Full year 2019 results

Uplift in Sales and Net Profit growth
Strong foundation to accelerate synergy delivery

- **Revenue growth at constant exchange rates[2] of 4.4%, compared to 3.2% in 2018 pro forma[1]**
- **Adjusted[6] operating profit: Euro 2,812 million, 16.2% of revenue**
- **Adjusted[6] net profit attributable to owners of the parent: Euro 1,938 million, 11.1% of revenue and growth of 4.8%[1] at constant exchange rates[2]**
- **Free cash flow[7]: Euro 1,825 million**
- **Adjusted[6] EPS: Euro 4.46**
- **Dividend recommendation: Euro 2.23 per share, scrip dividend proposed**

Charenton-le-Pont, France (March 6, 2020 – 7:00am) - The Board of Directors of EssilorLuxottica met on March 5, 2020 to approve the consolidated financial statements for the year ended December 31, 2019. These financial statements were audited by the Statutory Auditors whose certification report is in the process of being issued. The Board of Directors has also approved the Restated Unaudited *Pro Forma*[1] Consolidated Financial Information for the year ended December 31, 2018, which has been prepared for illustrative purposes only.

"In its first full year, EssilorLuxottica delivered a solid performance. It advanced on its Mission and delivered innovative products at every price point to customers and consumers worldwide while generating profitable growth. This translated into strong revenue, free cash flow and net profit growth, in line with guidance. The Company also implemented a range of structural decisions in order to start the integration process and the delivery of the expected synergies presented at its Capital Markets Day. Essilor, for its part, performed strongly. It continued to leverage its unique innovation capabilities in vision care and eyewear, its digital platforms and the flexibility provided by its global network of interconnected plants and prescription laboratories", said Laurent Vacherot, CEO of Essilor.

"When we look at Luxottica's performance over the past year, there is so much to be proud of, both in terms of our solid results and many notable achievements - our continued digital transformation in particular proved that the work we've done over the past five years is paying off. Along with growing and improving our profits, we set a new standard for the way technology can elevate an entire organization, from online sales growth to our deep connections with consumers across every channel. These successes, along with our outstanding cash flow generation of 1.2 billion Euro, were key contributors to EssilorLuxottica's overall results for the year", commented Francesco Milleri, Deputy Chairman and CEO of Luxottica.

Full year 2019 adjusted[6] results

2019 is the first year in which EssilorLuxottica's consolidated statement of profit or loss shows the full year performance of both Essilor's and Luxottica's businesses. However, since the 2018 information presented in the statement of profit or loss is affected by the accounting of the combination between Essilor and Luxottica, the financial information deemed relevant to compare 2019 performance is based on the restated *pro forma*[1] information for the year ended December 31, 2018.

In millions of Euros	2019	2018* pro forma[1]	Reported Change
Revenue	17,390	16,194	+7.4%
Adjusted[6] gross profit	**10,887**	**10,209**	**+6.6%**
% of revenue	62.6%	63.0%	
Adjusted[6] operating profit	**2,812**	**2,618**	**+7.4%**
% of revenue	16.2%	16.2%	
Adjusted[6] net profit attributable to owners of the parent	**1,938**	**1,774**	**+9.2%**
% of revenue	11.1%	11.0%	

** The 2018 comparative information has been restated following the application of IFRS 16 Leases, as well as to reflect the finalization of the purchase price allocation ("PPA") related to the EssilorLuxottica Combination.*

In 2019, EssilorLuxottica's full year revenues grew by 7.4% compared to prior-year pro forma[1] revenue (4.4% at constant exchange rates[2]). The Company's adjusted[6] gross profit as a percent of sales came in at 62.6% while adjusted[6] operating profit was stable at 16.2% of sales. Adjusted[6] net profit attributable to the owners of the parent of Euro 1,938 million represents an increase of 9.2%[1] compared to the prior year (4.8%[1] at constant exchange rates[2]).

Full year 2019 highlights

- Strong revenue growth at constant exchange rates[2] across all divisions with the best performance from Sunglasses & Readers up 8.9%, Lenses & Optical Instruments up 5.5%, and Retail up 4.0%;
- Direct e-commerce, which represented around 5% of consolidated revenue, grew by 16% at constant exchange rates[2], with positive trends across all major platforms and regions;
- On a geographical basis at constant exchange rates[2], Fast Growing Markets[4] expanded by 8.5% and represented close to 20% of revenue, Europe grew by 5.1% and North America was in line with global market growth at 3.1%;
- Adjusted[6] operating profit as a percent of sales remained stable reflecting underlying margin improvement offset by investments behind key brands and growth initiatives worldwide;
- Free cash flow[7] amounted to Euro 1.8 billion, the same level as last year despite the impact of fraudulent financial activity at one of Essilor's plants in Thailand;
- Key investment fueled new product launches (notably Transitions® Signature® GEN 8™ and Vision-R™ 800), further digitalization of the business, stronger offerings on proprietary e-commerce sites, refurbishment of key retail stores and expansion of operating structures in Fast Growing Markets[4] among others;
- Activation of synergies in line with Company's expectations, with structural decisions creating a strong foundation for an increase in synergy delivery in 2020 and 2021;

- Continued strong momentum in external growth with the proposed acquisition of GrandVision and several bolt-on transactions such as Barberini in Italy and Brille24 in Germany.

Fourth quarter 2019 highlights

- Lenses & Optical Instruments grew by 5.2% at constant exchange rates[2] thanks to Fast Growing Markets[4], the Transitions® Signature® GEN 8™ launch in the United States and double digit-growth in e-commerce;
- Sunglasses & Readers grew by 10.1% at constant exchange rates[2] with a strong performance by Xiamen Yarui Optical in China, fueled by its expansion into optical frames and online sales;
- Wholesale rose by 2.4% at constant exchange rates[2] thanks to stronger performance in North America (including independents), key markets in Europe, steadily sound trends in Brazil with Óticas Carol and rebuilt Mainland China;
- Retail continued on its solid path, up 4.6% at constant exchange rates[2], thanks to the optical networks in North America (including positive trends at LensCrafters) as well as the entire business in Australia, Europe and Brazil;
- Fraudulent financial activity was discovered at one of Essilor International's plants in Thailand. The financial impact has been fully recorded in the 2019 consolidated statement of profit or loss for an amount of Euro 185 million after taking into account foreign exchanges impacts;
- The Company launched a bond issuance for a total amount of Euro 5 billion, notably to (re)finance a portion of the consideration to be paid in relation to the proposed acquisition of GrandVision, to (re)finance the existing debt of the Company and to fund general corporate purposes. Group net debt amounted to Euro 4,046 million at the end of December 2019, compared to Euro 3,849 at the end of December 2018 (restated following the implementation of IFRS 16 *Leases*).

Synergies and integration

The Company has started to drive integration and deliver revenue and cost synergies. It confirms that the net impact of those synergies on adjusted[6] operating profit is expected to be in the range of:

- Euro 300 to Euro 350 million in the period 2019-2021;
- Euro 420 to Euro 600 million by 2022-2023.

In 2019, the first synergies generated as part of this plan were in line with internal expectations. This included the development of Essilor lenses, including the most innovative and technologically advanced categories, within the Company's own retail networks as well as key initiatives in R&D, procurement, prescription laboratories and insourcing.

In addition, structural decisions were made during the year to create a strong foundation for further integration and accelerate synergy delivery in 2020 and 2021, in line with the plan. These decisions include:

- Defining one single IT platform to be rolled out across the Company, after the ongoing pilot project in Italy;
- Creating one single network of prescription laboratories, as part of an integrated supply chain;
- Establishing a unified platform for the provision of complete pairs of branded glasses, starting with the availability of full prescription products under the Ray-Ban brand both in the clear and sun segments;
- The full integration of Costa into the brand portfolio of Luxottica;
- A common employee shareholding plan, which was extended to Luxottica employees in Italy in 2019 with a subscription rate of over 67%.

Eliminating poor vision around the world

Essilor has created more than 15,000 inclusive businesses worldwide since 2013, which have the potential to give more than 300 million people access to vision health. These access points delivered vision solutions to 10.7 million new eyeglass wearers in 2019 alone, bringing the total for the past seven years to 33.5 million.

These efforts earned EssilorLuxottica the 17th spot in Fortune Magazine's annual Change the World list in 2019. In this same spirit of raising awareness on good vision, Essilor made presentations in different parts of the world to leverage the report it published on the sidelines of the last United Nations General Assembly session, entitled "Eliminating Poor Vision in a Generation: What will it take to eliminate uncorrected refractive errors by 2050?". The report quantifies the scale of uncorrected poor vision in the world and recommends a cumulative investment of $14 billion over the next 30 years to eliminate it.

In 2019, Essilor worked toward this goal through partnerships to eliminate poor vision in many regions. In Bhutan, 30,000 pairs of glasses have been delivered to date to make this country the first in the world to eliminate poor vision. In India, more than 143,000 people were screened to put the Doddaballapura region on track to be the first in the country to also eliminate poor vision by 2021. In Nepal, the company signed a letter of intent to provide access to eye care to the 350,000 residents of the Bhaktapur district. And in China, Essilor worked with the Huoqiu County to eliminate poor vision in the county within three years. Partnerships were also launched with governmental ministries in France, Kenya and India to promote eye exams and raise awareness about the importance of visual health in schools or among underprivileged children (see page 15 for more details).

Subsequent events

COVID-19

The current COVID-19 epidemic has a negative impact on the Company's business in Greater China, which represents approximately 5% of consolidated revenue. So far, the virus has also slightly impacted the Company's revenue performance in other regions. At the current level, inventory is sufficient to meet several weeks of demand.

In terms of production, EssilorLuxottica plants in China are currently operating at slightly reduced capacity, which is quickly normalizing, while the plants in Italy and all other locations are currently running at full capacity. Contingency plans can be activated in case of a protracted pandemic. They would aim at optimizing the Company's global infrastructure. EssilorLuxottica can rely on a worldwide network of plants and laboratories, which allow flexibility and continuity.

GrandVision

The European Commission has initiated a Phase II review of the proposed acquisition of GrandVision. The transaction has been unconditionally cleared so far in the United States, Russia and Colombia, and it is currently under review also in Brazil, Chile, Mexico and Turkey (see page 28 for more details).

Fraud

The Company announced on December 30, 2019 that it had discovered fraudulent financial activity at an Essilor plant in Thailand. Since then, Essilor International has implemented a wide range of corrective measures under the supervision of the EssilorLuxottica Board of Directors (see page 28 for more details).

Management Changes
EssilorLuxottica confirms that the search for a new CEO is ongoing. It is now also considering internal candidates. The final appointment is expected to be made by the end of 2020.

David Wielemans is appointed co-CFO of EssilorLuxottica alongside Stefano Grassi, in replacement of Hilary Halper.

Ariel Bauer is appointed co-Head of Investor Relations of EssilorLuxottica alongside Giorgio Iannella, in replacement of Véronique Gillet.

Dividend
The Board of Directors will recommend that shareholders at the Annual Meeting to be held on May 15, 2020 approve the payment of a dividend of Euro 2.23 per share. Shareholders will be offered the option of receiving their dividend in cash or in newly issued shares. The dividend will be paid – or the shares issued – as from June 15, 2020.

Outlook
The Company's financial objectives for 2020 assume that the COVID-19 outbreak will subside in the next few months.

Based on this assumption, and excluding any contribution from GrandVision, EssilorLuxottica expects to grow in sales and profits. Including synergies and at constant exchange rates[2], it is projecting the following:

- Sales growth: +3.0%-5.0%
- Adjusted[6] operating profit growth: 0.7-1.2x sales growth
- Adjusted[6] net profit growth: 0.7-1.2x sales growth

In addition, due to the COVID-19 outbreak, the Company's current expectation is for revenue growth to be below the annual trend in the first half of the year, followed by a recovery in the second half.

Conference call
A conference call in English will be held today at 11 am CET.
The meeting will be available live and on a replay mode at:
https://channel.royalcast.com/webcast/essilorluxotticaen/20200306_1/

Upcoming investor events

- Q1 2020 Sales: May 5, 2020;
- Annual Shareholders Meeting: May 15, 2020;
- H1 2020 Results: July 31, 2020.

Notes

1 Pro forma: the Restated Unaudited Pro Forma Consolidated Financial Information has been produced for illustrative purposes only, with the aim of providing comparative information for the year ended December 31, 2018 as if the combination between Essilor and Luxottica had occurred on January 1, 2018. For further details, please refer to the table in the Appendix.
2 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.
3 Like-for-like: growth at constant scope and exchange rates.
4 Fast-growing countries or markets: include China, India, ASEAN, South Korea, Hong Kong, Taiwan, Africa, the Middle East, Russia, Eastern Europe and Latin America.
5 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.
6 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.
7 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.

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ESSILORLUXOTTICA

Excerpts from the full year 2019 management report

Full year 2019 revenue by operating segment

In millions of Euros	2019	2018 *Restated** *Pro forma*[1]	Change at constant rates[2]	Currency effect	Change (reported)
Lenses & Optical Instruments	6,791	6,283	+5.5%	+2.6%	+8.1%
Sunglasses & Readers	885	787	+8.9%	+3.6%	+12.5%
Equipment	221	210	+2.0%	+3.3%	+5.3%
Essilor revenue	7,897	7,280	+5.8%	+2.7%	+8.5%
Wholesale	3,260	3,145	+1.8%	+1.9%	+3.7%
Retail	6,232	5,769	+4.0%	+4.0%	+8.0%
Luxottica revenue	9,493	8,914	+3.2%	+3.3%	+6.5%
Total	**17,390**	**16,194**	**+4.4%**	**+3.0%**	**+7.4%**

* 2018 information has been restated following the application of IFRS 16 *Leases*.

EssilorLuxottica's revenue amounted to Euro 17,390 million and increased by 4.4% at constant exchange rates[2] in 2019, in the upper half of the Group's 3.5% to 5% outlook.

Lenses & Optical Instruments

The Lenses & Optical Instruments division grew by 5.5% at constant exchange rates[2] in 2019, for total sales of Euro 6,791 million. The division showed strength across all regions through a continued focus on innovation, fast growing markets[4] and e-commerce. Key milestones in 2019 included the launch of Transitions® Signature® GEN 8™ in the US market, the success of the Vision-R™ 800 phoropter in Europe, double-digit growth both in China, thanks to branded lenses (notably Eyezen™, Crizal® and Varilux®), and Latin America owing to market expansion activities and a new partnership with a key player in the region.

Sunglasses & Readers

The Sunglasses & Readers division performed well in 2019, with revenue rising 12.5% to Euro 885 million (+8.9% at constant exchange rates[2]). This reflected robust results in China, especially for Xiamen Yarui Optical (Bolon™) and strong market demand for readers and sunglasses at Costa and FGX International in the United States. Furthermore, e-commerce sales were once again buoyant for the division, with revenue ending the period up by more than 20% on a like-for-like[3] basis.
Lastly, in keeping with the commitments made to Turkish antitrust authorities at the time of the combination with Luxottica, Essilor divested its subsidiary Merve, which markets sunglasses to consumers in Turkey.

Equipment

The Equipment division grew by 2% at constant exchange rates[2] with a mix of solid market trends in Europe, Latin America and Asia offset by a slowdown in the capital investment cycle in other developed markets, partly due to industry consolidation. On a consolidated financial basis, Europe and Asia contributed to growth while North America and Latin America were headwinds. With respect to products, performance was driven by digitalization, new generation surfacing machines and coating machines. The order book ended the year slightly up. The business contributed to group profitability, which enabled continued R&D investment to support innovation in production methods and lab efficiency across the global ophthalmic lens industry.

Wholesale

The Wholesale division closed the year with revenue up by 3.7% to Euro 3,260 million, or +1.8% at constant exchange rates[2], the strongest pace since 2015 thus proving the effectiveness of the set of strategic initiatives undertaken. All regions were on the rise, with a remarkable acceleration experienced by North America over the second part of the year supported by positive trends at independents, department stores and third-party e-commerce. The steady growth posted by Europe was driven by volumes and benefited from the relentless evolution of STARS. On a global basis, the program is now comprised of approximately 16,600 doors, representing over 13% of sales for the Wholesale division. As for Asia, Oceania and Africa and Latin America, both the regions experienced a deceleration in the second half of 2019, mainly attributable to poor trends in Hong Kong and travel retail and a weakening performance in Mexico respectively. Conversely, Brazil was among the top performers and recorded a sustained growth, at high single digit pace during the twelve months, boosted by STARS and Óticas Carol (both meaningfully increasing the number of doors). Mainland China continued to leverage the success of the strategic repositioning of the business undertaken two years ago.

Retail

The Retail division was up 8.0% in revenue to Euro 6,232 million in the full year, or +4.0% at constant exchange rates[2], with accelerating momentum in the fourth quarter. Revenue was positive throughout the entire year, with comparable store sales[5] slightly above the parity in the twelve months. In North America all the networks contributed to the division growth, in particular the Optical Retail Business led the growth with LensCrafters posting the strongest quarter of the year (thanks to a healthy insurance week and a strong price-mix), a solid contribution from the insurance business unit Eye Med as well as Target Optical and Pearle Vision. During the fourth quarter the sales drop was amplified at Sears Optical. In Europe Sunglass Hut and Salmoiraghi & Viganò kept nicely growing, like both optical and sun business did in Australia and sun in Brazil. Hong Kong confirmed to be a drag, with no signs of improvement, while GMO was impacted by protests in Chile and Ecuador in the last quarter of the year. Direct e-commerce grew double digit across all the platforms in the full year, mostly driven by North America that posted in the fourth the best quarter of the year.

Full Year 2019 revenue by geographical area

In millions of Euros	2019	2018 *Restated** *Pro forma*[1]	Change at constant rates[2]	Currency effect	Change (reported)
North America	9,154	8,433	+3.1%	+5.4%	+8.5%
Europe	4,236	4,038	+5.1%	-0.2%	+4.9%
Asia, Oceania and Africa	2,892	2,694	+5.4%	+2.0%	+7.4%
Latin America	1,108	1,028	+9.5%	-1.8%	+7.7%
Total	**17,390**	**16,194**	**+4.4%**	**+3.0%**	**+7.4%**

* 2018 information has been restated following the application of IFRS 16 *Leases*.

North America

In North America revenue increased by 8.5% to Euro 9,154 million (+3.1% at constant exchange rates[2]).

The Lenses & Optical instruments division posted another strong full year through a continued focus on its go to market strategy in the core United States lens business along with strong e-commerce growth. The lens strategy in the United States, led by key brands and innovation, partnerships with Independent Eyecare Professionals (ECP) and key accounts, continued to deliver results. Performance was stronger in the second half owing to the launch of Transitions® Signature® GEN 8™. Full year 2019 growth was further boosted by robust engagement with Luxottica both for select key accounts and sales of value added lenses though the Group's retail channels. Canada and sales of Transitions to other lens casters were headwinds while contact lens distribution activities added to growth.
Trends were strong in Sunglasses & Readers. Costa made further inroads with Eyecare professionals as well as in sporting goods stores and online channels, while increasing its presence in the United States. The brand notably solidified its leadership in fishing stores, selling to fishing enthusiasts and those living near beaches, lakes and rivers. Late in 2019, Costa started being integrated into the Luxottica portfolio, which should help this young brand expand its global footprint more quickly and benefit from significant synergies, given Luxottica's expertise in sunwear. In addition, strong market demand for readers and sunglasses allowed FGX International to make up in the second half for the impact of a demanding comparison basis in the first six months. It continued to diversify its distribution network in the United States and to expand its international and online operations.
The Equipment division posted a modest decline for the year, owing mainly to softer fourth quarter dynamics, as key customers work to absorb capacity from recent investment programs.

In North America, Luxottica posted its best year since 2015 in terms of sales growth with Wholesale and Retail both accelerating in the fourth quarter. The growth in Wholesale was reinforced by the solid performance in the independent, department store and the third-party e-commerce channels. The Retail business had a strong year with Target Optical and EyeMed leading the way at double-digit sales growth. Sunglass Hut posted positive performance building on a winning omnichannel proposition, further articulated and resonating well with its customers. LensCrafters closed the year on a positive note benefitting from an expanding store remodeling program and a favorable price-mix boosted by a higher penetration of value-added lenses. The crisis of Sears had a significant impact on the overall performance of the Retail business leading to the decision to exit the banner by the end January 2020. The proprietary e-commerce platforms delivered exceptional growth, with a further acceleration in the fourth quarter. Oakley eyewear experienced a relevant uplift from the partnership with the NFL (with its testimonial Patrick Mahomes winning the Superbowl and the related MVP trophy), posting mid-single digit growth in the second half of the year.

Europe

In Europe, revenue increased by 4.9% to Euro 4,236 million (+5.1% at constant exchange rates[2]).

Operating in a fiercely competitive environment, the Lenses & Optical Instruments division demonstrated resilience in France, the largest market in the region, and in all Eastern European countries, particularly Poland and Russia. Gains were driven by value-added lenses, especially progressive lenses. Elsewhere in Europe, revenue was either flat or slightly lower. Growth in E-commerce sales was satisfactory, especially for contact lenses distributed through the VisionDirect website. The Instruments business saw strong growth in 2019, fueled by the launch and marketing of two major new products during the year: Visioffice® X, a tool for personalizing lenses in optical stores, and the Vision-R™ 800 phoropter. A world first, the latter radically changes the eye exam process and customer experience, allowing measurement up to 0.01 diopter versus 0.25 diopter with other machines on the market. In addition to revolutionizing optometry, the Vision-R™ 800 paves the way for ophthalmic lenses with much greater accuracy.
Within the Sunglasses & Readers division, FGX International delivered robust sales, notably in the United Kingdom and Germany.
The Equipment division had a strong finish to the year in the fourth quarter, following an exceptional third quarter performance.

In 2019, Europe continued to contribute to the overall Luxottica growth, with a positive evolution at both Wholesale and Retail divisions, supported by best-selling proprietary brands (also online) as well as main luxury licenses. The Wholesale channel showed steadily growth over the year, supported by volumes expansion. Among major countries, Italy, Germany, Turkey and Eastern Europe outperformed other markets. The successful development of the STARS program remains a key pillar of Luxottica's strategy, and currently represents over 20% of Wholesale revenue in the region, showing a nice acceleration in the last part of the year. Sales in Europe were also supported by the growth around double-digit of the Retail division, on the back of effective in-store execution empowering positive results in all countries. Sunglass Hut confirmed its healthy growth trajectory, growing at mid-single digit in comparable sales[5] in Continental Europe and with 21 successful new openings during the year. In Italy, Salmoiraghi & Viganò, the leading multi-brand retailer in the country, consolidated further its position, growing nicely in both comparable sales[5] and total revenues, also thanks to a successful store renovation plan that will be carried forward in 2020 as well. Finally, Persol opened its first store in Europe (in Milan).

Asia, Oceania and Africa

In Asia, Oceania and Africa, revenue increased by 7.4% to Euro 2,892 million (+5.4% at constant exchange rates[2]).

The Lenses & Optical Instruments division was a major contributor to the regional performance. It delivered double-digit growth in China, thanks to branded lenses (notably Eyezen™, Crizal® and Varilux®), instruments, myopia control solutions and innovation in the midrange. Good performances from progressive and photochromic lenses have accelerated gains in South Korea quarter after quarter, and kept momentum strong in Southeast Asia. In India, promotional campaigns, online sales and innovative business models for Base-of-Pyramid consumers only partially offset the decline in sales

through traditional distribution channels. Revenue in Japan got a lift from value-added lenses and a series of commercial successes with optical chains.
The Sunglasses & Readers division also saw double-digit revenue growth in the region with excellent results at Xiamen Yarui Optical (Bolon™ and Molsion™) in optical frames and robust online sales. The division strengthened its positions in the Chinese sunwear market, its main market in the region.
The Equipment division posted solid growth as market conditions in fast growing markets remained favorable.

2019 was positive for Luxottica in the region as a whole, with growing sales at constant exchange rates[2] in both Wholesale and Retail divisions. The second half of the year decelerated versus the first, particularly due to weaker Wholesale in the third quarter (mostly reflecting political turmoil in Hong Kong, dropping travel retail business and unfavorable weather conditions in Japan), but turning positive in the fourth quarter. Australia, Mainland China, South East Asia and Middle-East drove the group's performance in the area, more than balancing the decline in Hong Kong and travel retail business, while Japan and Korea closed the year at around the par. Wholesale growth was basically driven by Mainland China, where the business restarted on much cleaner basis. In Retail, Australia and New Zealand kept on a nice growing trajectory in both optical at OPSM, posting the 14th consecutive quarter of positive comps[5]/sales, and sun business at SGH, consistently in terms of sales and comparable store sales[5] growth, reaping the fruits of the store refurbishment program carried out last year. Hong Kong retail remained negative, for the fourth consecutive year.

Latin America

In Latin America, revenue increased by 7.7% to Euro 1,108 million (+9.5% at constant exchange rates[2]).

The Lenses & Optical Instruments division generated significantly improved growth at constant exchange rates[2] for the full year 2019 when compared to 2018 consisting of balanced growth in Brazil and Spanish speaking markets through most of the year. 2019 was marked by several key initiatives including marketing programs such as "Varilux® em Dobro" in Brazil, "Cambia tu cara" in Colombia, and enhanced client marketing at Grupo Vision in Costa Rica. The division also rolled out new technological advances and product ranges to independent laboratories to further support growth. After having bought the assets of the laboratory of Devlyn Holdings, Essilor signed a supply contract with Opticas Devlyn, the leading optical chain in Mexico, which boosted growth in constant currency terms. In e-commerce, online sales in Brazil continue to develop rapidly. Major strides were also made in digital marketing with consumers in Mexico and Colombia now able to access the Spanish-language edition of the eye care information website "AllAboutVision.com".
The Sun & Readers division contributed modestly to regional growth.
The Equipment division was a slight headwind to regional growth on a consolidated basis despite solid underlying activity as market conditions in fast growing markets remained favorable.

Luxottica continued to grow in Latin America last year, expanding sales at constant exchange rates[2] in both Wholesale and Retail divisions. The second half of the year slightly slowed down compared to the first, mostly due to a weakening performance in the fourth quarter in Mexico. The key market of Brazil kept the positive momentum it showed throughout the entire year, made of high-single digit growth in Wholesale, boosted by STARS and Óticas Carol (reaching 1,335 franchise locations), as well as double-digit growth in Retail, primarily sustained by SGH. GMO closed the year positive in sales and comparable store sales[5], absorbing the negative impact of the protests in Chile and Ecuador in the last quarter.

Fourth-quarter 2019 revenue by operating segment

In millions of Euros	Q4 2019	Q4 2018 *Restated**	Change at constant rates[2]	Currency effect	Change (reported)
Lenses & Optical Instruments	1,701	1,589	+5.2%	+1.8%	+7.0%
Sunglasses & Readers	242	214	+10.1%	+2.8%	+12.9%
Equipment	70	73	-6.8%	+2.1%	-4.7%
Essilor revenue	2,012	1,876	+5.3%	+2.0%	+7.3%
Wholesale	753	725	+2.4%	+1.4%	+3.8%
Retail	1,539	1,439	+4.6%	+2.3%	+6.9%
Luxottica revenue	2,291	2,164	+3.9%	+2.0%	+5.9%
Total	**4,304**	**4,040**	**+4.5%**	**+2.0%**	**+6.5%**

* 2018 information has been restated following the application of IFRS 16 *Leases*.

EssilorLuxottica's revenue increased by 4.5% at constant exchange rates[2] during the fourth quarter of 2019.

Fourth-quarter 2019 revenue by geographical area

In millions of Euros	Q4 2019	Q4 2018 *Restated**	Change at constant rates[2]	Currency effect	Change (reported)
North America	2,273	2,113	+4.3%	+3.3%	+7.6%
Europe	971	918	+4.9%	+0.8%	+5.7%
Asia, Oceania and Africa	756	707	+5.0%	+1.8%	+6.8%
Latin America	304	301	+3.8%	-2.9%	+0.9%
Total	**4,304**	**4,040**	**+4.5%**	**+2.0%**	**+6.5%**

* 2018 information has been restated following the application of IFRS 16 *Leases*.

North America

In North America, revenue increased by 7.6% to Euro 2,273 million (+4.3% at constant exchange rates[2]).

The Lenses & Optical Instruments Division benefitted from the continued momentum from the Transitions® Signature® GEN 8™ launch, both with Independent Eyecare Professionals and through the Company's retail channels. Robust growth continued with Alliance members and Essilor Experts while key accounts expanded at a modest pace. Similar to the full year trend, contact lens distribution activities contributed to growth.
Sunglasses & Readers performance in the United States was driven primarily by FGX during the fourth quarter.

Trends in the Equipment division moderated after a particularly strong third quarter and an elevated prior year comparison base.

Both Luxottica divisions posted the best quarter of the year. Wholesale grew high-single digit thanks to the sound execution across all channels. The benefit from the consolidation of Barberini weighted to a smaller extent. On the Retail side, sales were up mid-single digit, led by LensCrafters delivering strong results especially during the ramp up towards the end of the insurance year. The performance at Sunglass Hut was mixed. The brick and mortar stores were impacted by an unfavorable timeframe of the holiday season and lower traffic in the touristic locations, but the shortfall was made up online. Target Optical and EyeMed confirmed their sound growth path, while Sears continued to be a heavy drag. The direct e-commerce business had another exceptional quarter growing at 27% at constant exchange rates[2] and all major websites contributed to the success.

Europe

In Europe revenue increased by 5.7% to Euro 971 million (+4.9% at constant exchange rates[2]).

The performance of the Lenses & Optical Instruments in the quarter was driven by robust gains in Russia, Turkey, Instruments and online sales of contact lens through VisionDirect.
The Equipment division continued its strong performance in the fourth quarter, ending the year sharply higher.

Luxottica's turnover in Europe kept expanding in the last quarter of the year. The Wholesale division saw robust trends in particular in Spain, Portugal, Greece, UK, Turkey and Eastern Europe. Performance of the sun category stood out in the fourth quarter. The company continued to develop its STARS program, thanks to top key accounts, and related turnover experiencing a further acceleration, up by more than 50% compared to the fourth quarter of last year. Retail sales increased soundly in the quarter in high-single digit area, posting its 24th consecutive quarter of turnover expansion. All major countries showed a positive evolution in the division, led by Sunglass Hut in Continental Europe and Salmoiraghi & Viganò in Italy.

Asia, Oceania and Africa

In Asia, Oceania and Africa revenue increased by 6.8% to Euro 756 million (+5.0% at constant exchange rates[2]).

The Lenses & Optical Instruments division delivered strong in the region, with business up sharply in China, South Korea, Southeast Asia and Japan. Growth was fueled by value-added lenses in all countries.
The Sunglasses & Readers division continued to benefit from its expansion in optical frames and online sales, primarily in China.
Following an exceptional performance through the first nine months of the year, the Equipment division slowed down during the fourth quarter.

Luxottica's regional sales accelerated in the fourth versus the third quarter, driven by Australia, Mainland China and South East Asia. Australia and New Zealand retail gained further momentum, even amid wildfires emergency, with the optical business recording the 14th consecutive quarter of positive sales, also helped by refurbishments, and the sun business contributing as well, both positive in comparable store sales[5]. Mainland China speeded up at double-digit pace, fueled by both revamped Wholesale and positive Retail in sales and comparable store sales[5]. On the opposite, Hong Kong did not improve, deteriorating further in Retail sales and comparable store sales[5]. Ray-Ban mono-brand store roll-out made further progress last year in the region, focused on Mainland China which reached 141 locations at the end of December, out of a total 171 in the whole Asia-Pacific area.

Latin America

In Latin America, revenue increased by 0.9% to Euro 304 million (+3.8% at constant exchange rates[2]).

Growth in the Lenses & Optical Instruments division remained in double digits at constant exchange rates[2] through a mix of strong underlying trends and new partnerships. In Brazil, the solid dynamics through the first nine months eased as the focus shifted to the Transitions® Signature® GEN 8™ launch anticipated in the earlier part of 2020. E-commerce activity in Brazil supported regional growth. Elsewhere in the region growth was supported by continued market development and improved product mix, which more than offset economic headwinds in select markets, notably Chile and Colombia. Recently formed partnerships contributed to growth at constant exchange rates[2], particularly in Mexico where sales expanded at a double-digit rate during the fourth quarter.
The Sunglasses & Readers division contributed modestly to regional growth during the quarter.

For Luxottica, in the fourth quarter the still sound performance of Brazil was counterbalanced by weakening result of Mexico, all in all ending up in flattish sales at constant exchange rates[2] in the region. Brazil confirmed sound performance in the fourth quarter, even accelerating in retail sales at constant exchange rates[2], essentially boosted by SGH comparable store sales[5]. On the opposite, after a positive first half of the year, the Mexican wholesale business started deteriorating in the third quarter and failed to recover in the final three months, mostly due to the poor performance of independents and key accounts. The abovementioned political unrests in Chile and Ecuador affected the sales performance of GMO in the last quarter of the year, negative in sales and comparable store sales[5].

Eliminating poor vision around the world

Essilor has created more than 15,000 inclusive businesses worldwide since 2013, which have the potential to give more than 300 million people access to vision health. These access points delivered vision solutions to 10.7 million new eyeglass wearers in 2019 alone, bringing the total for the past seven years to 33.5 million.

These efforts earned EssilorLuxottica the 17th spot in Fortune Magazine's annual Change the World list in 2019. The ranking was recognition of the company's commitment to bring good vision to everyone everywhere and eliminate poor vision around the world as part of its mission to "see more, be more and live life to its fullest". In this same spirit of raising awareness on good vision, Essilor made presentations in different parts of the world to leverage the report it published on the sidelines of the last United Nations General Assembly session, entitled "Eliminating Poor Vision in a Generation: What will it take to eliminate uncorrected refractive errors by 2050?". The report quantifies the scale of uncorrected poor vision in the world and recommends a cumulative investment of $14 billion over the next 30 years to eliminate it.

Over the course of 2019, Essilor worked toward this goal through partnerships to eliminate poor vision in many regions. In Bhutan, 30,000 pairs of glasses have been delivered to date to make this country the first in the world to eliminate poor vision. In India, more than 143,000 people were screened to put the Doddaballapura region on track to be the first in the country to also eliminate poor vision by 2021. In Nepal, the company signed a letter of intent to provide access to eye care to the 350,000 residents of the Bhaktapur district. And in China, Essilor worked with the Huoqiu County to eliminate poor vision in the county within three years. Partnerships were also launched with governmental ministries in France, Kenya and India to promote eye exams and raise awareness about the importance of visual health in schools or among underprivileged children. Lastly, Essilor put its culture of innovation to work for Base of Pyramid consumers in 2019: it developed new refraction technologies to make eye screening available to all, and launched the new "Ready2Clip Generation II" prescription glasses that can be dispensed on the spot.

This strong dynamic continued in the first few months of 2020. In January, Essilor's flagship inclusive business program Eye Mitra™ – the world's largest rural optical network – was featured at the World Economic Forum in Davos in a newly launched report called "Business as Unusual". And in February, Essilor pledged to donate 1 million eyeglasses and sunglasses to the United Nations Road Safety Fund (UNSRF). This partnership promotes global action on good vision for road users while contributing to the United Nations' Sustainable Development Goals.

EssilorLuxottica consolidated statement of profit or loss

In millions of Euros	2019	2018 Restated*	Change
Revenue	17,390	10,833	60.5%
Cost of sales	(6,573)	(3,961)	65.9%
Gross profit	**10,817**	**6,872**	**57.4%**
% of revenue	*62.2%*	*63.4%*	
Total operating expenses	**(9,138)**	**(5,473)**	**67.0%**
Operating profit	**1,678**	**1,399**	**20.0%**
% of revenue	*9.7%*	*12.9%*	
Profit before taxes	**1,534**	**1,289**	**19.0%**
% of revenue	*8.8%*	*11.9%*	
Income taxes	(350)	(139)	150.9%
Effective tax rate	*22.8%*	*10.8%*	
Net Profit	**1,185**	**1,150**	**3.0%**
Net profit attributable to owners of the parent	**1,077**	**1,083**	**-0.6%**

* 2018 information has been restated following the application of IFRS 16 *Leases*, as well as to reflect the finalization of the purchase price allocation (“PPA”) related to the EL Combination.

The comparability in 2019 consolidated financial statements is still affected by the EL Combination which occurred on October 1, 2018. Since this transaction has been considered a reverse acquisition according to the requirements of IFRS 3 *Business Combinations*, the consolidated financial statements reflect the following structure:

Statements	**Year ended December 31, 2019**	**Year ended December 31, 2018**	
Profit or loss	EssilorLuxottica’s 12 months (Jan-Dec)	Luxottica’s 12 months (Jan-Dec) *	Essilor’s 3 months (Oct-Dec) *
Financial position	EssilorLuxottica’s historical cost	EssilorLuxottica’s historical cost *	

* 2018 information has been restated following the application of IFRS 16 *Leases*, as well as to reflect the finalization of the purchase price allocation (“PPA”) related to the EL Combination.

- *Revenue* showed a 60.5% growth mainly due to the contribution of Essilor revenue amounting to Euro 5,885 million for the first nine months of 2019;

- *Operating profit* grew by 20.0% primarily because of the contribution of Essilor which, however, is 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 (Euro 747 million). Moreover, 2019 performance is also affected by the impact of the fraudulent financial activities discovered at an Essilor plant in Thailand recorded for an amount of Euro 185 million including foreign exchanges effects.

- *Net profit* grew by 3% essentially due to the contribution of Essilor, as described above. 2019 *Net profit* has also been affected by the recognition of deferred tax assets (approx. Euro 30 million), following the merger of the Group's Canadian entities as part of the integration activities, and by a tax reimbursement resulting from a positive pronouncement of the Italian tax authority (Euro 29 million).

EssilorLuxottica consolidated statement of profit or loss: reconciliation with adjusted[6] figures

Year ended December 31, 2019

In millions of Euros	2019	Adjustments related to PPA impacts	Other non-GAAP adjustments	2019 *Adjusted*[6]
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**			**1,938**

* Including *Share of profit of associates*.

<u>*Year ended December 31, 2018*</u>

In millions of Euros	2018 Restated* *Pro forma*[1] information**	Adjustments related to PPA impacts	Other non-GAAP adjustments	2018 Restated* *Pro forma*[1] *Adjusted*[6]
Revenue	16,194	-	-	16,194
Cost of sales	(6,131)	119	27	(5,985)
Gross profit	**10,063**	**119**	**27**	**10,209**
% of revenue	*62.1%*			*63.0%*
Total operating expenses	**(8,552)**	**639**	**322**	**(7,591)**
Operating profit	**1,511**	**758**	**349**	**2,618**
% of revenue	*9.3%*			*16.2%*
Cost of net debt	*(148)*	*(6)*	*5*	*(149)*
Other financial income / (expenses)***	*(11)*	-	-	*(11)*
Profit before taxes	**1,352**	**752**	**354**	**2,458**
% of revenue	*8.3%*			*15.2%*
Income taxes	(221)	(297)	(74)	(593)
Net Profit	**1,131**	**455**	**279**	**1,866**
Net profit attributable to owners of the parent	**n.a.**			**1,774**

* 2018 information has been restated following the application of IFRS 16 *Leases*, as well as to reflect the finalization of the purchase price allocation ("PPA") related to the EL Combination.
** Reconciliation from Reported to *Pro forma*[1] 2018 statement of profit or loss is available in the Appendix.
*** Including *Share of profit of associates*.

<u>Adjusted[6] measures</u>

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 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: Gross profit, Operating expenses, Operating profit, Profit before taxes and Net profit. Such adjusted measures are reconciled to their most comparable pro forma[1] measures in the Restated Unaudited Pro Forma Consolidated Financial Information for the year ended December 31, 2018, and to the most comparable reported measures in the consolidated statement of profit or loss for the year ended December 31, 2019.

In 2018 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, 2019

- Non-recurring Cost of sales for Euro 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 Euro 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 Euro 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 Euro 71 million; the non-recurring costs mainly refer to severance, accelerated depreciation and write-off;
  - non-recurring expenses related to M&A projects for Euro 21 million mainly linked to the transactions costs incurred in connection with GrandVision N. V. proposed acquisition announced on July 31, 2019, and to the acquisition of Barberini completed in August 2019;
  - one-off costs incurred by the Group for Euro 36 million, including transaction costs linked to the finalization of the MTO and delisting of Luxottica shares and other one-off integration costs;
  - expenses related to share-based payments for about Euro 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 employees in late 2019 and to Luxottica's restricted shares plan (LTI);
  - non-recurring expenses for Euro 6 million incurred in connection with the settlement of a commercial litigation.
- Non-recurring Other income / (expenses) are adjusted for Euro 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 Euro 185 million (including foreign exchanges impacts);
  - non-recurring costs related to M&A and divestment transactions for Euro 22 million mainly related the loss resulting from the sale of Merve as a condition required by the Turkish anti-trust authorities to approve the combination of Essilor and Luxottica for Euro 14 million, as well as a non-recurring impact on final deferred payments paid on various past acquisitions;
  - net negative impact of Euro 5 million related to other non-recurring transactions linked to significant claims and litigations; and
  - the elimination of a non-recurring net gain for Euro 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 Euro 9 million corresponding mainly to non-recurring financial expenses linked to early repayment of debt at Luxottica level in the context of the restructuring and centralization of financial debt at EssilorLuxottica level.

- Income taxes are adjusted for an amount of Euro (126) million corresponding to the tax effects of the above-mentioned adjustments for Euro (56) million and to the elimination of non-recurring net tax gains for Euro (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.

<u>Year ended December 31, 2018</u>

- Non-recurring Cost of sales for Euro 27 million associated with restructuring and reorganization projects mainly linked to initiatives aimed at transforming the Group's distributive network (i.e. centralization of the Group warehouses removing stock in store; closing down some local warehouses) as well as those related to a change in the Group business model (e.g. removal of lenses laboratories from the stores). In particular, the expenses adjusted in 2018 consist of write-off of the equipment and stock affected by those restructuring and reorganization projects, as well as the related logistic costs incurred.
- Non-recurring Selling expenses for a net cost of Euro 7 million resulting from an impairment loss recorded on specific brands, as well as from some projects aimed at transforming significantly the Group's sales force organization.
- Non-recurring General and administrative expenses for Euro 278 million associated with the following impacts:
    - total transaction costs related to the combination of Essilor and Luxottica for Euro 158 million (of which Euro 128 million incurred in 2017, Euro 22 million incurred in 2018 and Euro 8 million in 2019);
    - non-recurring costs of Euro 77 million mainly linked to the removal of the performance conditions from the 2015 and 2016 share-based plans authorized by the Essilor Annual General Meeting of May 2017, less Euro 5 million adjustment related to the valuation of Essilor's share-based payments;
    - restructuring and reorganization expenses for Euro 48 million.
- Non-recurring expenses for Euro 36 million accounted for in Other income / (expenses) including:
    - loss on assets disposal for Euro 5 million following the request from the Turkish Antitrust authorities to divest Merve as a condition precedent to approve the combination of Essilor and Luxottica;
    - net loss impact of the change in consolidation scope of one entity for Euro 24 million;
    - net negative impact of Euro 5 million related to other non-recurring transactions mainly linked to significant claims and litigations; and
    - distribution of exceptional bonuses to French employees for Euro 2 million.
- Cost of net debt is adjusted for Euro 5 million corresponding to a non-recurring financial expense linked to early repayment of debt.
- Income taxes are adjusted for an amount of Euro (74) million corresponding to the tax effect of the above-mentioned adjustments for Euro (27) million and to a non-recurring tax income of Euro (47) million.

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.

	2019
Net cash flow provided by operating activities [a]	3,299
Purchase of property, plant and equipment and intangible assets [a]	(903)
Cash payments for the principal portion of lease liabilities [a]	(571)
Free Cash Flow	**1,825**
Operating profit [b]	1,678
Depreciation and amortization [a]	2,121
EBITDA	**3,800**
Net Debt [c]	**4,046**
Net Debt / EBITDA	**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 the Note 22 - *Financial debt, including lease liabilities* to the consolidated financial statements; its components are also reported in the paragraph *Consolidated statement of financial position, Net Debt and cash flow*.

Adjusted[6] consolidated statement of profit or loss

In millions of Euros	2019	2018 Restated* *Pro forma*[1]	Change	Change at constant exchange rates[2]
Revenue	17,390	16,194	7.4%	4.4%
Cost of sales	(6,503)	(5,985)	8.7%	5.9%
Gross profit	**10,887**	**10,209**	**6.6%**	**3.5%**
% of revenue	*62.6%*	*63.0%*		
Research and development	(291)	(275)	5.9%	3.5%
Selling	(4,595)	(4,308)	6.7%	3.6%
Royalties	(168)	(163)	2.7%	-0.2%
Advertising and marketing	(1,236)	(1,115)	10.8%	7.9%
General and administrative	(1,777)	(1,719)	3.4%	1.1%
Other income / (expenses)	(8)	(11)	-22.5%	-33.1%
Total operating expenses	**(8,074)**	**(7,591)**	**6.4%**	**3.5%**
Operating profit	**2,812**	**2,618**	**7.4%**	**3.3%**
% of revenue	*16.2%*	*16.2%*		
Cost of net debt	(115)	(149)	-23.1%	-24.0%
Other financial income / (expenses)	(24)	(11)		
Share of profits of associates	(2)	-		
Profit before taxes	**2,672**	**2,458**	**8.7%**	**4.6%**
% of revenue	*15.4%*	*15.2%*		
Income taxes	(618)	(593)	4.3%	0.8%
Effective tax rate	*23.1%*	*24.1%*		
Net Profit	**2,054**	**1,866**	**10.1%**	**5.7%**
Net profit attributable to owners of the parent	**1,938**	**1,774**	**9.2%**	**4.8%**

* 2018 information has been restated following the application of IFRS 16 *Leases*, as well as to reflect the finalization of the purchase price allocation ("PPA") related to the EL Combination.

Revenue for the year totaled Euro 17,390 million, an increase of 7.4% in current exchange rates and 4.4% in constant exchange rates[2] when compared to 2018.

Adjusted[6] Gross profit: +6.6% at current exchange rates and 3.5% at constant exchange rates[2]

Adjusted[6] Gross profit in 2019 ended at Euro 10,887 million, representing 62.6% of revenue versus 63.0% in 2018.

The gross margin at Luxottica was broadly stable, despite the slight dilution generated by the fast-growing managed vision care business. On the Essilor side, the positive effect from the Transitions Generation 8 launch was more than offset by portfolio mix effects stemming from faster growth in online contact lens sales and Sunglasses & Readers as well as a negative impact from the obsolescence of the Transitions Generation 7 product.

Adjusted[6] Operating expenses: +6.4% at current exchange rates and +3.5% at constant exchange rates[2]

Operating expenses amounted to Euro 8,074 million in 2019, translating to 46.4% of sales compared to 46.9% in the prior year and reflecting:

- Research and development costs of Euro 291 million, as the Group continues to invest the same portion of its revenue behind innovation.
- Selling costs of Euro 4,595 million to support EssilorLuxottica's top line growth, positively impacted by the winding down of legacy operations at Sears Optical Retail.
- Royalties of Euro 168 million, related to the Group's licensed frame brands.
- Advertising and marketing costs of Euro 1,236 million included the impact of investments to drive future growth. This included a renewed effort in marketing campaigns on lens brands, e-commerce, Sunglasses & Readers, the Transitions Generation 8 launch and activities to develop the myopia segment. The Group also launched new campaigns and partnerships for its top brands in frames and retail banners (Sunglass Hut returning to television after three years, Oakley becoming an official sponsor to the NFL and Ray-Ban launching a successful Sun Campaign).
- General and administrative costs totaled Euro 1,777 million reflecting EssilorLuxottica's strong cost control measures, particularly effective during the second half of the year.

Adjusted[6] Operating profit: +7.4% at current exchange rates and +3.3% at constant exchange rates[2]

The Group posted an adjusted[6] Operating profit of Euro 2,812 million, representing 16.2% of sales, in line compared to 2018.

Adjusted[6] Cost of net debt, Other financial income / (expenses) and Share of profits of associates

The adjusted[6] Cost of net debt declined to Euro 115 million in 2019 from Euro 149 million due to a decrease in the Company's financing cost and despite an exceptional cash disbursement to complete EssilorLuxottica's Mandatory Tender Offer for Luxottica shares. The issuance of the Euro 5 billion bond in November did not have a material impact in 2019. Other financial expenses amounted to Euro 24 million and Share of profits of associates showed a loss of Euro 2 million.

Adjusted[6] Income taxes

EssilorLuxottica reported adjusted[6] tax expense of Euro 618 million, reflecting an adjusted[6] tax rate of 23.1% for 2019 compared to an adjusted[6] tax rate of 24.1% in the prior year resulting from a more favorable geographical mix of earnings and from a positive closing of certain tax audits.

Adjusted[6] net profit *attributable to owners of the parent*: +9.2% at current exchange rates and 4.8% at constant exchange rates[2].

Consolidated statement of financial position, Net Debt and cash flow

Condensed consolidated statement of financial position

In millions of Euros	Dec. 31, 2019	Dec. 31, 2018*	Change	*In millions of Euros*	Dec. 31, 2019	Dec. 31, 2018*	Change
Goodwill	24,074	23,486	588	Equity	35,332	33,403	1,929
Intangible, Tangible and Right-of-use	16,934	17,143	(209)	Non-current borrowings and lease liabilities	8,484	4,045	4,439
Other non-current assets	825	762	63	Other non-current liabilities	3,150	3,477	(327)
Non-current assets	**41,833**	**41,391**	**442**	**Equity and non-current liabilities**	**46,966**	**40,925**	**6,041**
Inventories, Trade receivables	4,578	4,382	196	Short-term borrowings and lease liabilities	932	1,657	(725)
Other current assets	1,336	782	554	Trade payables	1,770	1,744	26
Cash and cash equivalents	4,836	1,829	3,007	Other current liabilities	2,915	4,072	(1,157)
Current assets	**10,750**	**6,993**	**3,757**	**Current liabilities**	**5,617**	**7,473**	**(1,856)**
Assets held for sale	0	14	(14)				
ASSETS	**52,583**	**48,398**	**4,185**	**EQUITY and LIABILITIES**	**52,583**	**48,398**	**4,185**

* 2018 information has been restated following the application of IFRS 16 *Leases*, as well as to reflect the finalization of the purchase price allocation ("PPA") related to the EL Combination.

Goodwill increased by Euro 588 million, of which Euro 206 million resulting from acquisitions made in 2019, and Euro 382 million resulting from foreign currency fluctuations (including foreign currency fluctuations on the goodwill arising from the EssilorLuxottica Combination, amounting to Euro 333 million).

Intangible, Tangible and Right-of-use are mainly related to intangible assets recognized as part of the purchase price allocation finalized on the EssilorLuxottica Combination for around Euro 11 billion and to the right-of-use assets recognized following the implementation of the new accounting standard IFRS 16 Leases.

The overall increase in Cash and cash equivalents and Other current assets are mainly linked to the proceeds from the issuance of the 5 billion bonds occurred in November 2019 (as described in paragraph 1.2.2).

Equity increased mainly for the result of the year (Euro 1,670 million including other comprehensive income items), the share capital increases related to the sell-out and squeeze-out procedures on Luxottica shares, as described in paragraph 1.2.2 – Significant Events (Euro 1,019 million) and the share-based payments accounted for in 2019 (Euro 154 million), while decreased by Euro 959 million following dividend distribution.

Other current liabilities decreased by Euro 1,157 million, of which 1,667 million are link to the short-term put option representing EssilorLuxottica's obligation to purchase against cash all Luxottica shares not already held by the Group as of December 31, 2018. During the first months of 2019, as a result of the finalization of the sell-out and squeeze-out procedures, the Group incurred a total cash-out of Euro 641 million towards those Luxottica shareholders that tendered their shares against cash and consequently reversed the put liability accounted for as of December 31, 2018.

Net Debt

Group Net Debt (excluding lease liabilities) amounted to Euro 1,898 million at the end of December 2019, an increase of Euro 11 million compared to the restated Net Debt position at the end of December 2018.

In millions of Euros	**December 31, 2019**	**December 31, 2018 ***
Non-current borrowings	6,864	2,564
Current borrowings	403	1,176
TOTAL Liabilities	**7,268**	**3,740**
Short-term investments	(500)	-
Cash and cash equivalents	(4,836)	(1,829)
TOTAL Asset	**(5,336)**	**(1,829)**
Interest Rate Swap measured at fair value	(34)	(25)
NET DEBT excluding Lease liabilities	**1,898**	**1,887**
Lease liabilities (current and non-current)	2,148	1,962
NET DEBT	**4,046**	**3,849**

* 2018 information has been restated following the application of IFRS 16 *Leases*, as well as to reflect the finalization of the purchase price allocation ("PPA") related to the EL Combination.

Cash Flow

Operating cash-flow before changes in working capital amounted to Euro 3,351 in 2019.
Changes in working capital requirement amounted to Euro 52 million against Operating cash-flow.
Capital expenditures amounted to Euro 903 million, representing 5.2% of Group's revenue.
The Free Cash Flow[7] normalized for IFRS 16 impacts amounted to Euro 1,825 million.

In millions of Euros

Net cash from operations (before change in WCR[a])	3,351	Change in WCR[a]	52
Proceeds from share capital increase	32	Capital expenditure	903
Change in Net Debt (excluding lease liabilities)	11	Cash payments for lease liabilities	571
Other	21	Dividends	959
		Acquisition and other investments, net of disposals[b]	289
		Cash portion of MTO	641

(a) Working capital requirement.
(b) Financial investments net of cash acquired, plus debt of newly-consolidated companies.

Investments made and planned for 2020

In millions of Euros	EssilorLuxottica	Essilor		Luxottica	
	2019	2018	2017	2018	2017
Property, plant and equipment and intangible assets (gross of disposals)	903	334	308	593	666
Depreciation and amortization	2,121	361	375	515	541
Financial investments net of cash acquired	370	270	334	19	136
Purchase of treasury shares	0	0	0	0	0

Capital expenditure

In the industrial sector, cash out related to capital expenditures amounted to Euro 903 million in 2019, 5.2% of net sales, compared to Euro 927 million in the previous year. 2018 was characterized by one-off investments for the new Logistics plant in Italy, the remaining portion of recurring investment is growing to support the group's growth in the areas of IT and the development of the retail network.

Financial investments

Financial investments net of cash acquired amounted to Euro 370 million in 2019, compared to Euro 289 million in 2018. These investments include mainly the effects of the business combinations completed in 2019, which include mainly 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 instruments division. This also includes, to a lesser extent, price supplements on acquisitions completed prior to 2019.

Main future investments

In 2020, the Group will continue investing in production, development of the retail network, integration activities, M&A and partnerships projects.

Acquisitions and partnerships

EssilorLuxottica completed 29 transactions in 2019, representing full-year revenue of close to Euro 218 million. The major transactions are indicated in the table below.

Company	Country	Business	Full-year revenue	% held	Consoli-dated from
		Wholesale			
Barberini	Italy	Optical glass sun lens manufacturer	€85 million[1]	100%	September 2019
		Lenses & Optical Instruments – Latin America			
Devlyn	Mexico	Integrated prescription laboratory operating optical stores	€13 million	100%	July 2019
		Sunglasses & Readers			
Future	Sweden	Distribution Sun & Readers	€14 million	100%	November 2019
		Online			
Brille 24	Germany	Online retail platform for optical products	€25 million	100%	April 2019
		Instruments			
Optimed	Australia & New Zealand	Distribution of Ophthalmic Instruments	€11 million	75%	September 2019

On December 5, 2019, EssilorLuxottica announced the closing of the disposal of its 100% stake in Merve Optik in Turkey. Merve is a leading turkish wholesaler of sunglasses and optical frames with 5 proprietary brands (Ossé, Mustang, Hawk, Optelli, Soleil) and 16 licensed brands from Marcolin, generating a total of around Euro 19 million of revenue in 2018. This divestment was a requirement from the Turkish Competition Authority (TCA) as a remedy from the combination between Essilor and Luxottica.

[1] Barberini S.p.A. annual consolidated revenue on a stand-alone basis, as disclosed at the time of the announcement of the acquisition (on June 22, 2019), which does not represent the net contribution to the EssilorLuxottica Group's turnover.

Subsequent events

GrandVision

The European Commission has initiated a Phase II review of the proposed acquisition of GrandVision by EssilorLuxottica. The transaction has been unconditionally cleared so far in the United States, Russia and Colombia, and it is currently under review also in Brazil, Chile, Mexico and Turkey.

The Company is confident that Phase II will be completed in a timely manner and will closely cooperate with the European Commission to fully demonstrate the rationale of the proposed acquisition and the benefits that it will bring to customers, consumers and all the eyewear industry players. The Company reaffirms the objective to close the transaction within 12 to 24 months from the announcement date, July 31, 2019, in cooperation with the relevant authorities.

Optical House

On January 3, 2020, EssilorLuxottica completed the purchase of a 51% stake in Optical House, the leader in the optical market in Ukraine. Optical House operates through a network of around 190 stores under the Luxoptica brand and is the country's leading wholesale platform for lenses, frames and contact lenses. In 2019, Optical House generated around Euro 65 million of revenue.

COVID-19

The current COVID-19 epidemic has a negative impact on the Company's business in Greater China, which represents approximately 5% of consolidated revenue. So far, the virus has also slightly impacted the Company's revenue performance in other regions. At the current level, inventory is sufficient to meet several weeks of demand.

In terms of production, EssilorLuxottica plants in China are currently operating at a slightly reduced capacity which is quickly normalizing, while the plants in Italy and all other locations are currently running at full capacity. Contingency plans can be activated in case of a protracted pandemic. They would aim at optimizing the Company's global infrastructure. EssilorLuxottica can rely on a worldwide network of plants and laboratories, which allow flexibility and continuity.

Fraud

On December 30, 2019, EssilorLuxottica announced that its subsidiary Essilor International discovered fraudulent financial activities in one of its plants in Thailand. Since then, Essilor International has implemented a wide range of corrective measures under the supervision of the EssilorLuxottica Board of Directors. A dedicated team was set up, reporting to the CEO of Essilor International, to take action in three key areas:

- Recovery of misappropriated funds: The company progressed with freezing funds on different bank accounts in several jurisdictions. It will likely take several months to effectively recover them. Additional funds are currently being traced. All these measures are aimed at reducing the overall financial impact for the Company, from the Euro 185 million currently recorded in its accounts.
- Legal action: Criminal charges have been filed against the perpetrators and beneficiaries of the fraud in jurisdictions, and all legal options for holding the relevant third parties liable are considered to allow the Company to obtain damages commensurate with the injury suffered.
- Internal action: Internal controls and security measures have been tightened across the global operations. Moreover, in the wake of this incident, Essilor International reorganized its Treasury and local management in Thailand.

Additional measures have been initiated and are in the process of being implemented to enhance the Group's control environment. This has been defined as a priority and will be monitored as such.

Management Changes

EssilorLuxottica confirms that the search for a new CEO is ongoing. It is now also considering internal candidates. The final appointment is expected to be made by the end of 2020.

David Wielemans is appointed co-CFO of EssilorLuxottica alongside Stefano Grassi, in replacement of Hilary Halper.

Ariel Bauer is appointed co-Head of Investor Relations of EssilorLuxottica alongside Giorgio Iannella, in replacement of Véronique Gillet.

Notes

1 Pro forma: the Restated Unaudited Pro Forma Consolidated Financial Information has been produced for illustrative purposes only, with the aim of providing comparative information for the year ended December 31, 2018 as if the combination between Essilor and Luxottica had occurred on January 1, 2018. For further details, please refer to the table in the Appendix.

2 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.

3 Like-for-like: growth at constant scope and exchange rates.

4 Fast-growing countries or markets: include China, India, ASEAN, South Korea, Hong Kong, Taiwan, Africa, the Middle East, Russia, Eastern Europe and Latin America.

5 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.

6 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.

7 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.

APPENDICES

EXCERPTS FROM THE RESTATED UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

	2018 RESTATED							
€ millions	*EssilorLuxottica 2018 P&L Restated*	*Essilor 9m 2018 P&L Restated*	*PPA adjustments Jan. 1, 2018 Sep. 30, 2018*	*Other adjustments*	*EssilorLuxottica Pro forma Restated*	*Elimination of 12 months PPA adjustments*	*Other non-GAAP adjustments*	*EssilorLuxottica Pro forma Adjusted Restated*
Revenue	10,833	5,537	-	(176)	16,194	-	-	16,194
Cost of sales	(3,961)	(2,286)	(60)	176	(6,131)	119	27	(5,985)
Gross profit	**6,872**	**3,251**	**(60)**	**-**	**10,063**	**119**	**27**	**10,209**
% of revenue	*63.4%*	*58.7%*			*62.1%*			*63.0%*
Research and development	(190)	(149)	(193)	-	(531)	257	-	(275)
Selling	(3,389)	(997)	(210)	-	(4,596)	280	7	(4.308)
Royalties	(157)	(6)	-	-	(163)	-	-	(163)
Advertising and marketing	(745)	(392)	(68)	-	(1,206)	91	-	(1,115)
General and administrative	(987)	(882)	(8)	(131)	(2,008)	11	278	(1,719)
Other income / (expenses)	(5)	(42)	-	-	(47)	-	36	(11)
Total operating expenses	**(5,473)**	**(2,468)**	**(479)**	**(131)**	**(8.552)**	**639**	**322**	**(7,591)**
Operating profit	**1,399**	**783**	**(539)**	**(131)**	**1,511**	**758**	**349**	**2,618**
% of revenue	*12.9%*	*14.1%*			*9.3%*			*16.2%*
Cost of net debt	(100)	(48)	5	(5)	(148)	(6)	5	(149)
Other financial income / (expenses)	(9)	(7)	-	6	(11)	-	-	(11)
Share of profits of associates	0	0	-	(1)	(0)	-	-	(0)
Profit before taxes	**1,289**	**728**	**(534)**	**(131)**	**1,352**	**752**	**354**	**2,458**
% of revenue	*11.9%*	*13.1%*			*8.3%*			*15.2%*
Income taxes	(139)	(214)	106	27	(221)	(297)	(74)	(593)
Effective tax rate	*10.8%*	*29.4%*			*16.3%*			*24.1%*
Net profit	**1,150**	**514**	**(428)**	**(105)**	**1.131**	**455**	**279**	**1.866**

EXCERPTS FROM THE CONSOLIDATED GROUP FINANCIAL STATEMENTS

Consolidated statement of profit or loss

€ millions	**2019**	**Restated 2018** [(a)]
Revenue	17,390	10,833
Cost of sales	(6,573)	(3,961)
GROSS PROFIT	**10,817**	**6,872**
Research and development	(548)	(190)
Selling	(4,918)	(3,389)
Royalties	(168)	(157)
Advertising and marketing	(1,331)	(745)
General and administrative	(2,000)	(987)
Other income / (expenses)	(174)	(5)
Total operating expenses	**(9,138)**	**(5,473)**
OPERATING PROFIT	**1,678**	**1,399**
Cost of net debt	(117)	(100)
Other financial income / (expenses)	(25)	(9)
Share of profits of associates	(2)	0
PROFIT BEFORE TAXES	**1,534**	**1,289**
Income taxes	(350)	(139)
NET PROFIT	**1,185**	**1,150**
Of which attributable to:		
Owners of the parent	1,077	1,083
Non-controlling interests	108	67
Weighted average number of shares outstanding:		
Basic	434,084,752	260,699,711
Diluted	441,137,525	266,246,307
Earnings per share (EPS) for net profit attributable to owners of the parent:		
Basic	2.48	4.16
Diluted	2.44	4.07

(a) The comparative period has been restated in accordance with the transitional requirements of the initial application of IFRS 16 – *Leases*, as well as to reflect the finalization of the purchase price allocation ("PPA") related to the EL Combination.

Consolidated statement of financial position

Assets

€ millions	December 31, 2019	Restated December 31, 2018 [(a)]
Goodwill	24,074	23,486
Intangible assets	11,300	11,975
Property, plant and equipment	3,620	3,339
Right-of-use assets	2,014	1,828
Investments in associates	18	22
Other non-current assets	378	399
Deferred tax assets	429	341
TOTAL NON-CURRENT ASSETS	**41,833**	**41,391**
Inventories	2,166	2,034
Trade receivables	2,411	2,348
Tax receivables	94	128
Other current assets	1,243	655
Cash and cash equivalents	4,836	1,829
TOTAL CURRENT ASSETS	**10,750**	**6,993**
Assets held for sale	-	14
TOTAL ASSETS	**52,583**	**48,398**

(a) The comparative period has been restated in accordance with the transitional requirements of the initial application of IFRS 16 – *Leases*, as well as to reflect the finalization of the PPA related to the EL Combination.

Equity and liabilities

€ millions	December 31, 2019	Restated December 31, 2018 [(a)]
Share capital	79	77
Share premium reserve	21,979	20,931
Treasury shares reserve	(68)	(92)
Other reserves	11,730	10,901
Net profit attributable to owners of the parent	1,077	1,083
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	**34,796**	**32,899**
Equity attributable to non-controlling interests	536	504
TOTAL EQUITY	**35,332**	**33,403**
Non-current borrowings	6,864	2,564
Non-current lease liabilities	1,619	1,481
Employee benefits	556	459
Non-current provisions	265	525
Other non-current liabilities	193	226
Deferred tax liabilities	2,137	2,267
TOTAL NON-CURRENT LIABILITIES	**11,634**	**7,522**
Current borrowings	403	1,176
Current lease liabilities	529	481
Trade payables	1,770	1,745
Tax payables	455	99
Current provisions	139	211
Other current liabilities	2,320	3,762
TOTAL CURRENT LIABILITIES	**5,617**	**7,474**
TOTAL EQUITY AND LIABILITIES	**52,583**	**48,398**

(a) The comparative period has been restated in accordance with the transitional requirements of the initial application of IFRS 16 – *Leases*, as well as to reflect the finalization of the PPA related to the EL Combination.

Consolidated statement of cash flows

€ millions	2019	Restated 2018 [a]
NET PROFIT	**1,185**	**1,150**
Depreciation and amortization	2,121	1,219
(Gains) / losses from disposal of assets	(43)	2
Expense arising from share-based payments	154	76
Income taxes	350	139
Finance result, net	142	109
Other non-cash items	29	30
Changes in provisions and other	32	(175)
Changes in working capital	(52)	284
Taxes paid, net	(502)	(352)
Interest paid, net	(116)	(124)
NET CASH FLOWS PROVIDED BY / (USED IN) OPERATING ACTIVITIES	**3,299**	**2,359**
Purchase of property, plant and equipment and intangible assets	(903)	(710)
Disposal of property, plant and equipment and intangible assets	30	-
Acquisitions of businesses, net of cash acquired	(370)	753
Changes in other non-financial assets	(13)	(5)
Changes in other financial assets	(437)	-
NET CASH FLOWS PROVIDED BY / (USED IN) INVESTING ACTIVITIES	**(1,692)**	**38**
Share capital increase	32	31
(Purchase) / sale of treasury shares	-	15
Dividends paid:		
- to the owners of the parent	(887)	(484)
- to non-controlling interests	(72)	(7)
Transactions with non-controlling interests	(628)	(13)
Cash payments for principal portion of lease liabilities	(571)	(455)
Issuance of bonds, private placements and other long-term debts	4,954	-
Repayment of bonds, private placements and other long-term debts	(1,324)	(293)
Changes in other current and non-current borrowings	(125)	(504)
NET CASH FLOWS PROVIDED BY / (USED IN) FINANCING ACTIVITIES	**1,379**	**1,710**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	**2,985**	**687**
Cash and cash equivalents at the beginning of the financial year	1,829	1,159
Effects of exchange rate changes on cash and cash equivalents	22	5
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	**4,836**	**1,852**

(a) The comparative period has been restated in accordance with the transitional requirements of the initial application of IFRS 16 – *Leases*, as well as to reflect the finalization of the PPA related to the EL Combination.