term debts	-	(1,324)
Changes in other current and non-current borrowings	(244)	(125)
NET CASH FLOWS PROVIDED BY / (USED IN) FINANCING ACTIVITIES	**1,498**	**1,379**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	**3,970**	**2,985**
Cash and cash equivalents at the beginning of the financial year	4,836	1,829
Effects of exchange rate changes on cash and cash equivalents	(123)	22
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	**8,683**	**4,836**