



# Edgar Filing: LUXOTTICA GROUP SPA - Form 6-K

## INDEX TO FORM 6-K

<u>Item 1</u>	<u>Management report on the interim consolidated financial results as of June 30, 2015</u>	<u>1</u>
<u>Item 2</u>	<u>Financial Statements:</u>	
	<u>Consolidated Statement of Financial Position for the periods ended June 30, 2015 and December 31, 2014</u>	<u>20</u>
	<u>Consolidated Statement of Income for the three-month periods ended June 30, 2015 and 2014 and for the sixth-month periods ended June 30, 2015 and 2014</u>	<u>21</u>
	<u>Consolidated Statement of Comprehensive Income for the three-month periods ended June 30, 2015 and 2014 and for the sixth-month periods ended June 30, 2015 and 2014</u>	<u>22</u>
	<u>Consolidated Statement of Changes in Equity for the periods ended June 30, 2015 and 2014</u>	<u>23</u>
	<u>Consolidated Statement of Cash Flows for the periods ended June 30, 2015 and 2014</u>	<u>24</u>
	<u>Consolidated Statement of Financial Position as of June 30, 2015 and December 31, 2014 pursuant to Consob Resolution No. 15519 dated July 27, 2006</u>	<u>26</u>
	<u>Notes to the Condensed Consolidated Financial Statements as of June 30, 2015</u>	<u>28</u>
<u>Attachment 1</u>	<u>Exchange rates used to translate financial statements prepared in currencies other than the Euro</u>	<u>54</u>
<u>Attachment 2</u>	<u>Investments of Luxottica Group S.p.A representing ownership interests in excess of 10 percent (pursuant to Section 125 Consob Regulation 11971/99)</u>	<u>55</u>
<u>Attachment 3</u>	<u>Certification of the consolidated financial statements pursuant to Article 154-bis of the Legislative Decree 58/98</u>	<u>63</u>
<u>Attachment 4</u>	<u>Auditors's report</u>	<u>64</u>

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Table of Contents

Corporate Management

**Board of Directors**

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

<b>Chairman</b>	Leonardo Del Vecchio
<b>Deputy Chairman</b>	Luigi Francavilla
<b>CEO Markets</b>	Adil Mehboob-Khan
<b>CEO Product and Operations</b>	Massimo Vian
<b>Directors</b>	Marina Brogi* (Lead independent Director)
	Luigi Feola*
	Elisabetta Magistretti*
	Mario Notari
	Karl Heinz Salzburger*
	Maria Pierdicchi*
	Luciano Santel*
	Cristina Scocchia*
	Sandro Veronesi*
	Andrea Zappia*

\*

Independent director

**Human Resources Committee**

Andrea Zappia (President)  
Marina Brogi  
Mario Notari

**Internal Control Committee**

Elisabetta Magistretti (Chairperson)  
Luciano Santel  
Cristina Scocchia

**Board of Statutory Auditors**

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

**Regular Auditors**

Francesco Vella (Chairman)  
Alberto Giussani  
Barbara Tadolini

**Alternate Auditors**

Maria Venturini  
Roberto Miccù

**Officer Responsible for Preparing the Company's  
Financial Reports**

Stefano Grassi

**Auditing Firm**

**PricewaterhouseCoopers SpA**

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

Table of Contents

**Luxottica Group S.p.A.**

Headquarters and registered office Piazzale Luigi Cadorna, 3, 20123 Milan, Italy

**Capital Stock € 28,993,602.30**

authorized and issued

**ITEM 1. MANAGEMENT REPORT ON THE INTERIM  
FINANCIAL RESULTS AS OF JUNE 30, 2015  
(UNAUDITED)**

The following should be read in connection with the disclosure contained in the consolidated financial statements as of December 31, 2014, which includes a discussion of risks and uncertainties that can influence the Group's operational results or financial position. During the first six months of 2015, there were no changes to risks that were reported as of December 31, 2014.

**1. OPERATING PERFORMANCE FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2015**

The Group's growth in the first half of 2015 was significantly impacted by the strengthening of certain currencies in which it operates. At constant exchange rates<sup>(1)</sup>, the Group confirmed solid growth in the primary markets in which it conducts business.

Net sales increased from Euro 3,902.3 million in the first six months of 2014 to Euro 4,666.7 million in the first six months of 2015 (19.6 percent at current exchange rates and 5.1 percent at constant exchange rates<sup>(1)</sup>). Adjusted net sales<sup>(2)</sup> increased to Euro 4,752.5 million in the first half of 2015 (+21.8 percent at current exchange rates and +6.9 percent at constant exchange rates<sup>(1)</sup>). Adjusted net sales were impacted, starting from July 1, 2014, by the modification of an EyeMed reinsurance agreement with an existing underwriter whereby the Company assumes less reinsurance revenues and less claims expense. The impact of the new contract for the six-month period ended June 30, 2015 is a reduction in net sales and a corresponding reduction in cost of sales of Euro 85.8 million, respectively (the "EyeMed Adjustment").

Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA")<sup>(3)</sup> in the first six months of 2015 increased by 29.0 percent to Euro 1,094.2 million from Euro 848.0 in the first half of 2014.

Adjusted Earnings before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA")<sup>3</sup>, which excludes Oakley's integration and other minor projects costs, in the first six months of 2015 increased by 31.4 percent to Euro 1,114.6 million from Euro 848.0 in the first half of 2014.

Operating income for the first half of 2015 increased by 28.8 percent to Euro 858.5 million from Euro 666.3 million during the same period of the previous year. The Group's operating margin continued to grow, rising from 17.1 percent in 2014 to 18.4 percent in 2015.

Adjusted operating income<sup>(4)</sup> for the first half of 2015 increased by 31.9 percent to Euro 878.9 million. The Group's adjusted operating margin<sup>(5)</sup> continued to grow, rising from 17.1 percent in 2014 to 18.5 percent in 2015.

In the first six months of 2015 net income attributable to Luxottica Stockholders increased by 28.7 percent to Euro 505.1 million from Euro 392.5 million in the same period of 2014. Earnings per share ("EPS") was Euro 1.05 and EPS expressed in USD was 1.18 (at an average rate of Euro/USD of 1.1158).

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(1) We calculate constant exchange rates by applying to the current period the average exchange rates between the Euro and the relevant currencies of the various markets in which we operated during the three-month periods ended June 30, 2014. Please refer to Attachment 1 for further details on exchange rates.

(2) For a further discussion of adjusted net sales, see page 13 "Non-IFRS Measures."

(3) For a further discussion of EBITDA and adjusted EBITDA, see page 13 "Non-IFRS Measures."

(4) For a further discussion of adjusted operating income see page 13 "Non-IFRS Measures."

(5)

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For a further discussion of adjusted operating margin see page 13 "Non-IFRS Measures."

Table of Contents

In the first six months of 2015 adjusted net income attributable to Luxottica Stockholders<sup>(6)</sup> increased by 33.7 percent to Euro 524.7 million. Adjusted earnings per share<sup>(7)</sup> ("Adjusted EPS") was Euro 1.10 and EPS expressed in USD was 1.22 (at an average rate of Euro/USD of 1.1158).

Careful control of our working capital as well as a significant improvement in our operating results lead to strong free cash flow<sup>(8)</sup> generation equal to Euro 299 million. Net debt as of June 30, 2015 was Euro 1,447.0 million (Euro 1,012.9 million at the end of 2014), with a ratio of net debt to EBITDA<sup>(9)</sup> of 0.8 (0.7x as of December 31, 2014).

**2. SIGNIFICANT EVENTS DURING THE SIX-MONTH PERIOD ENDED JUNE 30, 2015**

*January*

On January 19, 2015 the Board of Directors appointed Adil Mehboob-Khan as the Group CEO for Markets and Massimo Vian as the Group CEO for Product and Operations. The appointment of Adil Mehboob-Khan and Massimo Vian, entrusting them with all executive responsibilities, completed the Group's organizational change process which is aimed at providing governance that is more aligned to the global competitive landscape and able to fully grasp growth opportunities. It also unites the Group's organizational model with its strategic vision.

*April*

At the Stockholders' Meeting on April 24, 2015, Group's stockholders approved the Statutory Financial Statements as of December 31, 2014 as proposed by the Board of Directors and the distribution of a cash dividend of Euro 1.44 per ordinary share. The aggregate dividend amount of Euro 689.7 million was fully paid in May 2015.

*May*

On May 14, 2015, the Company and Prada S.p.A., part of Prada Group, announced the renewal of an exclusive license agreement for the design, production and worldwide distribution of prescription frames and sunglasses under the Prada and Miu Miu brands. The 10-year agreement will extend through December 31, 2025.

On May 19, 2015, the Company announced the grant of free treasury shares to the Group's employees in Italy in honor of the 80th birthday of its Chairman and Founder, Mr. Leonardo Del Vecchio. This share award is a gift from the Founder, with a value of approximately Euro 9 million and an aggregate maximum amount of 140,000 Luxottica Group treasury shares to be distributed. Delfin S.à.r.l. assumed all costs and expenses of the share grant.

*June*

On June 25, 2015, the Company signed an agreement to enhance the market liquidity of its shares in compliance with CONSOB's market practices permitted under resolution no. 16839 adopted on March 19, 2009 regarding activity to support market liquidity. The agreement is between the Company and Kepler Capital Markets SA (the "Intermediary"), with its corporate headquarters in Paris, France, Avenue Kléber, 112 and registered with the Paris Commercial Register n. 413 064 841.

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<sup>(6)</sup> For a further discussion of adjusted net income attributable to Luxottica Stockholders see page 13 "Non-IFRS Measures."

<sup>(7)</sup> For a further discussion of adjusted earnings per share see page 13 "Non-IFRS Measures."

<sup>(8)</sup> For a further discussion of free cash flow, see page 13 "Non-IFRS Measures."

<sup>(9)</sup> For a further discussion of net debt and net debt to adjusted EBITDA, see page 13 "Non-IFRS Measures."

Table of Contents

**3. FINANCIAL RESULTS**

We are a market leader in the design, manufacture and distribution of fashion, luxury, sport and performance eyewear, with net sales reaching over Euro 7.6 billion in 2014, approximately 78,000 employees and a strong global presence. We operate in two industry segments: (i) manufacturing and wholesale distribution; and (ii) retail distribution. See Note 5 of the Notes to the Consolidated Financial Statements as of June 30, 2015 for additional disclosures about our operating segments. Through our manufacturing and wholesale distribution segment, we are engaged in the design, manufacture, wholesale distribution and marketing of proprietary and designer lines of mid- to premium-priced prescription frames and sunglasses. We operate our retail distribution segment principally through our retail brands, which include, among others, LensCrafters, Sunglass Hut, OPSM, Pearle Vision, Laubman & Pank, Oakley "O" Stores and Vaults, David Clulow, GMO and our Licensed Brands (Sears Optical and Target Optical).

As a result of our numerous acquisitions and the subsequent expansion of our business activities in the United States through these acquisitions, our results of operations, which are reported in Euro, are susceptible to currency rate fluctuations between the Euro and the U.S. dollar. The Euro/U.S. dollar exchange rate has fluctuated to an average exchange rate of Euro 1.00 = U.S. \$1.1158 in the first six months of 2015 from Euro 1.00 = U.S. \$1.3703 in the first half of 2014. With the acquisition of OPSM and other businesses, our results of operations have been rendered more susceptible to currency fluctuations between the Euro and the Australian Dollar. Additionally, we incur part of our manufacturing costs in Chinese Yuan; therefore, the fluctuation of the Chinese Yuan could impact the demand of our products or our consolidated profitability. Although we engage in certain foreign currency hedging activities to mitigate the impact of these fluctuations, they have impacted our reported revenues and expenses during the periods discussed herein. The Group does not engage in long-term hedging activities to mitigate translation risk. This discussion should be read in conjunction with the risk factor discussion in Section 8 of the Management Report included with the 2014 Consolidated Financial Statements.

Table of Contents
**RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 2015 AND 2014**

(Amounts in thousands of Euro)	Six months ended June 30,			
	2015	% of net sales	2014	% of net sales
<b>Net sales</b>	<b>4,666,712</b>	<b>100%</b>	<b>3,902,313</b>	<b>100.0%</b>
Cost of sales	1,476,094	31.6%	1,349,814	34.6%
<b>Gross profit</b>	<b>3,190,617</b>	<b>68.4%</b>	<b>2,552,499</b>	<b>65.4%</b>
Selling	1,397,199	29.9%	1,120,103	28.7%
Royalties	89,565	1.9%	75,629	1.9%
Advertising	305,974	6.6%	248,794	6.4%
General and administrative	539,350	11.6%	441,627	11.3%
<b>Total operating expenses</b>	<b>2,332,088</b>	<b>50.0%</b>	<b>1,886,153</b>	<b>48.3%</b>
<b>Income from operations</b>	<b>858,529</b>	<b>18.4%</b>	<b>666,346</b>	<b>17.1%</b>
<b>Other income/(expense)</b>				
Interest income	5,384	0.1%	5,840	0.1%
Interest expense	(58,696)	(1.3)%	(53,318)	(1.4)%
Other net	710	0.0%	(353)	0.0%
<b>Income before provision for income taxes</b>	<b>805,927</b>	<b>17.3%</b>	<b>618,514</b>	<b>15.8%</b>
Provision for income taxes	(299,156)	(6.4)%	(222,667)	(5.7)%
<b>Net income</b>	<b>506,770</b>	<b>10.9%</b>	<b>395,847</b>	<b>10.2%</b>
Attributable to				
<b>Luxottica Group stockholders</b>	<b>505,113</b>	<b>10.8%</b>	<b>392,541</b>	<b>10.1%</b>
non-controlling interests	1,658	0.1%	3,306	0.1%
<b>NET INCOME</b>	<b>506,770</b>	<b>10.9%</b>	<b>395,847</b>	<b>10.2%</b>

In order to represent the Group's operating performance on a consistent basis in this Management Report, net sales and operating expenses as represented in the Group's Consolidated Financial Statements have been adjusted in the tables below to take into account the following events:

EyeMed Adjustment (as defined above) which is equal to Euro 85.8 million for the six-month period ended June 30, 2015;

The Group incurred costs of Euro 20.4 million related to the reorganization of Oakley and for other minor projects for the six-month period ended June 30, 2015.

**Net Sales.** Net sales increased by Euro 764.4 million, or 19.6% to Euro 4,666.7 million in the first half of 2015 from Euro 3,902.3 million in the same period of 2014. Euro 268.5 million and Euro 495.9 million of this increase was attributable to increased sales in the manufacturing and wholesale distribution segment and the retail distribution segment, respectively. Euro 565.1 million of the total increase of Euro 764.4 million is due to the strengthening of certain currencies compared to the Euro. Adjusted net sales in 2015, which include the EyeMed Adjustment of Euro 85.8 million, were Euro 4,752.5 million.





# Edgar Filing: LUXOTTICA GROUP SPA - Form 6-K

## Table of Contents

Please find the reconciliation between adjusted<sup>(10)</sup> net sales and net sales in the following table:

(Amounts in million of Euro)	June 30, 2015	June 30, 2014
<b>Net sales</b>	<b>4,666.7</b>	<b>3,902.3</b>
> EyeMed Adjustment	85.8	
<b>Adjusted net sales</b>	<b>4,752.5</b>	<b>3,902.3</b>

Net sales for the retail distribution segment increased by Euro 495.9 million, or 22.9%, to Euro 2,658.8 million in the first six months of 2015 from Euro 2,162.9 million in the same period of 2014. The effects from currency fluctuations between the Euro, which is our reporting currency, and the other currencies in which we conduct business, in particular the strengthening of the U.S. dollar and the Australian dollar compared to the Euro, increased net sales in the retail distribution segment by Euro 417.4 million. In addition, the increase in net sales for the period was partially attributable to a 4.6% increase in comparable store<sup>(11)</sup> sales. Adjusted<sup>(8)</sup> net sales of the retail division in the first six months of 2015, which include the Eyemed Adjustment of Euro 85.8 million, were Euro 2,744.6 million.

Please find the reconciliation between adjusted<sup>(12)</sup> net sales of the retail division and net sales of the retail division in the following table:

(Amounts in millions of Euro)	June 30, 2015	June 30, 2014
<b>Net sales</b>	<b>2,658.8</b>	<b>2,162.9</b>
> EyeMed Adjustment	85.8	
<b>Adjusted net sales</b>	<b>2,744.6</b>	<b>2,162.9</b>

Net sales to third parties in the manufacturing and wholesale distribution segment increased in the first six months of 2015 by Euro 268.5 million, or 15.4%, to Euro 2,007.9 million from Euro 1,739.4 million in the same period of 2014. This increase occurred in most geographic areas in which the Group operates and was impacted by positive currency fluctuations, in particular the strengthening of the U.S. dollar and Australian dollar compared to the Euro, which increased net sales in the wholesale distribution segment by Euro 147.7 million. Additionally sales increased for most of our proprietary brands, in particular Ray-Ban and Oakley and for certain designer brands including Prada, Polo Ralph Lauren, Dolce & Gabbana and Michael Kors.

In the first six months of 2015, net sales in the retail distribution segment accounted for approximately 57.0% of total net sales, as compared to approximately 55.4% of total net sales in the same period of 2014.

In the first six months of 2015 and 2014, net sales in our retail distribution segment in the United States and Canada comprised 78.5% and 77.8%, respectively, of our total net sales in this segment. In U.S. dollars, retail net sales in the United States and Canada increased by 0.9% to U.S. \$ 2,327.6 million in the first half of 2015 from U.S. \$ 2,306.0 million in the same period of 2014. During the first six months of 2015, net sales in the retail distribution segment in the rest of the world (excluding the United States and Canada) comprised 21.5% of our total net sales in the retail distribution segment and increased by 19.3% to Euro 572.8 million in the first six months of 2015 from Euro 480.2 million, or 22.2% of our total net

<sup>(10)</sup> For a further discussion of adjusted net sales, see page 13 "Non-IFRS Measures."

<sup>(11)</sup> Comparable store sales reflects the change in sales from one period to another that, for comparison purposes, includes in the calculation only stores open in the more recent period that also were open during the comparable prior period in the same geographic area, and applies to both periods the average exchange rate for the prior period.

<sup>(12)</sup> For a further discussion of adjusted net sales, see page 13 "Non-IFRS Measures."



Table of Contents

sales in the retail distribution segment, in the same period of 2014, mainly due to positive currency fluctuations.

In the first six months of 2015, net sales to third parties in our manufacturing and wholesale distribution segment in Europe were Euro 816.0 million, comprising 40.6% of our total net sales in this segment, compared to Euro 774.4 million, or 44.5% of total net sales in this segment in the same period of 2014, increasing by Euro 41.1 million or 5.3% in 2014 as compared to the same period of 2014. Net sales to third parties in our manufacturing and wholesale distribution segment in the United States and Canada were U.S. \$634.0 million and comprised 28.3% of our total net sales in this segment in the first six months of 2015, compared to U.S. \$597.3 million, or 25.1% of total net sales in this segment, in the same period of 2014. The increase in net sales in the United States and Canada was primarily due to a general increase in consumer demand. In the first six months of 2015, net sales to third parties in our manufacturing and wholesale distribution segment in the rest of the world were Euro 623.9 million, comprising 31.1% of our total net sales in this segment, compared to Euro 529.1 million, or 30.4% of our net sales in this segment, in the same period of 2014, with an increase of Euro 94.8 million, or 17.9%, as of June 30 2015 as compared to the same period of 2014.

**Cost of Sales.** Cost of sales increased by Euro 126.3 million, or 9.4%, to Euro 1,476.1 million in the first six months of 2015 from Euro 1,349.8 million in the same period of 2014. As a percentage of net sales, cost of sales was 31.6% and 34.6% in the first six months of 2015 and 2014, respectively, with the percentage year-over-year change primarily driven by production efficiencies and the Eyemed Adjustment. In the first six months of 2015, the average number of frames produced daily in our facilities increased to approximately 355,000 as compared to approximately 293,000 in the same period of 2014. Adjusted cost of sales<sup>(13)</sup> of the retail distribution segment in the first six months of 2015, which include the EyeMed adjustment equal to Euro 85.8 million, was Euro 1,561.9 million.

Please find the reconciliation between adjusted cost of sales<sup>(13)</sup> and cost of sales in the following table:

(Amounts in millions of Euro)	June 30, 2015	June 30, 2014
<b>Cost of sales</b>	<b>1,476.1</b>	<b>1,349.8</b>
> Eyemed Adjustment	85.8	
<b>Adjusted cost of sales</b>	<b>1,561.9</b>	<b>1,349.8</b>

**Gross Profit.** Our gross profit increased by Euro 638.1 million, or 25.0%, to Euro 3,190.6 million in the first six months of 2015 from Euro 2,552.5 million in the same period of 2014. As a percentage of net sales, gross profit increased to 68.4% in the first six months of 2015 from 65.4% in the same period of 2014.

**Operating Expenses.** Total operating expenses increased by Euro 445.9 million, or 23.6%, to Euro 2,332.1 million in the first six months of 2015 from Euro 1,886.2 million in the same period of 2014. As a percentage of net sales, operating expenses increased to 50.0% in the first six months of 2015 from 48.3% in the same period of 2014. The increase is due to (i) the strengthening of certain currencies in which the Group operates, (ii) the costs incurred for Oakley's integration and other minor projects; and (iii) the overall growth of the Group's business. Adjusted operating expenses<sup>(14)</sup>, excluding Oakley's integration and other minor project costs of Euro 20.4 million, increased by Euro 425.5 million to Euro 2,311.7 million. As a percentage of net sales adjusted operating expenses<sup>(14)</sup> were 48.6%.

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(13) For a further discussion of adjusted cost of sales, see page 13 "Non-IFRS Measures."

(14) For a further discussion of adjusted operating expenses, see page 13 "Non-IFRS Measures."

## Table of Contents

Please find the reconciliation between adjusted operating expenses<sup>(14)</sup> and operating expenses in the following table:

(Amounts in millions of Euro)	June 30, 2015	June 30, 2014
<b>Operating expenses</b>	<b>2,332.1</b>	<b>1,886.2</b>
> Oakley's integration and other minor project costs	(20.4)	
<b>Adjusted operating expenses</b>	<b>2,311.7</b>	<b>1,886.2</b>

Selling and advertising expenses (including royalty expenses) increased by Euro 348.2 million, or 24.1%, to Euro 1,792.7 million in the first six months of 2015 from Euro 1,444.5 million in the same period of 2014. Selling expenses increased by Euro 277.1 million, or 24.7%. Advertising expenses increased by Euro 57.2 million, or 23.0%. Royalties increased by Euro 13.9 million, or 18.4%. As a percentage of net sales selling and advertising expenses were 38.4% and 37.0% in the first half of 2015 and 2014, respectively. This increase is mainly due to the strengthening of certain currencies in which the Group operates.

General and administrative expenses, including intangible asset amortization, increased by Euro 97.7 million, or 22.1%, to Euro 539.4 million in the first six months of 2015, as compared to Euro 441.6 million in the same period of 2014. As a percentage of net sales, general and administrative expenses were 11.6% in the first six months of 2015 compared to 11.3% in the same period of 2014. The increase is mainly due to the integration costs of Oakley and other minor project costs of Euro 20.4 million, the strengthening of certain currencies in which the Group operates and to the overall growth of the business of the Group.

Adjusted general and administrative expenses<sup>(15)</sup>, including intangible asset amortization and excluding Oakley's integration and other minor project costs of Euro 20.4 million, increased by Euro 77.3 million to Euro 519.0 million. As a percentage of net sales, adjusted general and administrative expenses<sup>(15)</sup> were 10.9%.

Please find the reconciliation between adjusted general and administrative expenses<sup>(15)</sup> and general and administrative expenses in the following table:

(Amounts in millions of Euro)	June 30, 2015	June 30, 2014
<b>General and administrative expenses</b>	<b>539.4</b>	<b>1,886.2</b>
> Oakley's integration and other minor project costs	(20.4)	
<b>Adjusted general and administrative expenses</b>	<b>519.0</b>	<b>1,886.2</b>

**Income from Operations.** For the reasons described above, income from operations increased by Euro 192.2 million to Euro 858.5 million in the first six months of 2015 from Euro 666.3 million in the same period of 2014. As a percentage of net sales, income from operations increased to 18.4% in 2015 from 17.1% in 2014. Adjusted income from operations<sup>(16)</sup>, excluding Oakley's integration costs and the costs of other minor projects of Euro 20.4 million, increased by Euro 212.6 million or 31.9% to Euro 878.9 million. As a percentage of net sales adjusted income from operations<sup>(16)</sup> were 18.5%.

(15) For a further discussion of adjusted general and administrative expenses, see page 13 "Non-IFRS Measures."

(16) For a further discussion of adjusted income from operations, see page 13 "Non-IFRS Measures."

## Table of Contents

Please find the reconciliation between adjusted income from operations<sup>(16)</sup> and income from operations in the following table:

(Amounts in millions of Euro)	June 30, 2015	June 30, 2014
<b>Income from operations</b>	<b>858.5</b>	<b>666.3</b>
> Oakley's integration and other minor project costs	20.4	
<b>Adjusted income from operations</b>	<b>878.9</b>	<b>666.3</b>

**Other Income (Expense) Net.** Other income (expense) net was Euro (52.6) million in the first six months of 2015 as compared to Euro (47.8) million in the same period of 2014. Net interest expense was Euro 53.3 million in the first six months of 2015 as compared to Euro 47.5 million in the same period of 2014. The increase was mainly due to the strengthening of the U.S. dollar against the Euro and cancellation of the revolving credit facility in the amount of Euro 500 million, which resulted in the write-down of approximately Euro 3.9 million of capitalized financing costs.

**Net Income.** Income before taxes increased by Euro 187.4 million, or 30.3% to Euro 805.9 million in the first six months of 2015 from Euro 618.5 million in the same period of 2014. As a percentage of net sales, income before taxes increased to 17.3% in 2015, from 15.8% in 2014.

Our effective tax rate was 36.3% and 36.0% in the first half of 2015 and 2014, respectively.

Net income attributable to non-controlling interests was equal to Euro 1.7 million and Euro 3.3 million, in the first half of 2015 and 2014, respectively.

Net income attributable to Luxottica Group stockholders increased by Euro 112.6 million, or 28.7% to Euro 505.1 million in the first six months of 2015 from Euro 392.5 million in the same period of 2014. Net income attributable to Luxottica Group stockholders as a percentage of net sales increased to 10.8% in the first six months of 2015 from 10.1% in 2014. Adjusted net income attributable to Luxottica Group stockholders<sup>(17)</sup>, excluding Oakley's integration and other minor project costs of Euro 19.6 million, increased by Euro 132.2 million to Euro 524.7 million. As a percentage of net sales adjusted net income attributable to Luxottica Group stockholders was<sup>(17)</sup> 11.0%.

Please find the reconciliation between adjusted net income attributable to Luxottica Group stockholders<sup>(17)</sup> and net income attributable to Luxottica Group stockholders in the following table:

(Amounts in millions of Euro)	June 30, 2015	June 30, 2014
<b>Net income attributable Luxottica Stockholders</b>	<b>505.1</b>	<b>392.5</b>
> Oakley's integration and other minor project costs	19.6	
<b>Adjusted Net income attributable Luxottica Stockholders</b>	<b>524.7</b>	<b>392.5</b>

Basic and diluted earnings per share were Euro 1.05 in the first six months of 2015 and Euro 0.83 and 0.82 in the same period of 2014.

<sup>(17)</sup> For a further discussion of adjusted net income attributable to Luxottica Stockholders, see page 13 "Non-IFRS Measures."

## Table of Contents

### OUR CASH FLOWS

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

(Amounts in thousands of Euro)		As of June 30, 2015	As of June 30, 2014
A)	Cash and cash equivalents at the beginning of the period	1,453,587	617,995
B)	Net cash provided by operating activities	500,070	513,417
C)	Cash provided/(used) in investing activities	(250,118)	(213,754)
D)	Cash provided/(used) in financing activities	(705,199)	259,740
E)	Effect of exchange rate changes on cash and cash equivalents	44,256	5,801
F)	Net change in cash and cash equivalents	(410,991)	565,204
G)	Cash and cash equivalents at the end of the period	1,042,596	1,183,200

**Operating Activities.** The Company's net cash provided by operating activities in the first six months of 2015 and 2014 was Euro 500.0 million and Euro 513.4 million, respectively.

Depreciation and amortization were Euro 235.7 million in the first six months of 2015 as compared to Euro 181.7 million in the same period of 2014. The increase is mainly due to the strengthening of certain currencies in which the Groups operates.

The change in accounts receivable was Euro (304.2) million in the first six months of 2015 as compared to Euro (249.3) million in the same period of 2014. This change in the first half of 2015 as compared to 2014 was primarily due to the higher volume of sales which was partially offset by an improvement in collections. The change in cash (used)/generated in inventory was Euro (63.5) million in the first six months of 2015 as compared to Euro 51.0 million in the first six months of 2014 is mainly due to the inaugural launch of the Michael Kors collection. The change in cash generated/(used) in accounts payable was Euro 88.2 million in the first six months of 2015 as compared to Euro (27.8) million in the same period of 2014. The change as compared to previous year was primarily due to the continuous improvement in payment terms and conditions. The change in cash (used)/generated in other assets and liabilities was Euro and Euro (8.9) million in the first six months of 2015 and Euro 37.7 million in the first six month of 2014, respectively. The change in the first half of 2015 as compared to the same period of 2014 was primarily due to the timing of payments of salaries to store personnel in the retail division in North America. Income taxes paid in the first six months of 2015 were (Euro 282.0) million as compared to Euro (134.3) million in the same period of 2014. The increase in income taxes paid in the first half of 2015 was due to the payment of Euro (91.6) million related to the tax audit of Luxottica S.r.l. by Italian authorities for the tax years from 2008 to 2011. Interest paid was Euro (63.6) million as compared to Euro (43.9) million in the first six months of 2015 and 2014, respectively. The increase is mainly due to interest accruing on bonds that were issued by the Group during the first half of 2014 with a payment being made with respect to these securities for the first time in the first half of 2015.

**Investing Activities.** The Company's net cash used in investing activities was Euro (250.1) million and Euro (213.8) million in the first six months of 2015 and 2014, respectively. The primary investment activities in the first six months of 2015 were related to (i) the purchase of tangible assets for Euro (148.7) million, (ii) the acquisition of intangible assets for Euro (83.4) million and (iii) the acquisition of the remaining 49% of Luxottica Netherlands for Euro (19.0) million. The primary investment activities in the first six months of 2014 were related to (i) the purchase of tangible assets for Euro (117.2) million, (ii) the acquisition of intangible assets for Euro (57.0) million and (iii) Euro (29.2) million related to the acquisition of glasses.com and other minor acquisitions related to Retail segment for Euro (10.3) million.

Table of Contents

**Financing Activities.** The Company's net cash provided by/(used in) financing activities was Euro (705.2) million and Euro 259.7 million in the first six months of 2015 and 2014, respectively. Cash provided by financing activities in the first half of 2015 consisted primarily of (689.7) million related to the payment of dividends to the Company's shareholders. Cash generated in the first six months of 2014 is due to (i) Euro 500.0 million related to the issuance of bonds, (ii) an increase in financial liabilities for Euro 35.4 million, (iii) Euro 51.2 million related to the exercise of stock options and (iv) Euro (308.3) million related to the payment of dividends to the Company's shareholders.



Table of Contents**OUR CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

<b>ASSETS</b> (Amounts in thousands of Euro)	<b>June 30, 2015</b>	<b>December 31, 2014</b>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	1,042,596	1,453,587
Accounts receivable net	1,077,073	754,306
Inventories net	812,792	728,404
Other assets	210,321	231,397
<b>Total current assets</b>	<b>3,142,782</b>	<b>3,167,695</b>
<b>NON-CURRENT ASSETS:</b>		
Property, plant and equipment net	1,383,697	1,317,617
Goodwill	3,543,975	3,351,263
Intangible assets net	1,446,548	1,384,501
Investments	62,571	61,176
Other assets	116,670	123,848
Deferred tax assets	199,723	188,199
<b>Total non-current assets</b>	<b>6,753,183</b>	<b>6,426,603</b>
<b>TOTAL ASSETS</b>	<b>9,895,965</b>	<b>9,594,297</b>

<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>June 30, 2015</b>	<b>December 31, 2014</b>
<b>CURRENT LIABILITIES:</b>		
Short term borrowings	128,672	151,303
Current portion of long-term debt	660,120	626,788
Accounts payable	833,060	744,272
Income taxes payable	122,989	42,603
Short term provisions for risks and other charges	136,639	187,719
Other liabilities	646,314	636,055
<b>Total current liabilities</b>	<b>2,527,793</b>	<b>2,388,740</b>
<b>NON-CURRENT LIABILITIES:</b>		
Long-term debt	1,700,756	1,688,415
Employee benefits	97,690	138,475
Deferred tax liabilities	282,972	266,896
Long term provisions for risks and other charges	95,950	99,223
Other liabilities	90,607	83,770
<b>Total non-current liabilities</b>	<b>2,267,975</b>	<b>2,276,778</b>
<b>STOCKHOLDERS' EQUITY:</b>		
Luxottica Group stockholders' equity	5,096,426	4,921,479
Non-controlling interests	3,771	7,300

Total stockholders' equity	5,100,197	4,928,779
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