

LUXOTTICA GROUP SPA  
Form 20-F  
April 24, 2015

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549  
**FORM 20-F**

(Mark One)

- REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**  
OR
- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the fiscal year ended December 31, 2014**  
OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
OR
- SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 1-10421

**LUXOTTICA GROUP S.p.A.**

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(Exact name of Registrant as specified in its charter)

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(Translation of Registrant's name into English)

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**REPUBLIC OF ITALY**

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(Jurisdiction of incorporation or organization)

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**PIAZZALE L. CADORNA 3, MILAN 20123,  
ITALY**

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(Address of principal executive offices)

**Michael A. Boxer, Esq.**  
**Executive Vice President and Group General  
Counsel**  
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**Milan 20123, Italy**  
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(Name, Telephone, Email and/or Facsimile Number  
and Address of Company Contact Person)

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Securities registered or to be registered pursuant to Section 12(b) of the Act.

| <b>Title of each class</b> | <b>Name of each exchange of which registered</b> |
|----------------------------|--|
| ORDINARY SHARES, PAR VALUE | NEW YORK STOCK EXCHANGE                          |
| EURO 0.06 PER SHARE*       |  |
| AMERICAN DEPOSITARY        | NEW YORK STOCK EXCHANGE                          |
| SHARES, EACH REPRESENTING  |  |
| ONE ORDINARY SHARE         |  |

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\*

Not for trading, but only in connection with the registration of American Depositary Shares, pursuant to the requirements of the New York Stock Exchange

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Securities registered or to be registered pursuant to Section 12(g) of the Act.

**None.**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

**None.**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

|  |             |
|--|-------------|
| ORDINARY SHARES, PAR VALUE EURO 0.06 PER SHARE | 478,023,858 |
|--|-------------|

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer.

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP  International Financial Reporting Standards  
as issued by the International Accounting  
Standards Board  Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act).

Yes  No

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FORWARD-LOOKING INFORMATION

Throughout this annual report on Form 20-F (this "Form 20-F"), management has made certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 which are considered prospective. These statements are made based on management's current expectations and beliefs and are identified by the use of forward-looking words and phrases such as "plans," "estimates," "believes" or "belief," "expects" or other similar words or phrases.

Such statements involve risks, uncertainties and other factors that could cause actual results to differ materially from those which are anticipated. Such risks and uncertainties include, but are not limited to, our ability to manage the effect of the uncertain current global economic conditions on our business, our ability to successfully acquire new businesses and integrate their operations, our ability to predict future economic conditions and changes in consumer preferences, our ability to successfully introduce and market new products, our ability to maintain an efficient distribution network, our ability to achieve and manage growth, our ability to negotiate and maintain favorable license arrangements, the availability of correction alternatives to prescription eyeglasses, fluctuations in exchange rates, changes in local conditions, our ability to protect our proprietary rights, our ability to maintain our relationships with host stores, any failure of our information technology, inventory and other asset risk, credit risk on our accounts, insurance risks, changes in tax laws, as well as other political, economic, legal and technological factors and other risks and uncertainties described in our filings with the U.S. Securities and Exchange Commission (the "SEC"). These forward-looking statements are made as of the date hereof and we do not assume any obligation to update them.

Throughout this Form 20-F, when we use the terms "Luxottica," "Company," "Group," "we," "us" and "our," unless otherwise indicated or the context otherwise requires, we are referring to Luxottica Group S.p.A. and its consolidated subsidiaries.

TRADEMARKS

Our proprietary brands and designer line prescription frames and sunglasses that are referred to in this Form 20-F, and certain of our other products, are sold under names that are subject to registered trademarks held by us or, in certain instances, our licensors. These trademarks may not be used by any person without our prior written consent or the consent of our licensors, as applicable.

PART I

**ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS**

Not applicable.

**ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE**

Not applicable.

**ITEM 3. KEY INFORMATION**

The following tables set forth selected consolidated financial data for the periods indicated and are qualified by reference to, and should be read in conjunction with, our Consolidated Financial Statements, the related notes thereto, and Item 5 "Operating and Financial Review and Prospects" contained elsewhere herein. We prepare our financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The selected consolidated income statement data for the years ended December 31, 2014, 2013 and 2012, and the selected consolidated balance sheet data as of December 31, 2014 and 2013, are derived from the audited Consolidated Financial Statements included in Item 18. The selected consolidated income statement data for the years ended December 31, 2011 and 2010, and the selected

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consolidated balance sheet data as of December 31, 2012, 2011 and 2010, are derived from audited consolidated financial statements which are not included in this Form 20-F. The consolidated financial statements were audited by Deloitte & Touche S.p.A. with respect to 2011 and 2010. The consolidated financial statements with respect to 2014, 2013 and 2012 have been audited by our current independent registered public accounting firm, PricewaterhouseCoopers S.p.A., which replaced Deloitte & Touche S.p.A. as part of the normal rotation of auditors as required by CONSOB (the Italian securities regulatory authority). In 2014, the Group applied accounting policies on a basis consistent with the previous year and did not elect the early adoption of any IFRS standards (other than as disclosed in Note 2 to the Consolidated Financial Statements included in Item 18 of this Form 20-F).

The selected financial data below should be read in conjunction with the Consolidated Financial Statements and notes thereto included elsewhere in this Form 20-F.

[TABLES APPEAR ON THE FOLLOWING PAGES]

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except share data)**

|  | <b>2014(*)</b> | <b>2013</b> | <b>2012</b> | <b>2011</b> | <b>2010</b> |
|--|----------------|-------------|-------------|-------------|-------------|
| <b>STATEMENT OF INCOME DATA:</b>                                       |                |             |             |             |             |
| Net Sales  | 7,652,317      | 7,312,611   | 7,086,142   | 6,222,483   | 5,798,035   |
| Cost of Sales  | (2,574,685)    | (2,524,006) | (2,435,993) | (2,216,876) | (2,035,686) |
| Gross Profit   | 5,077,632      | 4,788,605   | 4,650,148   | 4,005,607   | 3,762,349   |
| <b>OPERATING EXPENSE</b>   |                |             |             |             |             |
| Selling and Advertising  | (3,013,399)    | (2,866,307) | (2,840,649) | (2,509,783) | (2,367,979) |
| General and Administrative   | (906,620)      | (866,624)   | (839,360)   | (698,795)   | (689,526)   |
| Total  | (3,920,019)    | (3,732,931) | (3,680,009) | (3,208,578) | (3,057,505) |
| Income from Operations   | 1,157,613      | 1,055,673   | 970,139     | 797,029     | 704,845     |
| <b>OTHER INCOME (EXPENSE)</b>  |                |             |             |             |             |
| Interest Income  | 11,672         | 10,072      | 18,910      | 12,472      | 8,494       |
| Interest Expense   | (109,659)      | (102,132)   | (138,140)   | (121,067)   | (106,987)   |
| Other Net  | 455            | (7,247)     | (6,463)     | (3,273)     | (8,130)     |
| Other Expenses Net   | (97,533)       | (99,307)    | (125,693)   | (111,868)   | (106,623)   |
| Income Before Provision for Income Taxes                               | 1,060,080      | 956,366     | 844,447     | 685,161     | 598,221     |
| Provision for Income Taxes   | (414,066)      | (407,505)   | (305,891)   | (233,093)   | (215,411)   |
| Net Income from Continuing Operations                                  | 646,014        | 548,861     | 538,556     | 452,068     | 382,809     |
| Discontinued Operations  |                |             |             |             | 19,944      |
| Net Income   | 646,014        | 548,861     | 538,556     | 452,068     | 402,753     |
| Of which attributable to:  |                |             |             |             |             |
| Luxottica Group Stockholders   | 642,596        | 544,696     | 534,375     | 446,111     | 397,680     |
| Non-controlling Interests  | 3,417          | 4,165       | 4,181       | 5,957       | 5,072       |
| Net Income   | 646,014        | 548,861     | 538,556     | 452,068     | 402,753     |
| <b>Weighted Average Shares Outstanding</b>                             |                |             |             |             |             |
| (thousands)  |                |             |             |             |             |
| Basic  | 475,948        | 472,057     | 464,643     | 460,437     | 458,711     |
| Diluted  | 479,247        | 476,273     | 469,574     | 463,296     | 460,535     |
| Basic Earnings per Share from Continuing Operations <sup>(1)</sup>     | 1.35           | 1.15        | 1.15        | 0.97        | 0.83        |
| Basic Earnings per Share from Discontinued Operations <sup>(1)</sup>   |                |             |             |             | 0.04        |
| Basic Earnings per Share <sup>(1)</sup>                                | 1.35           | 1.15        | 1.15        | 0.97        | 0.87        |
| Diluted Earnings per Share from Continuing Operations <sup>(1)</sup>   | 1.34           | 1.14        | 1.14        | 0.96        | 0.82        |
| Diluted Earnings per Share from Discontinued Operations <sup>(1)</sup> |                |             |             |             | 0.04        |

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|   |      |      |      |      |      |
|---|------|------|------|------|------|
| Diluted Earnings per Share <sup>(1)</sup> | 1.34 | 1.14 | 1.14 | 0.96 | 0.86 |
|---|------|------|------|------|------|

(\*) Fiscal year 2014 for certain entities within the Retail Division included 53 weeks, compared to 52 weeks in each of fiscal years 2010 through 2013.

(1) Earnings per Share for each year have been calculated based on the weighted-average number of shares outstanding during the respective years. Each American Depositary Share ("ADS" or "ADR") represents one ordinary share.

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| (Amounts in thousands of Euro except share data) | As of December 31, |           |           |           |           |
|--|--------------------|-----------|-----------|-----------|-----------|
|  | 2014               | 2013      | 2012      | 2011      | 2010      |
| <b>BALANCE SHEET DATA:</b>                       |                    |           |           |           |           |
| Working Capital <sup>(1)</sup>                   | 778,955            | 535,616   | 621,882   | 526,241   | 649,236   |
| Total Assets                                     | 9,594,297          | 8,082,905 | 8,442,160 | 8,374,325 | 7,739,679 |
| Total Debt <sup>(2)</sup>                        | 2,466,506          | 2,079,430 | 2,452,463 | 2,936,712 | 2,791,285 |
| Stockholders' Equity                             | 4,921,479          | 4,142,828 | 3,981,372 | 3,612,928 | 3,256,375 |
| Capital Stock                                    | 28,900             | 28,653    | 28,394    | 28,041    | 27,964    |
| Total Number of Ordinary Shares (thousands)      | 481,672            | 477,561   | 473,238   | 467,352   | 466,077   |

(1) Working Capital is total current assets minus total current liabilities. See Item 5 "Operating and Financial Review and Prospects Liquidity and Capital Resources."

(2) The current portion of Total Debt was Euro 778.1 million, Euro 363.0 million, Euro 400.4 million, Euro 692.1 million and Euro 356.2 million for the years ended December 31, 2014, 2013, 2012, 2011 and 2010, respectively.

**DIVIDENDS**

We are required to pay an annual dividend on our ordinary shares if such dividend has been approved by a majority of our stockholders at the ordinary meeting of stockholders. Before we may pay any dividends with respect to any fiscal year, we are required, as necessary, to set aside an amount equal to 5% of our statutory net income for such year in our legal reserve unless and until the reserve, including amounts remaining from prior years, is at least equal to one-fifth of the nominal value of our then issued share capital. Each year thereafter, such legal reserve requirement remains fulfilled so long as the reserve equals at least one-fifth of the nominal value of our issued share capital for each such year.

At our ordinary meeting of stockholders held on April 29, 2014, our stockholders approved the distribution of a cash dividend in the amount of Euro 0.65 per ordinary share and ADR. The total amount of the dividend paid to stockholders on May 22, 2014 was Euro 308.3 million. On March 2, 2015, the Board of Directors of the Company proposed to the ordinary meeting of stockholders convened on April 24, 2015 the distribution of an ordinary cash dividend in the amount of Euro 0.72 per ordinary share and ADR and an extraordinary cash dividend in the amount of Euro 0.72 per ordinary share and ADR.

Future determinations as to dividends will depend upon, among other things, our earnings, financial position and capital requirements, applicable legal restrictions and such other factors as the Board of Directors and our stockholders may determine.

The table below sets forth the cash dividends declared and paid on each ordinary share in each year indicated.

| Year | Cash Dividends              | Translated into               |
|------|-----------------------------|-------------------------------|
|      | per Ordinary Share(1)(2)(3) | U.S. \$ per Ordinary Share(4) |
|      | (Euro)                      | (U.S. \$)                     |
| 2010 | 0.350                       | 0.428                         |
| 2011 | 0.440                       | 0.622                         |
| 2012 | 0.490                       | 0.615                         |
| 2013 | 0.580                       | 0.750                         |
| 2014 | 0.650 <sub>(5)</sub>        | 0.888                         |

(1)

Cash dividends per ordinary share are expressed in gross amounts without giving effect to applicable withholding or other deductions for taxes.

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- (2) Each ADS represents one ordinary share.
- (3) Our dividend policy is based upon, among other things, our consolidated net income for each fiscal year, and dividends for a fiscal year are paid in the immediately following fiscal year. The dividends reported in the table were declared and paid in the fiscal year for which they have been reported in the table.
- (4) Holders of ADSs received their dividends denominated in U.S. dollars based on the conversion rate used by our paying agent, Deutsche Bank Trust Company Americas.
- (5) The dividend of Euro 0.65 per ordinary share was approved by our Board of Directors on February 27, 2014 and was voted upon and approved by our stockholders at the ordinary meeting of stockholders held on April 29, 2014.

**EXCHANGE RATE INFORMATION**

The following tables set forth, for 2010 through 2014, certain information regarding the Euro foreign exchange reference rate published by the European Central Bank (the "BCE Rate"), which is used by the Company for translating amounts denominated in currencies other than Euro. The information is expressed in U.S. dollars per Euro 1.00:

| <b>Year Ended December 31,</b> | <b>Low</b> | <b>High</b> | <b>Average(1)</b> | <b>End of Period</b> |
|--------------------------------|------------|-------------|-------------------|----------------------|
| 2010                           | 1.1942     | 1.4563      | 1.3207            | 1.3362               |
| 2011                           | 1.2669     | 1.4882      | 1.4000            | 1.2939               |
| 2012                           | 1.2053     | 1.3453      | 1.2859            | 1.3194               |
| 2013                           | 1.2768     | 1.3814      | 1.3308            | 1.3791               |
| 2014                           | 1.2141     | 1.3953      | 1.3211            | 1.2141               |

- (1) The average of the BCE Rate in effect on the last business day of each month during the period. When the Company consolidates its profit and loss statement, it translates U.S. dollar denominated amounts into Euro using an average U.S. dollar/Euro exchange rate of each business day during the applicable period.

| <b>Month</b>  | <b>Low</b> | <b>High</b> |
|---------------|------------|-------------|
| October 2014  | 1.2524     | 1.2823      |
| November 2014 | 1.2393     | 1.2539      |
| December 2014 | 1.2141     | 1.2537      |
| January 2015  | 1.2043     | 1.1198      |
| February 2015 | 1.1240     | 1.1447      |
| March 2015    | 1.0557     | 1.1227      |

On April 10, 2015, the BCE Rate was U.S. \$1.0570 per Euro 1.00.

Unless otherwise indicated, all translations included in this Form 20-F of amounts expressed in Euro into U.S. dollars have been made using the exchange rates, as indicated in the above table, in effect as of the end of the relevant period or date, as appropriate.

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In this Form 20-F, unless otherwise stated or the context otherwise requires, references to "\$," "U.S. \$," "dollars," "USD" or "U.S. dollars" are to United States dollars, references to "Euro" or "€" are to the Common European Currency, the Euro, and references to "AUD" or "A\$" are to Australian dollars.

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**RISK FACTORS**

Our future operating results and financial condition may be affected by various factors, including those set forth below.

**Risks Relating to Our Industry and General Economic Conditions**

*If current economic conditions deteriorate, demand for our products will be adversely impacted, access to credit will be reduced and our customers and others with which we do business will suffer financial hardship. All of these factors could reduce sales and in turn adversely impact our business, results of operations, financial condition and cash flows.*

Our operations and performance depend significantly on worldwide economic conditions. Uncertainty about global economic conditions poses a risk to our business because consumers and businesses may postpone spending in response to tighter credit markets, unemployment, negative financial news and/or declines in income or asset values, which could have a material adverse effect on demand for our products and services. Discretionary spending is affected by many factors, including general business conditions, inflation, interest rates, consumer debt levels, unemployment rates, availability of consumer credit, conditions in the real estate and mortgage markets, currency exchange rates and other matters that influence consumer confidence. Many of these factors are outside our control. Purchases of discretionary items could decline during periods in which disposable income is lower or prices have increased in response to rising costs or in periods of actual or perceived unfavorable economic conditions. If this occurs or if unfavorable economic conditions continue to challenge the consumer environment, our business, results of operations, financial condition and cash flows could be materially adversely affected.

In the event of financial turmoil affecting the banking system and financial markets, additional consolidation of the financial services industry or significant failure of financial services institutions, there could be a tightening of the credit markets, decreased liquidity and extreme volatility in fixed income, credit, currency and equity markets. In addition, the credit crisis could continue to have material adverse effects on our business, including the inability of customers of our wholesale distribution business to obtain credit to finance purchases of our products, restructurings, bankruptcies, liquidations and other unfavorable events for our consumers, customers, vendors, suppliers, logistics providers, other service providers and the financial institutions that are counterparties to our credit facilities and other derivative transactions. The likelihood that such third parties will be unable to overcome such unfavorable financial difficulties may increase. If the third parties on which we rely for goods and services or our wholesale customers are unable to overcome financial difficulties resulting from the deterioration of worldwide economic conditions or if the counterparties to our credit facilities or our derivative transactions do not perform their obligations as intended, our business, results of operations, financial condition and cash flows could be materially adversely affected.

*If our business suffers due to changing local conditions, our profitability and future growth may be affected.*

We currently operate worldwide and have begun to expand our operations in many countries, including certain developing countries in Asia, South America and Africa. Therefore, we are subject to various risks inherent in conducting business internationally, including the following:

exposure to local economic and political conditions;

export and import restrictions;

currency exchange rate fluctuations and currency controls;

cash repatriation restrictions;

application of the Foreign Corrupt Practices Act and similar laws;

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difficulty in enforcing intellectual property and contract rights;

disruptions of capital and trading markets;

accounts receivable collection and longer payment cycles;

potential hostilities and changes in diplomatic and trade relationships;

legal or regulatory requirements;

withholding and other taxes on remittances and other payments by subsidiaries;

local antitrust and other market abuse provisions;

investment restrictions or requirements; and

local content laws requiring that certain products contain a specified minimum percentage of domestically produced components.

The likelihood of such occurrences and their potential effect on us vary from country to country and are unpredictable, but any such occurrence may result in the loss of sales or increased costs of doing business and may have a material adverse effect on our business, results of operations, financial condition and prospects.

*If vision correction alternatives to prescription eyeglasses become more widely available, or consumer preferences for such alternatives increase, our profitability could suffer through a reduction of sales of our prescription eyewear products, including lenses and accessories.*

Our business could be negatively impacted by the availability and acceptance of vision correction alternatives to prescription eyeglasses, such as contact lenses and refractive optical surgery. Increased use of vision correction alternatives could result in decreased use of our prescription eyewear products, including a reduction of sales of lenses and accessories sold in our retail outlets, which could have a material adverse impact on our business, results of operations, financial condition and prospects.

*Unforeseen or catastrophic losses not covered by insurance could materially adversely affect our results of operations and financial condition.*

For certain risks, we do not maintain insurance coverage because of cost and/or availability. Because we retain some portion of our insurable risks, and in some cases self-insure completely, unforeseen or catastrophic losses in excess of insured limits could materially adversely affect our results of operations and financial condition.

**Risks Relating to Our Business and Operations**

*If we are unable to successfully introduce new products and develop and defend our brands, our future sales and operating performance may suffer.*

The mid- and premium-price categories of the prescription frame and sunglasses markets in which we compete are particularly vulnerable to changes in fashion trends and consumer preferences. Our historical success is attributable, in part, to our introduction of innovative products which are perceived to represent an improvement over products otherwise available in the market and our ability to develop and defend our brands, especially our Ray-Ban and Oakley proprietary brands. Our future success will depend on our continued ability to develop and introduce such innovative products and continued success in building our brands. If we are unable to continue to do so, our future sales could decline,

inventory levels could rise, leading to additional costs for storage and potential write-downs relating to the value of excess inventory, and there could be a negative impact on production costs since fixed costs would represent a larger portion of total production costs due to the decline in quantities produced, which could materially adversely affect our results of operations.

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*If we are not successful in completing and integrating strategic acquisitions to expand or complement our business, our future profitability and growth could be at risk.*

As part of our growth strategy, we have made, and may continue to make, strategic business acquisitions to expand or complement our business. Our acquisition activities, however, can be disrupted by overtures from competitors for the targeted candidates, governmental regulation and rapid developments in our industry. We may face additional risks and uncertainties following an acquisition, including (i) difficulty in integrating the newly acquired business and operations in an efficient and effective manner, (ii) inability to achieve strategic objectives, cost savings and other benefits from the acquisition, (iii) the lack of success by the acquired business in its markets, (iv) the loss of key employees of the acquired business, (v) a decrease in the focus of senior management on our operations, (vi) difficulty integrating human resources systems, operating systems, inventory management systems and assortment planning systems of the acquired business with our systems, (vii) the cultural differences between our organization and that of the acquired business and (viii) liabilities that were not known at the time of acquisition or the need to address tax or accounting issues.

If we fail to timely recognize or address these matters or to devote adequate resources to them, we may fail to achieve our growth strategy or otherwise realize the intended benefits of any acquisition. Even if we are able to integrate our business operations successfully, the integration may not result in the realization of the full benefits of synergies, cost savings, innovation and operational efficiencies that may be possible from the integration or in the achievement of such benefits within the forecasted period of time.

*If we are unable to achieve and manage growth, operating margins may be reduced as a result of decreased efficiency of distribution.*

In order to achieve and manage our growth effectively, we are required to increase and streamline production and implement manufacturing efficiencies where possible, while maintaining strict quality control and the ability to deliver products to our customers in a timely and efficient manner. We must also continuously develop new product designs and features, expand our information systems and operations, and train and manage an increasing number of management level and other employees. If we are unable to manage these matters effectively, our distribution process could be adversely affected and we could lose market share in affected regions, which could materially adversely affect our business prospects.

*If we do not correctly predict future economic conditions and changes in consumer preferences, our sales of premium products and profitability could suffer.*

The fashion and consumer products industries in which we operate are cyclical. Downturns in general economic conditions or uncertainties regarding future economic prospects, which affect consumer disposable income, have historically adversely affected consumer spending habits in our principal markets and thus made the growth in sales and profitability of premium-priced product categories difficult during such downturns. Therefore, future economic downturns or uncertainties could have a material adverse effect on our business, results of operations and financial condition, including sales of our designer and other premium brands.

The industry is also subject to rapidly changing consumer preferences and future sales may suffer if the fashion and consumer products industries do not continue to grow or if consumer preferences shift away from our products. Changes in fashion could also affect the popularity and, therefore, the value of the fashion licenses granted to us by designers. Any event or circumstance resulting in reduced market acceptance of one or more of these designers could reduce our sales and the value of our models from that designer. Unanticipated shifts in consumer preferences may also result in excess inventory and underutilized manufacturing capacity. In addition, our success depends, in large part, on our ability to anticipate and react to changing fashion trends in a timely manner. Any sustained failure to identify and respond to such trends could materially adversely affect our business, results of operations and financial condition and may result in the write-down of excess inventory and idle manufacturing facilities.



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*If we do not continue to negotiate and maintain favorable license arrangements, our sales or cost of sales could suffer.*

We have entered into license agreements that enable us to manufacture and distribute prescription frames and sunglasses under certain designer names, including *Chanel, Prada, Miu Miu, Dolce & Gabbana, Bvlgari, Tiffany & Co., Versace, Burberry, Ralph Lauren, DKNY, Paul Smith, Brooks Brothers, Tory Burch, Coach, Armani, Michael Kors* and *Starck Eyes*. These license agreements typically have terms of between four and ten years and may contain options for renewal for additional periods and require us to make guaranteed and contingent royalty payments to the licensor. We believe that our ability to maintain and negotiate favorable license agreements with leading designers in the fashion and luxury goods industries is essential to the branding of our products and, therefore, material to the success of our business. Accordingly, if we are unable to negotiate and maintain satisfactory license arrangements with leading designers, our growth prospects and financial results could materially suffer from a reduction in sales or an increase in advertising costs and royalty payments to designers. For the years ended December 31, 2014 and 2013, no single license agreement represented greater than 5.0% of total sales.

*As we operate in a complex international environment, if new laws, regulations or policies of governmental organizations, or changes to existing ones, occur and cannot be managed efficiently, the results could have a negative impact on our operations, our ability to compete or our future financial results.*

Compliance with European, U.S. and other laws and regulations that apply to our international operations increases our costs of doing business, including cost of compliance, in certain jurisdictions, and such costs may rise in the future as a result of changes in these laws and regulations or in their interpretation or enforcement. This includes, in particular, our manufacturing activities and services provided to us by third parties within our supply chain, which are subject to numerous workplace health and safety laws, environmental laws, labor laws and other similar regulations and restrictions on the sourcing of materials (including with respect to "conflict mineral" zones) that may vary from country to country and are continuously evolving. In certain countries, failure to comply with applicable laws and regulations relating to workplace health and safety protection and environmental matters could result in criminal and/or civil penalties being imposed on responsible individuals and, in certain cases, the Company. In certain circumstances, even if no fine or penalty is imposed, we may suffer reputational harm if we fail to comply with applicable laws and regulations. We have implemented policies and procedures designed to facilitate our compliance with these laws and regulations, but there can be no assurance that our employees, contractors or agents will not violate such laws and regulations or our policies. Any such violations could individually, or in the aggregate, materially adversely affect our financial condition or operating results.

Additionally, our Oakley, Eye Safety Systems and EyeMed subsidiaries are U.S. government contractors or subcontractors and, as a result, we must comply with, and are affected by, U.S. laws and regulations related to conducting business with the U.S. government. These laws and regulations may impose various additional costs and risks on our business. For example, Oakley and Eye Safety Systems are required to obtain applicable governmental approvals, clearances and certain export licenses. We also may become subject to audits, reviews and investigations of our compliance with these laws and regulations. See Item 4 "Information on the Company Regulatory Matters" and Item 8 "Financial Information Legal Proceedings."

*If we are unable to protect our proprietary rights, our sales might suffer, and we may incur significant additional costs to defend such rights.*

We rely on trade secret, unfair competition, trade dress, trademark, patent and copyright laws to protect our rights to certain aspects of our products and services, including product designs, brand names, proprietary manufacturing processes and technologies, product research and concepts and goodwill, all of which we believe are important to the success of our products and services and our competitive position. However, pending trademark or patent applications may not in all instances result in the issuance of a

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registered trademark or patent, and trademarks or patents granted may not be effective in thwarting competition or be held valid if subsequently challenged. In addition, the actions we take to protect our proprietary rights may be inadequate to prevent imitation of our products and services. Our proprietary information could become known to competitors, and we may not be able to meaningfully protect our rights to proprietary information. Furthermore, other companies may independently develop substantially equivalent or better products or services that do not infringe on our intellectual property rights or could assert rights in, and ownership of, our proprietary rights. Moreover, the laws of certain countries do not protect proprietary rights to the same extent as the laws of the United States or of the member states of the European Union.

Consistent with our strategy of vigorously defending our intellectual property rights, we devote substantial resources to the enforcement of patents issued and trademarks granted to us, to the protection of our trade secrets or other intellectual property rights and to the determination of the scope or validity of the proprietary rights of others that might be asserted against us. However, if the level of potentially infringing activities by others were to increase substantially, we might have to significantly increase the resources we devote to protecting our rights. From time to time, third parties may assert patent, copyright, trademark or similar rights against intellectual property that is important to our business. The resolution or compromise of any litigation or other legal process to enforce such alleged third party rights, regardless of its merit or resolution, could be costly and divert the efforts and attention of our management. We may not prevail in any such litigation or other legal process or we may compromise or settle such claims because of the complex technical issues and inherent uncertainties in intellectual property disputes and the significant expense in defending such claims. An adverse determination in any dispute involving our proprietary rights could, among other things, (i) require us to coexist in the market with competitors utilizing the same or similar intellectual property, (ii) require us to grant licenses to, or obtain licenses from, third parties, (iii) prevent us from manufacturing or selling our products, (iv) require us to discontinue the use of a particular patent, trademark, copyright or trade secret or (v) subject us to substantial liability. Any of these possibilities could have a material adverse effect on our business by reducing our future sales or causing us to incur significant costs to defend our rights.

*If we are unable to maintain our current operating relationship with host stores of our retail licensed brands division, we could suffer a loss in sales and possible impairment of certain intangible assets.*

Our sales depend in part on our relationships with the host stores that allow us to operate our retail licensed brands division, including Sears Optical and Target Optical. Our leases and licenses with Sears Optical are terminable upon short notice. If our relationship with Sears Optical or Target Optical were to end, we would suffer a loss of sales and the possible impairment of certain intangible assets. This could have a material adverse effect on our business, results of operations, financial condition and prospects.

*If we fail to maintain an efficient distribution and production network or if there is a disruption to our critical manufacturing plants or distribution network in highly competitive markets, our business, results of operations and financial condition could suffer.*

The mid- and premium-price categories of the prescription frame and sunglasses markets in which we operate are highly competitive. We believe that, in addition to successfully introducing new products, responding to changes in the market environment and maintaining superior production capabilities, our ability to remain competitive is highly dependent on our success in maintaining an efficient distribution network. If we are unable to maintain an efficient and resilient distribution and production network or a significant disruption thereto should occur, our sales may decline due to the inability to timely deliver products to customers and our profitability may decline due to an increase in our per unit distribution costs in the affected regions, which may have a material adverse impact on our business, results of operations and financial condition.

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*If we were to become subject to adverse judgments or determinations in legal proceedings to which we are, or may become, a party, our future profitability could suffer through a reduction of sales, increased costs or damage to our reputation due to our failure to adequately communicate the impact of any such proceeding or its outcome to the investor and business communities.*

We are currently a party to certain legal proceedings as described in Item 8 "Financial Information Legal Proceedings." In addition, in the ordinary course of our business, we become involved in various other claims, lawsuits, investigations and governmental and administrative proceedings, some of which are or may be significant. Adverse judgments or determinations in one or more of these proceedings could require us to change the way we do business or use substantial resources in adhering to the settlements and could have a material adverse effect on our business, including, among other consequences, by significantly increasing the costs required to operate our business.

Ineffective communications, during or after these proceedings, could amplify the negative effects, if any, of these proceedings on our reputation and may result in a negative market impact on the price of our securities.

*Changes in our tax rates or exposure to additional tax liabilities could affect our future results.*

We are subject to taxes in Italy, the United States and numerous other jurisdictions. Our future effective tax rates could be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, or changes in tax laws or their interpretation. Any of these changes could have a material adverse effect on our profitability. We also are regularly subject to the examination of our income tax returns by the Italian tax authority, the U.S. Internal Revenue Service as well as the governing tax authorities in other countries where we operate. We routinely assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for tax risks. Currently, some of our companies are under examination by various tax authorities. There can be no assurance that the outcomes of the current ongoing examinations and possible future examinations will not materially adversely affect our business, results of operations, financial condition and prospects.

*If there is any material failure, inadequacy, interruption or security failure of our information technology systems, whether owned by us or outsourced or managed by third parties, this may result in remediation costs, reduced sales due to an inability to properly process information and increased costs of operating our business.*

We rely on information technology systems both managed internally and outsourced to third parties across our operations, including for management of our supply chain, point-of-sale processing in our stores and various other processes and transactions. Our ability to effectively manage our business and coordinate the production, distribution and sale of our products depends on, among other things, the reliability and capacity of these systems. The failure of these systems to operate effectively, network disruptions, problems with transitioning to upgraded or replacement systems, or a breach in data security of these systems could cause delays in product supply and sales, reduced efficiency of our operations, unintentional disclosure of customer or other confidential information of the Company leading to additional costs and possible fines or penalties, or damage to our reputation, and potentially significant capital investments and other costs could be required to remediate the problem, which could have a material adverse effect on our results of operations.

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*If we record a write-down for inventories that are obsolete or exceed anticipated demand or other assets the net realizable value of which is below the carrying amount, such charges could have a material adverse effect on our results of operations.*

We record a write-down for product and component inventories that have become obsolete or exceed anticipated demand or net realizable value. We review our long-lived assets for impairment whenever events or changed circumstances indicate that the carrying amount of an asset may not be recoverable, and we determine whether valuation allowances are needed against other assets, including, but not limited to, accounts receivable. If we determine that impairments or other events have occurred that lead us to believe we will not fully realize these assets, we record a write-down or a valuation allowance equal to the amount by which the carrying value of the assets exceeds their fair market value. Although we believe our inventory and other asset-related provisions are currently adequate, no assurance can be made that, given the rapid and unpredictable pace of product obsolescence, we will not incur additional inventory or asset-related charges, which charges could have a material adverse effect on our results of operations.

*Leonardo Del Vecchio, our chairman and principal stockholder, controls 61.38% of our voting power and is in a position to affect our ongoing operations, corporate transactions and any matters submitted to a vote of our stockholders, including the election of directors and a change in corporate control.*

As of April 10, 2015, Mr. Leonardo Del Vecchio, the Chairman of our Board of Directors, through the company Delfin S.à r.l., has voting rights over 295,904,025 Ordinary Shares, or 61.38% of the issued share capital. See Item 7 "Major Shareholders and Related Party Transactions." As a result, Mr. Del Vecchio has the ability to exert significant influence over our corporate affairs and to control the outcome of virtually all matters submitted to a vote of our stockholders, including the election of our directors, the amendment of our Articles of Association or By-laws, and the approval of mergers, consolidations and other significant corporate transactions.

Mr. Del Vecchio's interests may conflict with or differ from the interests of our other stockholders. In situations involving a conflict of interest between Mr. Del Vecchio and our other stockholders, Mr. Del Vecchio may exercise his control in a manner that would benefit him to the potential detriment of other stockholders. Mr. Del Vecchio's significant ownership interest could delay, prevent or cause a change in control of our company, any of which may be adverse to the interests of our other stockholders.

*If we are not successful in transitioning our leadership structure as currently intended, our future growth and profitability may suffer.*

In October 2014, we announced the introduction of a new management structure based on a co-CEO model, pursuant to which two co-chief executive officers are appointed to manage the principal executive officer responsibilities of the Group, with one chief executive officer focused on Markets and the other focused on Product and Operations. The co-CEO leadership structure allocates distinct yet complementary responsibilities between the two co-chief executive officers and is designed to promote stronger management of the Group, which has rapidly increased in size, complexity and global presence in recent years. If the new model proves ineffective, there may be delays in the implementation of the Group's strategic plans and reductions or slowdowns of our future growth and profitability.

*If our procedures designed to comply with Section 404 of the Sarbanes-Oxley Act of 2002 cause us to identify material weaknesses in our internal control over financial reporting, the trading price of our securities may be adversely impacted.*

Our annual report on Form 20-F includes a report from our management relating to its evaluation of our internal control over financial reporting, as required under Section 404 of the U.S. Sarbanes-Oxley Act of 2002, as amended. There are inherent limitations on the effectiveness of internal controls,

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including collusion, management override and failure of human judgment. In addition, control procedures are designed to reduce, rather than eliminate, business risks. Notwithstanding the systems and procedures we have implemented to comply with these requirements, we may uncover circumstances that we determine to be material weaknesses, or that otherwise result in disclosable conditions. Any identified material weaknesses in our internal control structure may involve significant effort and expense to remediate, and any disclosure of such material weaknesses or other conditions requiring disclosure may result in a negative market reaction to our securities.

*Our auditors, like other independent registered public accounting firms operating in Italy and various other non-U.S. jurisdictions, are not inspected by the U.S. Public Company Accounting Oversight Board (the "PCAOB") and, as such, investors currently do not have the benefits of PCAOB oversight.*

The independent accounting firms that issue audit reports filed with the SEC are required under U.S. law to undergo regular inspections by the PCAOB to assess their compliance with professional auditing standards in connection with their audits of public companies. Because our independent auditor is located in Italy, a jurisdiction where the PCAOB is currently unable to conduct inspections without the approval of the Italian authorities, the audit work and practices of our independent auditor, like other independent registered public accounting firms operating in Italy, are currently not inspected by the PCAOB.

The inability of the PCAOB to conduct inspections of auditors in Italy makes it more difficult to evaluate the effectiveness of our independent auditor's audit procedures and quality control procedures as compared to auditors outside of Italy that are subject to periodic PCAOB inspections. As a result, investors may be deprived of the benefits of PCAOB inspections.

**Financial Risks**

*If the U.S. dollar or the Australian dollar weaken relative to the Euro or the Chinese Yuan strengthens relative to the Euro, our profitability as a consolidated group could suffer.*

Our principal manufacturing facilities are located in Italy. We also maintain manufacturing facilities in China, Brazil, India and the United States as well as sales and distribution facilities throughout the world. As a result, our results of operations could be materially adversely affected by foreign exchange rate fluctuations in two principal areas:

we incur most of our manufacturing costs in Euro and in Chinese Yuan, and receive a significant part of our revenues in other currencies such as the U.S. dollar and the Australian dollar. Therefore, a strengthening of the Chinese Yuan could negatively impact our consolidated results of operations; and

a substantial portion of our assets, liabilities, revenues and costs are denominated in various currencies other than Euro, with a substantial portion of our revenues and operating expenses being denominated in U.S. dollars. As a result, our operating results, which are reported in Euro, are affected by currency exchange rate fluctuations, particularly between the U.S. dollar and the Euro.

As our international operations grow, future changes in the exchange rate of the Euro against the U.S. dollar and other currencies may negatively impact our reported results, although we have in place policies designed to manage such risk.

See Item 11 "Quantitative and Qualitative Disclosures about Market Risk" and Item 18 "Financial Risks" (Note 3).

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*If economic conditions around the world worsen, we may experience an increase in our exposure to credit risk on our accounts receivable which may result in a higher risk that we are unable to collect payments from our customers and, potentially, increased costs due to reserves for doubtful accounts and a reduction in sales to customers experiencing credit-related issues.*

A substantial majority of our outstanding trade receivables are not covered by collateral or credit insurance. While we have procedures to monitor and limit exposure to credit risk on our trade and non-trade receivables, there can be no assurance such procedures will effectively limit our credit risk and avoid losses, which could have a material adverse effect on our results of operations.

**ITEM 4. INFORMATION ON THE COMPANY**

**OVERVIEW**

We are a market leader in the design, manufacture and distribution of fashion, luxury, sport and performance eyewear. Due to the strong growth enjoyed throughout 2014, our total net sales reached over Euro 7.6 billion, net income attributable to Luxottica stockholders was Euro 642.6 million and headcount as of year-end was approximately 77,730 employees. We operate in two industry segments: (i) manufacturing and wholesale distribution; and (ii) retail distribution. See Item 18 "Financial Statements" for additional disclosures about our operating segments. Founded in 1961 by Leonardo Del Vecchio, we are a vertically integrated organization. Our manufacturing of sun and prescription eyewear is backed by a wide-reaching wholesale network and a retail distribution network, located mostly in North America, Latin America and Asia-Pacific.

Product design, development and manufacturing take place in six production facilities in Italy, three factories in China, one production facility in Brazil and one production facility in the United States devoted to sports and performance eyewear. We also have a small plant in India serving the local market. In 2014, our worldwide production reached approximately 83 million units.

The design and quality of our products and our strong and well-balanced brand portfolio are recognized throughout the world. Proprietary brands include Ray-Ban, one of the world's best-known eyewear brands, Oakley, Vogue Eyewear, Persol, Oliver Peoples, Alain Mikli and Arnette, and our licensed brands include Armani, Bvlgari, Burberry, Chanel, Coach, Dolce & Gabbana, DKNY, Michael Kors, Paul Smith, Ralph Lauren, Prada, Starck Eyes, Tiffany, Tory Burch and Versace. Our wholesale distribution network covers more than 130 countries across five continents and has approximately 50 commercial subsidiaries providing direct operations in key markets.

Our direct wholesale operations are complemented by an extensive retail network comprised of over 7,000 stores worldwide at December 31, 2014. We are a leader in the prescription business in North America with our LensCrafters and Pearle Vision retail brands, in Australia and New Zealand with our OPSM and Laubman & Pank brands, in China with our LensCrafters brand and in Latin America with our GMO brand. In North America, we also operate our retail licensed brands, Sears Optical and Target Optical. Additionally, we operate one of the largest managed vision care networks in the United States, through EyeMed, and the second largest lens finishing network, with three central laboratories, over 900 on-site labs at LensCrafters stores, a fully dedicated Oakley lab and an additional facility based in China dedicated to North American optical retail.

We have a global retail organization to support our sun and luxury retail brands, including Sunglass Hut, ILORI and The Optical Shop of Aspen. The Sunglass Hut brand, in particular, has a global presence with stores in North America, Latin America, Asia-Pacific, South Africa, Europe and the Middle East.

The Oakley brand provides a powerful wholesale and retail ("O Stores") presence in both the performance optics and the sport channels. In our O Store locations, we offer Oakley eyewear styles in addition to a variety of Oakley-branded products, such as apparel, footwear, backpacks and accessories designed for athletic lifestyles (e.g., surf, snow, golf, outdoor, motor sports and mountain biking).

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Our distribution channels are complemented by an e-commerce component, including the Oakley, Ray-Ban and Sunglass Hut websites and the recently acquired glasses.com.

In 2014, 44.3% of total sales of frames and lenses in Euros related to prescription eyewear and 55.7% related to sunglasses.

Our capital expenditures for our continuing operations were Euro 418.9 million for the year ended December 31, 2014 and Euro 94.0 million for the three-month period ended March 31, 2015. We expect 2015 aggregate capital expenditures to be approximately 5.5% of the Group's net sales, excluding any additional investments for business acquisitions. The most significant investments planned are the remodeling of existing stores, the opening of new stores, the upgrade and expansion of our manufacturing facilities as well as enhancement of our IT infrastructure. We expect to fund these future capital expenditures through cash flow generation primarily due to our operating leverage as well as working capital efficiencies. For a description of capital expenditures for the previous three years, see Item 5 "Operating and Financial Review and Prospects Liquidity and Capital Resources Cash Flows Investing Activities."

Our principal executive offices are located at Piazzale L. Cadorna 3, Milan 20123, Italy, and our telephone number at that address is (011) 39-02-863341. We are domiciled in Milan, Italy.

## **HISTORY**

### **Incorporation**

Luxottica Group was founded by Leonardo Del Vecchio in 1961, when he set up Luxottica di Del Vecchio e C. S.a.S., which subsequently became a joint-stock company organized under the laws of Italy under the name of Luxottica S.p.A. We started out as a small workshop and operated until the end of the 1960s as a contract producer of dyes, metal components and semi-finished goods for the optical industry. We gradually widened the range of processes offered until we had an integrated manufacturing structure capable of producing a finished pair of glasses. In 1971, our first collection of prescription eyewear was presented at Milan's MIDO (an international optics trade fair), marking our definitive transition from contract manufacturer to independent producer.

### **Expansion in Wholesale Distribution**

In the early 1970s, we sold our frames exclusively through independent distributors. In 1974, after five years of sustained development of our manufacturing capacity, we started to pursue a strategy of vertical integration, with the goal of distributing frames directly to retailers. Our first step was the acquisition of Scarrone S.p.A., which had marketed our products since 1971, bringing with it a vital knowledge of the Italian eyewear market.

Our international expansion began in the 1980s with the acquisition of independent distributors and the formation of subsidiaries and joint ventures in key international markets.

Our wholesale distribution expansion focuses on customer differentiation, customized service and new sales channels, such as large department stores, travel retail and e-commerce, as well as continuous penetration into the emerging markets. The acquisition, in 1981, of La Meccanoptica Leonardo, the owner of the Sferoflex brand and of an important flexible hinge patent, enabled us to enhance the image and quality of our products and increase our market share.

From the late 1980s, eyeglasses, previously perceived as mere sight-correcting instruments, began to evolve into "eyewear." Continual aesthetic focus on everyday objects and designers' interest in the emerging accessories industry led us to embark on our first collaboration with the fashion industry in 1988 by entering into a licensing agreement with Giorgio Armani. We followed up that initial collaboration, with numerous others and with the acquisition of new brands, gradually building our

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current world-class brand portfolio and thereby increasing our commitment to research, innovation, product quality and manufacturing excellence.

Over the years, we have launched collections from names like Bvlgari (1997), Chanel (1999), Prada (2003), Versace (2003), Donna Karan (2005), Dolce & Gabbana (2006), Burberry (2006), Polo Ralph Lauren (2007), Paul Smith (2007), Tiffany (2008), Tory Burch (2009), Coach (2012), Starck Eyes (2013), Armani (2013) and Michael Kors (2015).

Moreover, in 1999 we acquired Ray-Ban, one of the world's best-known sunglasses brands. Through this acquisition, we obtained crystal sun lens technology.

In 2007, we acquired California-based Oakley, a leading sport and performance brand, which owned the Oliver Peoples brand and a license to manufacture and distribute eyewear under the Paul Smith name. At the time of the acquisition, Oakley had its own retail network of over 160 stores.

In 2013, we acquired Alain Mikli International SA ("Alain Mikli"), a French luxury and contemporary eyewear company, which owned the Alain Mikli brand and Starck Eyes license. As a result of the acquisition, we strengthened both our luxury brand portfolio and prescription offerings, which now include Alain Mikli's distinctive designs.

**Financial Markets**

In 1990, we listed our American Depositary Shares ("ADSs") on the New York Stock Exchange. In 2000, our stock was listed on Borsa Italiana's electronic share market and it has been in Italy's Mercato Telematico Azionario ("MTA") since 2003.

**Retail Distribution**

In 1995, we acquired The United States Shoe Corporation, which owned LensCrafters, one of North America's largest optical retail chains. As a result, we became the world's first significant eyewear manufacturer to enter the retail market, thereby maximizing synergies with our production and wholesale distribution and increasing penetration of our products through LensCrafters stores.

Since 2000, we have strengthened our retail business by acquiring a number of chains, including Sunglass Hut (2001), a leading retailer of premium sunglasses, OPSM Group (2003), a leading optical retailer in Australia and New Zealand, Cole National Corporation ("Cole") (2004), which brought with it another important optical retail chain in North America, Pearle Vision, and an extensive retail licensed brands store business (Target Optical and Sears Optical). In 2005, we began our retail expansion into China, where LensCrafters has become a leading brand in the country's high-end market. In the same year, we also started to expand Sunglass Hut globally in high-potential markets like the Middle East, South Africa, India, Southeast Asia, Mexico, Brazil and Europe. In 2011, we started our optical retail expansion in Latin America by completing the acquisition of Multiópticas Internacional S.L. ("GMO" or "Multiópticas Internacional"), a leading retailer in Chile, Peru, Ecuador and Colombia.

**DESIGN AND PRODUCT DEVELOPMENT**

Emphasis on product design and the continuous development of new styles are key to Luxottica's success. During 2014, we added approximately 1,900 new styles to our eyewear collections. Each style is typically produced in two sizes and five colors.

The design of the Group's products is the focal point where vision, technology and creativity converge. Each frame expresses Luxottica's two core precepts: the use of innovative materials, technologies and processes and unparalleled craftsmanship.



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The design process begins with our in-house designers who work in an environment that promotes innovation, originality and a creative process in which eyewear is interpreted as art, an object to put on display. They draw inspiration from both market trends and their own imagination and creativity. In addition, our design team works directly with the marketing and sales departments, which monitor the demand for our current models, as well as general style trends in eyewear.

After the design process has been completed, the product development process is executed through engineering, planning, manufacturing and distribution of our products. The engineering process consists of the product development stages between style sketches and the manufactured final products. By using a launch calendar that focuses on customer and geographic demand, the engineering department has been able to decrease product development timelines in recent years.

The research and development efforts of our engineering staff play a crucial role in the product development process. Our engineers are continuously looking for new materials, concepts and technology innovations to apply to our products and processes in an effort to differentiate them in the eyewear market.

During the initial phase of the development process, the prototype makers transform designs into one-off pieces, crafted by hand with precision. Once developed, they are passed on to the product department, which uses visual rendering and 3D software to analyze the steps necessary to bring the prototype to mass production.

At this point in the cycle, the mold workshop designs and assembles the equipment needed to make the components for the new model. The first samples obtained are assembled and undergo a series of tests required by internal quality control procedures.

The next steps in the process involve the production and quality certification of sales samples of the new models. These samples are subjected to another sequence of tests to verify the quality of the engineering. The final step is the production of a preliminary batch using definitive tooling certified by an external standards organization. These samples are produced in a pilot facility that resembles the plant chosen to produce the final product for consumers.

We differentiate our products not only through innovation in style and design but also through a commitment to technological innovation. As growth in wearable technology creates a new playing field for innovation, in 2014, we announced strategic partnerships with Google and Intel. Both collaborations will expand the limits of what eyewear can be by creating frames that are as intelligent and functional as they are beautiful. Our eyewear professionals and Google's high-tech developers are devoted to designing, developing and distributing a new breed of eyewear for Google Glass and the multi-year R&D collaboration between Luxottica and Intel is aimed at fusing premium, luxury and sports eyewear with smart technology.

**BRAND PORTFOLIO**

Our brand portfolio is one of the largest in the industry and continuously evolves, with our major global brands backed by leading brands both at a regional level and in particular segments and niche markets. Our portfolio is well-balanced between proprietary and licensed brands, a combination of stability and prestige.

The presence of Ray-Ban, one of the world's best-selling brands of sun and prescription eyewear, and Oakley, a leader in the sport and performance category, gives the proprietary brand portfolio a strong base, complemented by Persol, Oliver Peoples and Alain Mikli in the high end of the market, Arnette in the sport market, and Vogue Eyewear in the fashion market.

Alongside the proprietary brands, our portfolio has over 20 licensed brands, including some well-known and prestigious names in the global fashion and luxury industries. With our manufacturing

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know-how, capillary distribution and direct retail operations supported by targeted advertising and our experience in international markets, our goal is to be the ideal partner for fashion houses and stylists seeking to translate their style and values into successful premium quality eyewear collections. We differentiate each designer's offering, segmenting it by type of customer and geographic market, to produce a broad range of models capable of satisfying diverse tastes and tendencies and to respond to the demands and characteristics of widely differing markets.

The following table presents the respective percentages of our total sales of frames in Euros comprised by our designer and proprietary brands during the periods indicated:

|                    | <b>Year Ended December 31,</b> |             |             |             |             |
|--------------------|--------------------------------|-------------|-------------|-------------|-------------|
|                    | <b>2014</b>                    | <b>2013</b> | <b>2012</b> | <b>2011</b> | <b>2010</b> |
| Designer brands    | 30.6%                          | 31.4%       | 29.7%       | 30.5%       | 32.4%       |
| Proprietary brands | 69.4%                          | 68.6%       | 70.3%       | 69.5%       | 67.6%       |

The following table presents the respective percentages of our total sales of frames and lenses in Euros comprised by our prescription frames and lenses and sunglasses for the periods indicated:

|                                | <b>Year Ended December 31,</b> |             |             |             |             |
|--------------------------------|--------------------------------|-------------|-------------|-------------|-------------|
|                                | <b>2014</b>                    | <b>2013</b> | <b>2012</b> | <b>2011</b> | <b>2010</b> |
| Prescription frames and lenses | 44.3%                          | 46.1%       | 47.3%       | 46.3%       | 50.2%       |
| Sunglasses                     | 55.7%                          | 53.9%       | 52.7%       | 53.7%       | 49.8%       |

**Proprietary Brands**

In 2014, proprietary brands accounted for approximately 69% of total sales of frames. Ray-Ban and Oakley, the two largest eyewear brands in our portfolio based on sales, accounted for 27.0% and 11.7%, respectively, of the Group's 2014 net sales.

*Ray-Ban*

Lifestyle, authenticity and freedom of expression are the key values underpinning the philosophy of Ray-Ban, a leader in sun and prescription eyewear for generations. Debuting in 1937 with the Aviator created for the American Air Force, Ray-Ban joined Luxottica's brand portfolio in 1999. Ray-Ban is recognized for the quality and authenticity of its eyewear, is worn by celebrities all over the world and is one of the most loved eyewear brands worldwide.

*Oakley*

Established in 1975 and acquired by Luxottica in 2007, Oakley is one of the leading product design and sport performance brands in the world, with products that world-class athletes around the globe depend on to compete at the highest level possible. The holder of more than 750 patents, Oakley is also known for its lens technologies, including High Definition Optics. Oakley extended its position as a sports eyewear brand into apparel and accessories, offering men's and women's product lines that appeal to sports performance, active and lifestyle consumers. The brand's global distribution includes Oakley "O" Stores and outlet Oakley Vault Stores.

*Vogue Eyewear*

Launched in 1973 under the same name as the famous fashion magazine, Vogue Eyewear was acquired by Luxottica in 1990. Vogue eyewear plays with prevalent fashion trends by offering a wide global assortment completed by local collections for the emerging markets. It has become an

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international contemporary fashion brand. Vogue eyewear follows a global approach with local relevance to appeal to consumers with different needs and tastes.

*Persol*

Persol, the iconic "Made in Italy" eyewear brand, made its debut in 1917 and was acquired by Luxottica in 1995. With its evocative name, meaning "for sun," it is the proud heir to a culture of excellence and craftsmanship, a perfect alchemy of aesthetics and technology. The irresistible appeal of timeless design and high quality make the brand a favorite among celebrities.

*Oliver Peoples*

Acquired by Luxottica in 2007, Oliver Peoples began in 1987 with the introduction of a retro-inspired eyewear collection created by designer and optician Larry Leight. Select eyewear is handcrafted from the finest quality materials, in colors exclusive to Oliver Peoples. Frames are manufactured in limited quantities and with deliberate anti-logo labeling, which appeals to sophisticated consumers.

*Alain Mikli*

Acquired by Luxottica in 2013, Alain Mikli is not simply the name of an eyewear brand, it also represents over 35 years of passion and know-how. Since 1978, the designer Alain Mikli recognized that vision correction was not merely a solution for a medical condition but could also be a means to communicate style and trends. His idea is simple but revolutionary: add style to a necessity and transform a need into a sign of personality. The frames to see as well as to be seen.

*Arnette*

Launched in California in 1992, Arnette was acquired by Luxottica in 1999, and combines the comfort and functionality demanded by extreme sports enthusiasts.

*Eye Safety Systems ("ESS")*

Acquired in 2007, ESS designs, develops and markets advanced eye protection systems for military, firefighting and law enforcement professionals worldwide and is a leading supplier of protective eyewear to the U.S. military and firefighting markets.

*Luxottica*

Launched in 1967, the Group's original line best conveys the experience and tradition that are its essence.

*Sferoflex*

Sferoflex, which joined the Group's portfolio in 1981, takes its name from the patented flexible hinge enabling the temples to conform to the shape and size of the face, thus increasing the resilience of the frame itself and ensuring perfect fit.

**Licensed Brands**

Designer lines are produced and distributed through license agreements with major fashion houses. The license agreements are exclusive contracts, which typically have terms of between four and ten years and may contain options for renewal for additional periods. Under these license agreements, we are required to pay a royalty ranging from 6% to 14% of the net sales of the related collection and a mandatory marketing contribution of between 5% and 10% of net sales.

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Prada is the most significant license in our portfolio as measured by total sales. In 2014, sales realized through the Prada, Prada Linea Rossa and Miu Miu brand names together represented approximately 4% of total sales.

*Armani Group*

Under license since 2013, the Armani Group includes the following collections:

*Giorgio Armani*

The Giorgio Armani brand's incomparable sense of style is timeless and consistent. Armani's vision of the world of creative design is not about turning heads, but about leaving a lasting impression, so that the brand's aesthetic becomes an outward expression of the normality of sophistication. Pure lines, intrinsic elegance and care for details are the elemental concepts underlying all of Giorgio Armani's iconic designs as well as all of its eyewear styles.

*Emporio Armani*

Created in the early 1980s by Giorgio Armani, this label addresses the needs of trendy customers who love the Armani DNA. Armani's core elements are revisited in a modern take on fresh style, with innovative and trendy colorful designs that are distinguished by contemporary lines, shapes and materials.

*Armani Exchange*

A--X Armani Exchange is the youthful label created in 1991 by Giorgio Armani to capture the heritage of the Armani brand through a modern sensibility for the inherent beauty of young individuals' interpretation of contemporary lifestyle. The A--X Armani Exchange eyewear collection reflects the brand's young fashion-forward urban spirit. Modern shapes in original shades reflect contemporary design with stylish details.

*Brooks Brothers*

Characterized by lightweight materials and a slender line, the Brooks Brothers collections reflect the iconic features of the style of this American brand. This is an affordable product line with classic style that delivers functionality, lightness and high quality. The original license agreement was entered into in 1992.

*Bulgari*

Bulgari, the great Italian jeweler that is a master of colored gemstones of international fame, represents one of the most exclusive brands of eyewear: contemporary design, unique styles and glamorous details, together with superior quality. This brand is positioned for the highest segment of jewelry eyewear, with luxury Italian craftsmanship and bold style. Bulgari eyewear features precious materials such as gold, gemstones and crystals and is carefully crafted in timeless designs.

*Burberry*

Since its founding in England in 1856, Burberry has been synonymous with quality, as defined by the endurance, classicism and functionality that characterized its history. Burberry has become a leading luxury brand with a global business. The eyewear collection, under license since 2006, is inspired by the brand's innovative ready-to-wear and accessories collections and incorporates very recognizable iconic elements for both men and women.

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*Chanel*

In 1999, Luxottica was the first company licensed to produce Chanel eyewear products. The Chanel eyewear collection, targeting luxury-oriented consumers, reflects the essential characteristics of the brand: unique creations, elegance and refinement.

*Coach*

Founded in 1941 as a family-run workshop in a Manhattan loft, Coach has grown to become a leading American marketer of fine accessories and ready-to-wear for women and men. Under license since 2012, the Coach eyewear collection perfectly expresses the effortless New York style and authentic American heritage of the Coach brand. In 2013, the brand started its transformation towards becoming a global lifestyle brand. Iconic brand themes have been reinterpreted across product categories and portrayed in disruptive advertising campaigns where luxury meets utility.

*Dolce & Gabbana*

Dolce & Gabbana is a luxury brand that draws inspiration from the roots and the authentic values of its own DNA: Sicily, sensuality and sartorial ability. Dolce & Gabbana's essence lies in its contrasting yet complementary features. The eyewear collection, under license since 2006, is characterized by glamorous, unconventional shapes, prestigious materials and sumptuous detailing.

*DKNY*

DKNY is easy-to-wear fashion characterized by the energetic attitude of New York City: sleek, metropolitan, fun, fast and real. The brand caters to modern, urban, fashion conscious women and men, addressing a broad range of lifestyle needs, from work to weekend, jeans to evening. Under license since 2005, DKNY eyewear is everyday urban fashion with modern design at an accessible price. DKNY is the perfect mix of style, quality and value, fashion and color.

*Michael Kors*

Established in 1981, Michael Kors is an authentic contemporary fashion brand. Michael Kors eyewear, launched by Luxottica in 2015, offers a glamorous lifestyle for the consummate jet setter that is as sophisticated as it is indulgent and as iconic as it is modern. Michael Kors' eyewear collections capture the glamour and effortless sophistication for which the designer is celebrated, drawing upon signature details found in the brand's most iconic designs.

*Paul Smith Spectacles*

Licensed by Luxottica in 2007, the Paul Smith Spectacles brand, launched in 1994, includes prescription and sun eyewear featuring the whimsical yet classic designs and attention to detail that are synonymous with one of Britain's leading fashion designers.

*Prada Group*

Under license since 2003, the Prada Group includes the following collections:

*Prada*

Prada represents the best of Italian culture and tradition. At the same time, Prada is one of the most innovative, prestigious and widely recognized brands in the fashion and luxury goods industries, with a keen attention to detail and new trends. The Prada eyewear collection reflects this approach with unmistakable style, refined elegance and uncompromising quality. The

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Prada collection also includes the Prada Linea Rossa line, which is inspired by the world of sports to convey an everyday casual yet sophisticated style.

*Miu Miu*

The Miu Miu eyewear collection was launched with brand-new luxury positioning in 2011 to align it with the brand's other product categories. Miu Miu is Miuccia Prada's other soul, a brand for women who are particularly fashion forward and aware of avant-garde, trendy and sophisticated fashion and lifestyle.

*Ralph Lauren*

Under license since 2007, Ralph Lauren includes the following collections:

*Ralph Lauren*

Ralph Lauren has made an indelible imprint on the fashion world with his collections for men and women. Today, his signature sensibilities—Hollywood romance, town and country heritage, cosmopolitan city-chic and Art Deco glamour—extend into the world of Ralph Lauren eyewear. With their sleek modernity and classic proportions, each pair is a vivid expression of the designer's elegant, sophisticated style.

*Polo Ralph Lauren*

Representing Ralph Lauren's iconic heritage as a designer recognized throughout the world, Polo Ralph Lauren reflects a celebrated vision of classic yet spirited American style for men and women. Timeless and authentic, Polo Ralph Lauren is the enduring symbol of a modern-day American lifestyle: easy, energetic, young and cool.

*Ralph*

Fresh and romantic, Ralph is the epitome of fashion for young women. Ralph eyewear is an accessible expression of Ralph Lauren's spirit. Featuring the latest looks and trends in vibrant colors, as well as more classic looks, Ralph is all about young, fun, feminine style.

*Starck Eyes*

Starck Eyes, under license since 2013, joined our licensed brand portfolio as part of the Alain Mikli acquisition. Starck Eyes is the combination of two visionaries for an exceptional collection. Philippe Starck and Alain Mikli pooled their skills to give birth to the Starck Eyes collection in 1996. For this line, a technological revolution was developed: the "Biolink," a screwless hinge modeled after the human clavicle, which allows a full 360-degree movement for increased comfort and durability: Biomechanics in the service of vision.

*Tiffany & Co.*

Founded in 1837 in New York City, Tiffany has a rich heritage filled with celebrated events, artists and milestones that live on today in legendary style. We were the first company licensed to produce Tiffany's eyewear collection, which takes inspiration from the most iconic jewelry collection, celebrating stunning originality and enduring beauty. The first collection was launched in 2008.

*Tory Burch*

Tory Burch is an American attainable luxury lifestyle brand, which embodies the unique sense of style of its chairman, CEO and designer, Tory Burch. She has established herself as a favorite among women and celebrities alike for her contemporary, preppy-bohemian styles. Under license since 2009, the eyewear collection perfectly captures the Tory Burch brand identity: a classic but modern sensibility,

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eclectic esthetics renowned for its graphic prints, bold colors and exotic detailing are all signatures of the brand.

*Versace*

Versace is a prestigious fashion and lifestyle brand, symbol of Italian luxury world-wide. The collection is intended for men and women looking for a contemporary style that is strong in personality, sexy and sophisticated. The eyewear collection, under license since 2003, perfectly combines glamour and modern elegance, bearing the distinctive details taken from the graphic direction of the fashion house.

**MANUFACTURING**

**Plants and Facilities**

In 2014, our manufacturing facilities located in Italy, China, India, the United States and Brazil produced a combined total of approximately 83 million prescription frames and sunglasses.

Six of our manufacturing facilities are located in Italy, which is the center of our luxury eyewear production, and combine the tradition of Italian craftsmanship with the speed and efficiency of modern automation and represent 43% of our global production output. Five facilities are located in northeastern Italy, where most of the country's eyewear industry is based, and one is located near Turin.

Over the years, we have consolidated our manufacturing processes and allocated specific production roles and technologies to each plant. This has enabled us to improve both the productivity and quality of our manufacturing operations.

Three manufacturing facilities in China and a small plant in India collectively represent 43% of our production output. From 1998 to 2001, we operated the Dongguan plant in China's Guangdong province through our 50%-owned joint venture (Tristar Optical Company Ltd.) with a Japanese partner. In 2001, Luxottica acquired the remaining 50% interest in this Chinese manufacturer and, in 2006, we increased our manufacturing capacity in China through the construction of a new manufacturing facility to produce both metal and plastic frames. With the opening of this new facility, our annual average daily production in China increased by approximately 80% from 2005 to 2006. In 2010, our Tristar facility started producing plastic sun lenses to be paired with frames manufactured in the same location. In 2013, Luxottica integrated into its manufacturing processes a newly developed state-of-the-art plant, partly dedicated to decorations, utilizing techniques adapted from other industries.

The Foothill Ranch facility in California manufactures high-performance sunglasses and prescription frames and lenses and assembles most of Oakley's eyewear products. Oakley apparel, footwear, watches and certain goggles are produced by third-party manufacturers.

The manufacturing facility in Campinas, Brazil, acquired in January 2012, produces both plastic and metal frames for the Brazilian market. In September 2012, we launched the first locally designed and produced Vogue eyewear collection for this market. Between 2013 and 2014, we added the production of select Ray-Ban, Arnette and Oakley collections. In 2014, the Campinas plant produced approximately 50% of the eyewear sold by Luxottica in the Brazilian market.

Over the years, we have progressively diversified our technology mix from traditional metal, plastic injection and acetate slabs to include aluminum, wood, die casting, fabrics and LiteForce material. This technology shift has reduced the concentration of metal-based frames from 44% of total production output in 2010 to approximately 30% in 2014. The manufacturing process for all frames begins with the creation of precision tooling and molds based on prototypes developed by in-house designers and engineering staff.

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*Metal Frames*

Our manufacturing process for metal frames has approximately 70 different phases, beginning with the production of basic components such as rims, temples and bridges, which are produced through a molding process. These components are then welded together to form frames over numerous stages of detailed assembly work. Once assembled, the metal frames are treated with various coatings to improve their resistance and finish, and then prepared for lens fitting and packaging.

*Plastic Frames*

Plastic frames are manufactured using either a milling or an injection molding process. In the milling process, a computer controlled machine carves frames from colored acetate slabs. This process produces rims, temples and bridges that are then assembled, finished and packaged. In the injection molding process, plastic resins are liquefied and injected into molds. The plastic parts are then assembled, coated, finished and packaged.

We invest in research and development to strengthen our manufacturing processes on an on-going basis. As a result, we continue to invest to increase manufacturing capacity in Italy, China, the United States, Brazil and India, while benefitting from innovation and information technology enhancements. This commitment is expected to translate into increased efficiency and improved quality of our manufacturing processes.

**Suppliers**

The principal raw materials and components purchased for the manufacturing process include plastic resins, acetate sheets, metal alloys, crystal and plastic lenses and frame parts.

We purchase a substantial majority of raw materials in Europe and Asia and, to a lesser extent, in the United States. In addition, we use external suppliers for frames, lenses, eyewear cases, packaging materials, machinery and equipment, and for some logistic services. We also rely on outside suppliers for the production of Oakley apparel, footwear, accessories and watches.

Although, historically, prices of the raw materials used in our manufacturing process have been stable, in 2014, we continued to utilize a process to hedge the risk of price fluctuations for gold and palladium, in order to minimize the related impact. In November 2014, we entered into a jet fuel commodity swap transaction to hedge the risk of price fluctuations associated with fuel costs incurred in connection with our distribution operations. Regarding other raw materials and components used in our manufacturing process, we negotiate prices directly with our suppliers.

We have continued to build strong relationships with our major strategic suppliers. In 2014, we continued to monitor the risk management initiatives in our purchasing function to identify potential risks (impact and probability) and implemented mitigation actions if not already in place. With most suppliers, we maintain agreements that prohibit disclosure of our proprietary information or technology to third parties. Although our Oakley subsidiary relies on outside suppliers for most of the specific molded components of its glasses and goggles, it generally retains ownership of the molds used in the production of the components. Most of the components used in our products can be obtained from one or more alternative sources within a relatively short period of time, if necessary or desired. In addition, we have strengthened the in-house injection molding capability for sunglass lenses and built new ones on crystal lenses.

Essilor International ("Essilor") is one of the largest suppliers of our global retail operations, accounting for a significant portion of total North America retail lens merchandise purchases and related processing costs in 2014. We have entered into a number of long-term contracts with Essilor governing new products and services and have additional agreements directly with lens casters to ensure that we maintain adequate access to suppliers. Luxottica Retail North America Inc. ("Luxottica Retail N.A.") has



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long-term contracts with Essilor to finance, use and service anti-reflective equipment installed at selected LensCrafters in-store labs. In addition, EyeMed has a contract with Essilor to procure lab services for certain independent opticians, ophthalmologists and optometrists. We have not experienced any significant interruptions in our sourcing of supplies and we believe that the loss of Essilor or any of our other suppliers would not have a significant long-term impact on our operations.

Luxottica and Essilor have formed a long-term joint venture for the Australian and New Zealand markets. This alliance (which is majority controlled by Essilor) manages Eyebiz Laboratories Pty. Ltd., which provides lens manufacturing, finished lenses, and fitting services for Australia and New Zealand. This joint venture invested in a new, state-of-the-art facility in Thailand capable of providing 24-hour production seven days a week.

**Quality Control**

The satisfaction of wholesale clients and retail consumers is one of Luxottica's primary objectives. At Luxottica, achieving this objective means continually improving quality in every phase of our production and distribution cycles and this has been one of the drivers prompting our full vertical integration. By increasing production capacity in both developed and emerging countries, we are pursuing a crucial goal: delivering the same "Made in Luxottica" quality everywhere in the world. Wherever design and production of frames and sun lenses take place, a single quality system applies to every process involved, from product development to procurement, distribution, operational analysis and uniform and measurable performance management in the plants. Most of the manufacturing equipment that we use is specially designed and adapted for our manufacturing processes. This facilitates a rapid response to customer demand and an adherence to strict quality control standards.

Through on-going verification of precision and expertise in all the phases of production, we seek to manufacture a product of the highest quality. Quality and process control teams regularly inspect semi-finished products, verifying the feasibility of prototypes in the design phase, controlling standards in both the product development and production phases, subsequently checking for resistance to wear and tear and reviewing optical properties in relation to type of use. The manufacturing processes and materials used by primary suppliers are also controlled and certified.

We design products to meet or exceed relevant industry standards for safety, performance and durability. Throughout the development process, our eyewear products undergo extensive testing against standards established specifically for eyewear by ANSI (Z.80.3), ASTM, Standards Australia Limited (AS 1067) and EU (EN ISO 12312 and EN ISO 12870). These standards relate to product safety and performance and provide quantitative measures of optical quality, UV protection, light transmission and impact resistance.

To assure our quality standards worldwide and the right support for quality improvement, we have four main labs, one in each of Italy, China, Brazil and the United States. Each lab is responsible for establishing and maintaining the quality standards in the region where it is located and supports activities in engineering, production and market feedback management. All of our labs conduct the same tests using the same equipment and procedures, which are developed and approved in the central Italian lab.

In 2014, our Italian, Chinese and U.S. manufacturing facilities were granted accreditation by the American Association for Laboratory Accreditation (A2LA) for performing ISO 8624 and ISO 12870 tests on eyewear. The A2LA accreditation program provides formal recognition of the technical competence and quality management utilized in performing these specific tests.

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Every year, we enhance the performance criteria used in our standards tests and introduce new requirements. As a result of the effectiveness of our quality control program, the return rate for defective merchandise manufactured by us has remained stable at approximately 1% in 2014.

**DISTRIBUTION****Our Principal Markets**

The following table presents our net sales by geographic market and segment for the periods indicated:

| (Amounts in thousands of Euro) | Year Ended December 31, |                  |                  |
|--------------------------------|-------------------------|------------------|------------------|
|                                | 2014                    | 2013             | 2012             |
| European Retail                | 211,818                 | 170,000          | 134,020          |
| European Wholesale             | 1,295,283               | 1,272,789        | 1,183,279        |
| North America Retail           | 3,445,481               | 3,360,783        | 3,380,684        |
| North America Wholesale        | 841,290                 | 763,000          | 742,205          |
| Asia-Pacific Retail            | 616,998                 | 618,180          | 637,487          |
| Asia-Pacific Wholesale         | 432,910                 | 386,365          | 347,544          |
| Latam Retail <sup>(*)</sup>    | 155,583                 | 146,012          | 134,555          |
| Latam Wholesale <sup>(*)</sup> | 350,428                 | 324,228          | 299,086          |
| Other Retail                   | 28,679                  | 26,339           | 26,323           |
| Other Wholesale                | 273,847                 | 244,914          | 200,959          |
| <b>Total</b>                   | <b>7,652,317</b>        | <b>7,312,611</b> | <b>7,086,142</b> |

(\*)

Latam consists of countries in the Latin American region, primarily Brazil, Argentina, Ecuador, Mexico, Peru, Chile and Colombia.

**Logistics**

Our distribution system is globally integrated and supplied by a centralized manufacturing programming platform. The network linking the logistics and sales centers to the production facilities in Italy, China, the United States and Brazil also provides daily monitoring of global sales performance and inventory levels so that manufacturing resources can be programmed and warehouse stocks re-allocated to meet local market demand. This integrated system serves both the retail and wholesale businesses and is one of the most efficient and advanced logistics system in the industry, with 18 distribution centers worldwide, including 11 in the Americas, five in the Asia-Pacific region and two in Europe, which have allowed the Group to reduce worldwide logistics lead time year after year.

We have four main distribution centers (hubs) in strategic locations serving our major markets: Sedico (Italy), Atlanta, Georgia (United States), Ontario, California (United States) and Dongguan (China). They operate as centralized facilities incorporating a highly automated order management system, servicing other Group distribution centers or, in some markets, shipping products directly to customers, thereby further reducing delivery times and keeping stock levels low.

The Sedico hub was opened in 2001 and is one of the most technically advanced in the industry. In 2014, it managed approximately 20,000 orders per day, including eyeglasses and spare parts. Sedico ships approximately 210,000 units daily to customers in Europe, the Middle East, Africa, select U.S. markets and to the Group's distribution centers in the rest of the world, where they are then shipped to local customers. In addition, Sedico manages customized services, such as Ray-Ban Remix, providing direct global deliveries of these products.

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The Atlanta facility, opened in 1996, has consolidated several North America based facilities into a single state-of-the-art distribution center, which is located close to one of the major airport hubs of the United States. It serves both our retail and wholesale businesses in the North American market. This facility has a highly advanced cross-belt sorting system that can move up to 150,000 units per day.

The Dongguan hub was opened in 2006 and manages an average of 170,000 units per day. The growth in the Asia-Pacific region has made this hub a strategic part of the Group's distribution network. We continue to invest in ways to improve services and increase capacity in order to create even greater efficiencies in the region.

In 2013, the Group opened a distribution center in Jundiaí, Brazil, which is near São Paulo and offers targeted distribution services to customers.

**Wholesale Distribution**

Our wholesale distribution structure covers more than 130 countries, with approximately 50 commercial subsidiaries in major markets and approximately 100 independent distributors in other markets. Wholesale customers are mostly retailers of mid-to premium-priced eyewear, such as independent opticians, optical retail chains, specialty sun retailers, department stores and duty-free shops. We are currently seeking to further exploit new channels of distribution, such as department stores, travel retail and e-commerce.

Certain brands, including Oakley, also are distributed to sporting goods stores and specialty sports stores, including bike, surf, snow, skate, golf and motor sports stores.

In addition to giving wholesale customers access to some of the most popular brands, with a broad array of models tailored to the needs of each market, we also seek to provide them with pre- and post-sale services to enhance their business. These services are designed to provide customers with the best products in the best possible time frame.

We maintain close contact with our distributors in order to monitor sales and the quality of the points of sale that display our products.

In 2002, we introduced the STARS (Superior Turn Automatic Replenishment System) program within our wholesale division to provide third-party customers with an enhanced service that leverages our knowledge of local markets and brands to deliver fresh, high-turnover products and maintain optimal inventory levels at each point of sale. Strengthening the partnership between Luxottica and its customers, this program directly manages product selection activities, assortment planning and automatic replenishment of our products in the store on behalf of the third-party customer, utilizing ad hoc systems, tools and state-of-the-art planning techniques.

At the end of 2014, STARS served a total of over 4,000 stores in the major European markets, the United States, the Middle East and emerging markets.

**Retail Distribution**

With a strong portfolio of retail brands, we are well positioned to reach every segment of the market. The retail portfolio offers a variety of differentiation points for consumers, including the latest in designer and high-performance sun frames, advanced lens options, advanced eye care, everyday value and high-quality vision care health benefits.

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As of March 31, 2015, our retail business consisted of 6,457 corporate stores and 602 franchised locations as follows:

|  | North<br>America | Asia-<br>Pacific | China /<br>Hong<br>Kong | Europe     | Africa<br>and<br>Middle<br>East | Latam      | Total        |
|--|------------------|------------------|-------------------------|------------|---------------------------------|------------|--------------|
| LensCrafters                           | 935              |                  | 269                     |            |                                 |            | 1,204        |
| Pearle Vision                          | 177              |                  |                         |            |                                 |            | 177          |
| Sunglass Hut <sup>(1)</sup>            | 1,880            | 282              | 17                      | 327        | 131                             | 243        | 2,880        |
| ILORI and The Optical Shop of<br>Aspen | 30               |                  |                         |            |                                 |            | 30           |
| Oakley retail locations <sup>(2)</sup> | 177              | 28               |                         | 9          |                                 |            | 214          |
| Sears Optical                          | 630              |                  |                         |            |                                 |            | 630          |
| Target Optical                         | 347              |                  |                         |            |                                 |            | 347          |
| OPSM                                   |                  | 333              |                         |            |                                 |            | 333          |
| Laubman & Pank                         |                  | 30               |                         |            |                                 |            | 30           |
| David Clulow <sup>(3)</sup>            |                  |                  |                         | 112        |                                 |            | 112          |
| GMO <sup>(4)</sup>                     |                  |                  |                         |            |                                 | 473        | 473          |
| Oliver Peoples                         | 8                |                  |                         |            |                                 |            | 8            |
| Alain Mikli                            | 4                | 9                | 3                       | 3          |                                 |            | 19           |
| Franchised locations <sup>(5)</sup>    | 381              | 159              |                         | 6          | 48                              | 8          | 602          |
| <b>Total</b>                           | <b>4,569</b>     | <b>841</b>       | <b>289</b>              | <b>457</b> | <b>179</b>                      | <b>724</b> | <b>7,059</b> |

- (1) Includes Sunglass Icon locations in North America; Occhiali for Sunglasses in South Africa; Sun Planet in Latin America.
- (2) Includes Oakley "O" Stores and Vaults.
- (3) Includes David Clulow joint venture stores.
- (4) Includes Econópticas.
- (5) Includes franchised locations for Pearle Vision (380 locations), David Clulow, Sunglass Hut, Oakley "O" Stores and Vaults, Oliver Peoples and Alain Mikli.

Our retail stores sell not only prescription frames and sunglasses that we manufacture but also a wide range of prescription frames, lenses and ophthalmic products manufactured by other companies. In 2014, net sales from our proprietary and licensed brands represented approximately 89% of the total net sales of frames by the retail division (approximately 88% in 2013).

Optical Retail

Our optical retail operations are anchored by leading brands such as LensCrafters and Pearle Vision in North America, OPSM and Laubman & Pank in Australia and New Zealand and GMO in Latin America. We also have a retail presence in China, where we operate in the premium eyewear market with LensCrafters. Due to the fragmented nature of the European retail market, we do not operate optical retail stores in Europe outside of the United Kingdom, where we operate a network of over 100 David Clulow stores, selling both prescription and sun products. As of March 31, 2015, our optical retail business consisted of approximately 3,688 retail locations globally.

*LensCrafters*

Founded in 1983, LensCrafters pioneered a revolutionary concept to combine eye care, eyewear and onsite labs to craft glasses in about an hour. Today, in terms of sales, LensCrafters is the largest optical retailer in North America.

Most LensCrafters stores are located in high-traffic commercial malls and shopping centers. A wide array of premium prescription frames and sunglasses, mostly made by Luxottica, and a wide range of high-quality lenses and optical products made by other suppliers, are available in most locations. In addition, many North American locations include either an independent or an employed doctor of

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optometry and a fully equipped, state-of-the-art lens laboratory with the technology to craft, surface, finish and fit lenses in about one hour.

As part of its underlying commitment to customer satisfaction and industry innovation, over the last few years, LensCrafters has invested in technology to enable a distinctive signature customer experience by including the AccuFit Digital Measurement technology, providing a lens fit with five times greater precision than traditional methods. The majority of in-store labs offer the anti-reflective coating capability supporting the "one hour service" concept. LensCrafters continues its investment with iPads in all stores to enhance the customer's omni channel experience, and a digital eye exam experience with AccuExam in certain locations.

In 2006, Luxottica began to expand the LensCrafters brand in China by rebranding the stores that we acquired through the acquisition of local retail chains in Beijing, Shanghai, Guangdong and Hong Kong. As of March 31, 2015, we operated a retail network of 1,204 LensCrafters stores, of which 935 stores are in North America and 269 stores are in China and Hong Kong.

*Pearle Vision*

Acquired by Luxottica in 2004, Pearle Vision is one of the largest franchised optical retailers in North America. It is dedicated to improving the optical experience by allowing local business operators to focus on providing genuine eye care in their respective neighborhoods.

As of March 31, 2015, Pearle Vision operated 177 corporate stores and had 380 franchise locations throughout North America.

*Retail Licensed Brands*

With the acquisition of Cole National in 2004, Luxottica acquired a network of retail locations in North America operating under the brand names of their respective host retail stores. These licensed "retail brands" are Sears Optical and Target Optical and offer consumers the convenience of taking care of their optical needs while shopping at their preferred retailers. These two brands have precise marketing positions within Luxottica, reinforced by favorable service levels, strong reputations and some of our most well-known brands including Ray-Ban and Vogue.

As of March 31, 2015, Luxottica operated 630 Sears Optical and 347 Target Optical locations throughout North America.

*OPSM*

OPSM is a leading eye care and eyewear retailer in Australia and New Zealand, with more than 80 years of history. Through its world-class technology and exceptional service, OPSM's goal is to raise the standard of eye health and eye care. In addition to its eye care services, OPSM is renowned for its range of optical frames and sunglasses from international brands.

As of March 31, 2015, Luxottica operated 290 corporate-owned stores and 50 franchise locations throughout Australia. OPSM also has 43 corporate-owned stores in New Zealand and eight franchise locations, mainly in large urban areas.

*Laubman & Pank*

Laubman & Pank is renowned for high quality eye care and personalized service in regional Australian markets. As of March 31, 2015, Luxottica owned 30 stores and there were 16 franchise locations throughout Australia.

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*GMO*

GMO, an optical market leader in Latin America, became a part of Luxottica Group in July 2011, following the acquisition of Multiópticas Internacional. Since its beginning in the late 1990s, GMO has developed a reputation for optical retail excellence among consumers in Chile, Peru, Ecuador and Colombia with its strong Opticas GMO and Econópticas retail brands. As of March 31, 2015, Luxottica operated 369 Opticas GMO stores and 104 Econópticas stores.

*EyeMed Vision Care*

EyeMed Vision Care is the United States' second largest vision benefits company in terms of managed care membership, servicing approximately 39 million members in large and medium-sized companies as well as government entities. Managed care members are usually enrolled through employer-sponsored benefits sold directly by EyeMed or bundled with benefits offered by insurance companies. EyeMed offers the largest provider network in the United States featuring a diverse range of independent practitioners and retail locations, including Luxottica optical retail locations.

*Lens Laboratories*

In addition to LensCrafters' over 900 in-store labs, we operate three central lens surfacing/finishing labs in North America and an additional lab based in China dedicated to North American optical retail. Leveraging the combined network capabilities of in-store and central labs, Luxottica lens operations reduce the time and cost to surface and finish lenses while improving the quality of service. All of our labs use state-of-the-art technologies to meet growing demand. The central laboratories serve all of our North American optical retail stores.

In addition, we operate Oakley optical lens laboratories in the United States, Ireland and Japan. These labs provide Oakley prescription lenses to the North and South American, European and Asian markets, respectively, enabling them to achieve expeditious delivery, better quality control and higher optical standards.

Most of the Australian laboratory needs are provided by the Eyebiz Laboratory, a joint venture between Luxottica and Essilor formed in February 2010.

*E-commerce*

Our Oakley, Ray-Ban and Sunglass Hut e-commerce websites serve as important sales channels that complement Luxottica's retail operations and international distribution. The websites drive brand awareness and allow consumers to purchase products efficiently, extending superior customer service into the digital space.

*Ray-Ban.com* was launched in the United States in 2009 and is the place to go for a premium Ray-Ban assortment, exclusive services and a customer experience that is unique to the brand. The path of international e-commerce expansion for the Ray-Ban brand is closely tied to Ray-Ban Remix, the online customization service, which was initially launched in Europe in 2013. The success of the service led to Remix launches in the United States, Canada and China in 2014.

*Oakley.com* provides an e-commerce channel across multiple markets including the United States, Canada, Australia, Japan and 16 countries in Europe.

Launched in 2008, *SunglassHut.com* has become the digital destination for consumers looking to find the latest trends and hottest products in premium sunglasses. In 2014, the United Kingdom and Brazil joined the United States, Canada and Australia in offering online shopping on its local Sunglass Hut websites. Additionally, Sunglass Hut redesigned its mobile and desktop sites across all countries to enhance customer experiences, storytelling and business performance.

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In 2014, Luxottica acquired *glasses.com*, an advanced digital player in the North American eyewear industry. *Glasses.com* developed an exclusive virtual mirroring technology accessible through smartphones or tablets that uses a 3D image of the user's face to allow for multiple try-on options with real likeness.

The e-commerce strategy is to enter additional markets as the business matures. For example, we formed strategic partnerships in China to open both Ray-Ban and Oakley stores within Tmall, the largest local online mall.

*Sun and Luxury Retail*

*Sunglass Hut*

Since the acquisition of Sunglass Hut in 2001, we have become a world leader in the specialty sunglass retail business.

Founded in 1971 as a small kiosk in a Miami mall, Sunglass Hut has grown since then into one of the world's leading destinations for top brands, latest trends and exclusive styles of high-quality fashion and performance sunglasses. Stores can be found in fashionable shopping districts across the globe, from the Americas, Europe and the Middle East to Australia, South Africa, Hong Kong and beyond, providing consumers with a fun, innovative fashion and shopping experience.

Sunglass Hut has been expanding its presence in developed markets and emerging markets, including Brazil, Mexico, Chile and India, while making its mark in Southeast Asia, with new openings in Malaysia and Indonesia. Furthermore, Sunglass Hut aims to provide a unified experience across all customer touchpoints (online, in-store, social and mobile), offering customers a premier experience and, utilizing in-store digital tools, access to the maximum assortment of sunglasses in every store location. As part of this strategy, the brand is investing in the digitalization of the "in-store" shopping experience, particularly in North America, Brazil, the United Kingdom and Australia.

As of March 31, 2015, Sunglass Hut operated a retail network of 2,986 stores worldwide, including 2,880 corporate stores across North America, Asia-Pacific, Europe, South Africa and Latin America and 106 franchise locations in North America, India and the Middle East.

*ILORI*

ILORI is Luxottica's high-end fashion sun retail brand, with 17 stores in North America as of March 31, 2015, including flagship stores in the SoHo neighborhood of New York City and in Beverly Hills, California. ILORI caters to exclusive clientele, offering a richer purchasing experience for eyewear in prestige locations, featuring sophisticated luxury collections, exclusive niche brands and highly personalized service.

*The Optical Shop of Aspen*

Founded in the 1970s, The Optical Shop of Aspen is known in the optical industry for its luxury brands for both prescription frames and sunglasses and its first class customer service. As of March 31, 2015, we operated 13 stores in some of the most upscale and exclusive locations throughout the United States.

*Oliver Peoples*

We operate 12 luxury retail stores under the Oliver Peoples brand. The Oliver Peoples brand retail stores only offer Oliver Peoples and Paul Smith products. As of March 31, 2015, four Oliver Peoples retail locations are operated under license in Tokyo and Los Angeles.



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*Alain Mikli*

We operate 21 luxury retail stores under the Alain Mikli brand of which two are franchised. The stores are located in the most prestigious cities worldwide.

*David Clulow*

We operate David Clulow, a premium optical retailer in the United Kingdom and Ireland. The brand emphasizes service, quality and fashion. Its marketing is targeted to reinforce these brand values and build long-term relationships with customers. In addition to operating optical stores, David Clulow operates a number of designer sunglass concessions in up-market department stores, further reinforcing our position as a premium brand in the United Kingdom. As of March 31, 2015, David Clulow operated 39 corporate owned locations (including five joint ventures), one franchise locations and 73 sun stores/concessions.

*Oakley "O" Stores and Vaults*

As of March 31, 2015, we operated 249 Oakley "O" Stores and Vaults worldwide (including 35 franchise locations), offering a full range of Oakley products including sunglasses, apparel, footwear and accessories. These stores are designed and merchandised to immerse consumers in the Oakley brand through innovative use of product presentation, graphics and original audio and visual elements. In the United States, Oakley "O" Stores are in major shopping centers. Outside of the United States, Oakley's retail operations are principally located in Mexico, Europe and the Asia-Pacific region.

**MARKETING**

Our marketing and advertising activities are designed primarily to enhance our image and our brand portfolio and to drive traffic into our retail locations.

Advertising expenses amounted to approximately 6.7% and 6.6% of our net sales in 2014 and 2013, respectively.

**Marketing Strategy for Our Wholesale Business**

Our marketing strategy for the wholesale business is focused on promoting our extensive brand portfolio, our corporate image and the value of our products. Advertising is extremely important in supporting our marketing strategy, and therefore we engage in extensive advertising activities, both through various media (mainly print, billboard advertising and digital media) directed at the end consumer of our products and at the point of sale (displays, counter cards, catalogs, posters and product literature).

In addition, we advertise in publications targeted to independent practitioners and other market specific magazines, participate in major industry trade fairs and organize and sponsor our own events, where we promote our collections and recommend ideal assortments.

We also benefit from brand-name advertising carried out by licensors of our designer brands intended to promote the image of the eyewear collections. Our advertising and promotional efforts in respect of our licensed brands are developed in coordination with our licensors. We contribute to the designer a specified percentage of our sales of the designer line to be devoted to its advertising and promotion.

As part of our marketing plan, public relations programs and activities play a key role globally to enhance and elevate the eyewear category, our proprietary and licensed brands as well as our collections with a view to targeting influential editors, consumer and trade media, celebrities and other VIPs.

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For our Oakley brand, we also use less conventional marketing methods, including sports marketing, involvement in grass-roots sporting events and targeted product allocations. The exposure generated by athletes wearing Oakley products during competition and in other media appearances serves as a more powerful endorsement of product performance and style than traditional commercial endorsements and results in strong brand recognition and authenticity on a global level.

**Marketing Strategy for Our Retail Business**

We engage in promotional, advertising and public relations activities through our retail business with the objectives of attracting customers to the stores, promoting sales, building our image and the visibility of our retail brands throughout the world and encouraging customer loyalty and repeat purchases.

The "O" Stores and Vaults are designed and merchandised to immerse the consumer in the Oakley brand through innovative use of product presentation, graphics and original audio and visual elements.

A considerable amount of our retail marketing budget is dedicated to direct marketing activities, such as communications with customers through mailings and catalogs. Our direct marketing activities benefit from our large database of customer information and investment in customer relationships, marketing technologies and skills in the United States and in Australia. Another significant portion of the marketing budget is allocated to broadcast and print media, such as television, radio and magazines, designed to reach the broad markets in which we operate with image building messages about our retail business.

**ANTI-COUNTERFEITING POLICY**

Intellectual property is one of our most important assets and is protected through the registration and enforcement of our trademarks and patents around the world. Our commitment is demonstrated through the on-going results of our anti-counterfeiting activities and increased leveraging of our global organization. Trademarks and products from market leaders are increasingly copied and the implementation of a strong global anti-counterfeiting program allows us to send a strong message both to infringers and to our authorized distribution network. This program allows us, on the one hand, to exercise our rights against retailers of counterfeit eyewear and wholesalers and manufacturers that supply them and, on the other hand, to send a message to our authorized distributors that we value our intellectual property and will work diligently to protect it.

Through a strong investigative network, especially in China, we have been able to identify key sources of counterfeit goods, to assist local law enforcement in investigating these sources and, when applicable, to file legal actions against the counterfeiters.

Additionally, we continue to consolidate and strengthen our cooperation with customs organizations around the world, which helps to stop, seize and destroy hundreds of thousands of counterfeit goods each year. We are a member of the major global anti-counterfeiting organizations including the International AntiCounterfeiting Coalition (IACC), the International Trademark Association (INTA) and the Quality Brands Protection Committee (QBPC).

We dedicate considerable efforts to monitoring the trafficking of counterfeit goods through the internet, and work actively to remove counterfeit eyewear from certain popular online auction platforms and shut down the websites that violate our intellectual property rights through the sale of counterfeit products or the unauthorized use of our trademarks.

**TRADEMARKS, TRADE NAMES AND PATENTS**

Our principal trademarks or trade names include *Luxottica*, *Ray-Ban*, *Oliver Peoples*, *Oakley*, *Persol*, *Vogue*, *Arnette*, *LensCrafters*, *Sunglass Hut*, *ILORI*, *Pearle Vision*, *OPSM*, *Laubman & Pank*, and the

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Oakley ellipsoid "O" and square "O" logos. Our principal trademarks are registered worldwide. Other than *Luxottica*, *Ray-Ban*, *Oakley*, *LensCrafters*, *Sunglass Hut*, *Pearle Vision*, *OPSM* and the Oakley ellipsoid "O" and square "O" logos, we do not believe that any single trademark or trade name is material to our business or results of operations. The collection of *Oakley* and *Ray-Ban* products accounted for 11.7% and 27.0%, respectively, of our net sales in 2014. We believe that our trademarks have significant value for the marketing of our products and that having distinctive marks that are readily identifiable is important for creating and maintaining a market for our products, identifying our brands and distinguishing our products from those of our competitors. Therefore, we utilize a combination of logos, names and other distinctive elements on nearly all of our products.

We utilize patented and proprietary technologies and precision manufacturing processes in the production of our products. As of March 31, 2015, we held a portfolio of over 750 (mostly Oakley-related) patents worldwide that protect our designs and innovations.

The design patents largely protect the distinctive designs of Oakley's innovative products, including its sunglasses, goggles, prescription eyewear, watches and footwear. Some of the most important utility patents relate to the following categories: innovations in lens technology and the associated optical advances; electronically enabled eyewear; innovations in frame design and functionality; biased, articulating and dimensionally stable eyewear; and interchangeable lenses.

See Item 3 "Key Information Risk Factors If we are unable to protect our proprietary rights, our sales might suffer, and we may incur significant additional costs to defend such rights."

**LICENSE AGREEMENTS**

We have entered into license agreements to manufacture and distribute prescription frames and sunglasses with numerous designers. These license agreements typically have terms ranging from four to ten years, but may be terminated early by either party for a variety of reasons, including non-payment of royalties, failure to meet minimum sales thresholds, product alteration and, under certain agreements, a change in control of Luxottica Group S.p.A.

Under these license agreements, we are required to pay a royalty which generally ranges from 6% to 14% of the net sales of the relevant collection, which may be offset by any guaranteed minimum royalty payments. The license agreements also provide for a mandatory marketing contribution that generally amounts to between 5% and 10% of net sales.

We believe that early termination of one or a small number of the current license agreements would not have a material adverse effect on our results of operations or financial condition. Upon any early termination of any existing license agreement, we expect that we would seek to enter into alternative arrangements with other designers to reduce any negative impact of such a termination.

The table below summarizes the principal terms of our most significant license agreements.

| <b>Licensor</b>              | <b>Licensed Marks</b>  | <b>Territory</b>            | <b>Expiration</b> |
|------------------------------|--|-----------------------------|-------------------|
| Giorgio Armani S.p.A.        | Giorgio Armani<br>Emporio Armani<br>A/X Armani Exchange                          | Worldwide exclusive license | December 31, 2022 |
| Brooks Brothers Group, Inc.* | Brooks Brothers  | Worldwide exclusive license | December 31, 2019 |
| Burberry Limited             | Burberry<br>Burberry Check<br>Equestrian Knight Device<br>Burberry Black Label** | Worldwide exclusive license | December 31, 2015 |
| Bulgari S.p.A.               | Bulgari  | Worldwide exclusive license | December 31, 2020 |

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| <b>Licensor</b>                               | <b>Licensed Marks</b>  | <b>Territory</b>            | <b>Expiration</b>  |
|---|--|-----------------------------|--|
| Chanel Group                                  | Chanel   | Worldwide exclusive license | December 31, 2018 (renewable until December 31, 2020)    |
| Coach, Inc.                                   | Coach Poppy<br>Coach<br>Reed Krakoff   | Worldwide exclusive license | June 30, 2016<br>(renewable until June 30, 2024)         |
| Dolce & Gabbana S.r.l.                        | Dolce & Gabbana  | Worldwide exclusive license | December 31, 2015  |
| Donna Karan Studio LLC                        | DKNY   | Worldwide exclusive license | June 30, 2016  |
| Gianni Versace S.p.A.                         | Gianni Versace<br>Versace<br>Versace Sport<br>Versus   | Worldwide exclusive license | December 31, 2022  |
| Michael Kors Group                            | Michael Kors<br>Michael Michael Kors   | Worldwide exclusive license | December 31, 2024  |
| Paul Smith Limited                            | Paul Smith<br>PS Paul Smith  | Worldwide exclusive license | December 31, 2018<br>(renewable until December 31, 2023) |
| Prada S.A.                                    | Prada<br>Miu Miu   | Worldwide exclusive license | December 31, 2018  |
| PHS General Design SA                         | Starck Eyes  | Worldwide exclusive license | December 31, 2018<br>(renewable until December 31, 2023) |
| PRL USA Inc.<br>The Polo/Lauren<br>Company LP | Polo by Ralph Lauren<br>Ralph Lauren<br>Ralph (Polo Player<br>Design) Lauren<br>RLX<br>RL<br>Ralph<br>Ralph/Ralph Lauren<br>Lauren by Ralph Lauren<br>Polo Jeans Company<br>The Representation of the<br>Polo Player<br>Chaps*** | Worldwide exclusive license | March 31, 2017   |

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| <b>Licensor</b>                                 | <b>Licensed Marks</b>                        | <b>Territory</b>   | <b>Expiration</b>  |
|---|--|--|--|
| Stella McCartney Limited<br>Tiffany and Company | Stella McCartney<br>TIFFANY & CO.<br>Tiffany | Worldwide exclusive license<br>Exclusive license in<br>United States of America<br>including all possessions and<br>territories thereof, Canada,<br>Mexico, Barbados, Cayman<br>Islands, Jamaica, Panama,<br>Netherlands Antilles, South<br>America (excluding<br>Argentina), Middle East<br>(excluding Iran, Iraq, Yemen,<br>Jordan and Kuwait), Morocco,<br>Tunisia, South Africa,<br>United Kingdom, France,<br>Germany, Italy, Austria,<br>Holland, Spain, Belgium,<br>Greece, Poland, Portugal,<br>Switzerland, Bosnia, Bulgaria,<br>Kosovo, Malta, Romania,<br>Slovakia, Hungary, Croatia,<br>Slovenia Republic, Russian<br>Federation, Azerbaijan,<br>Kazakhstan, Republic of<br>Georgia, Ukraine, Baltic<br>Countries, Singapore, Taiwan,<br>Thailand, Vietnam, China,<br>India, Pakistan, Philippines,<br>South Korea, Japan, Australia | December 31, 2014****<br>December 31, 2017               |
| Tory Burch LLC                                  | Tory Burch<br>TT                             | Worldwide exclusive license  | December 31, 2019<br>(renewable until December 31, 2024) |

\*  
Brooks Brothers Group, Inc. is indirectly owned and controlled by one of our directors whose term expires upon the approval of the Company's financial statements for the year ended December 31, 2014.

\*\*  
Japan only.

\*\*\*  
United States, Canada, Mexico and Japan only.

\*\*\*\*  
License expired on December 31, 2014 with a "sell-off" period that has been extended to December 31, 2015.

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**REGULATORY MATTERS**

Our products are subject to governmental health and safety regulations in most of the countries where they are sold, including the United States. We regularly inspect our production techniques and standards to ensure compliance with applicable requirements. Historically, compliance with such requirements has not had a material effect on our operations.

In addition, governments throughout the world impose import duties and tariffs on products being imported into their countries. Although in the past we have not experienced situations in which the duties or tariffs imposed materially impacted our operations, we can provide no assurances that this will be true in the future.

Our past and present operations, including owned and leased real property, are subject to extensive and changing environmental laws and regulations pertaining to the discharge of materials into the environment, the handling and disposition of waste or otherwise relating to the protection of the environment. We believe that we are in substantial compliance with applicable environmental laws and regulations. However, we cannot predict with any certainty that we will not in the future incur liability under environmental statutes and regulations with respect to contamination of sites formerly or currently owned or operated by us (including contamination caused by prior owners and operators of such sites) and the off-site disposal of hazardous substances.

Our retail operations are also subject to various legal requirements in many countries in which we operate our business that regulate the permitted relationships between licensed optometrists or ophthalmologists, who primarily perform eye examinations and prescribe corrective lenses, and opticians, who fill such prescriptions and sell eyeglass frames.

We produce and sell to the U.S. government, including the U.S. military, and to other governments, certain Oakley and ESS protective eyewear and other products. As a result, our operations are subject to various regulatory requirements, including the necessity of obtaining government approvals for certain products, country-of-origin restrictions on materials in certain products, U.S.-imposed restrictions on sales to specific countries, foreign import controls, and various decrees, laws, taxes, regulations, interpretations and court judgments that are not always fully developed and that may be retroactively or arbitrarily applied. Our EyeMed subsidiaries are also U.S. government subcontractors and, as a result, we must comply with, and are affected by, the U.S. laws and regulations related to conducting business with the U.S. government. Additionally, we could be subject to periodic audits by U.S. government personnel for contract and other regulatory compliance.

**COMPETITION**

We believe that our integrated business model, innovative technology and design, integrated sunglass manufacturing capabilities, effective brand and product marketing efforts and vigorous protection of our intellectual property rights are important aspects of competition and are among our primary competitive advantages.

The prescription frame and sunglasses industry is highly competitive and fragmented. As we market our products throughout the world, we compete with many prescription frame and sunglass companies in various local markets. The major competitive factors include fashion trends, brand recognition, marketing strategies, distribution channels and the number and range of products offered. We believe that some of our largest competitors in the design, manufacturing and wholesale distribution of prescription frames and sunglasses are De Rigo S.p.A., Marchon Eyewear, Inc., Marcolin S.p.A., Safilo Group S.p.A., Silhouette International, Schmieid AG and Maui Jim, Inc.

Several of our most significant competitors in the manufacture and distribution of eyewear are significant vendors to our retail division. Our success in these markets will depend on, among other things, our ability to manage an efficient distribution network and to market our products effectively as well as the popularity and market acceptance of our brands. See Item 3 "Key Information Risk

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Factors "If we are unable to successfully introduce new products and develop our brands, our future sales and operating performance may suffer" and "If we fail to maintain an efficient distribution and production network or if there is a disruption to our critical manufacturing plants or distribution network in highly competitive markets, our business, results of operations and financial condition could suffer."

The highly competitive optical retail market in North America includes a large number of small independent competitors and several national and regional chains of optical superstores. In recent years, a number of factors, including consolidation among retail chains and the emergence of optical departments in discount retailers, have resulted in significant competition within the optical retailing industry. We compete against several large optical retailers in North America, including Wal-Mart and Visionworks, and, in the sunglasses area, department stores and numerous sunglass retail chains and outlet centers. In Australia and New Zealand, we compete against retail chains, including Specsavers, as well as independent optical stores and online retailers. Our optical retail operations emphasize product quality, selection, customer service and convenience. We do not compete primarily on the basis of price.

We believe that Oakley and our other sports brands are leaders in non-prescription sports eyewear, where they mostly compete with smaller sunglass and goggle companies in various niches and a number of large eyewear and sports products companies that market eyewear.

The managed vision care market in North America is highly competitive. EyeMed has a number of competitors, including Vision Service Plan ("VSP"), Davis Vision and Spectera. While VSP was founded almost 58 years ago and is the current market leader, EyeMed's consistent year-over-year growth has enabled us to become the second largest market competitor in terms of funded lives. EyeMed competes based on its ability to offer a network and plan design with the goal of delivering overall value based on the price, accessibility and administrative services provided to clients and their members.

**SEASONALITY**

We have historically experienced sales volume fluctuations by quarter due to seasonality associated with the sale of sunglasses, which represented 55.7% and 53.9% of our sales in 2014 and 2013, respectively. As a result, our net sales are typically higher in the second quarter, which includes increased sales to wholesale customers and increased sales in our Sunglass Hut stores, and lower in the first quarter, as sunglass sales are lower in the cooler climates of North America, Europe and Northern Asia. These seasonal variations could affect the comparability of our results from period to period. Our retail fiscal year is either a 53-week year or a 52-week year, which also can affect the comparability of our results from period to period. When a 53-week year occurs, we generally add the extra week to the fourth quarter. A 53-week year occurs in five- to six-year intervals and occurred in fiscal 2014 in North America, the United Kingdom, Europe and South Africa.

**ORGANIZATIONAL STRUCTURE**

We are a holding company, and the majority of our operations are conducted through our wholly-owned subsidiaries. We operate in two industry segments: (i) manufacturing and wholesale distribution, and (ii) retail distribution. In the retail segment, we primarily conduct our operations through LensCrafters, Sunglass Hut, Pearle Vision, the retail licensed brands and OPSM. In the manufacturing and wholesale distribution segment, we operate through 12 manufacturing plants and approximately 50 geographically oriented wholesale distribution subsidiaries. See "Distribution" for a breakdown of

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the geographic regions. The significant subsidiaries controlled by Luxottica Group S.p.A., including holding companies, are:

| <b>Subsidiary</b>                              | <b>Country of Organization</b> | <b>Percentage of Ownership</b> |
|--|--------------------------------|--------------------------------|
| <b><u>Manufacturing</u></b>                    |                                |                                |
| Luxottica S.r.l.                               | Italy                          | 100%                           |
| Luxottica Tristar (Dongguan) Optical Co., Ltd. | China                          | 100%                           |
| <b><u>Distribution</u></b>                     |                                |                                |
| Luxottica USA LLC                              | United States                  | 100%                           |
| Luxottica Retail North America Inc.            | United States                  | 100%                           |
| Sunglass Hut Trading, LLC                      | United States                  | 100%                           |
| OPSM Group Pty Limited                         | Australia                      | 100%                           |
| Luxottica Trading and Finance Limited          | Ireland                        | 100%                           |
| <b><u>Holding companies</u></b>                |                                |                                |
| Luxottica U.S. Holdings Corp.                  | United States                  | 100%                           |
| Luxottica South Pacific Holdings Pty Limited   | Australia                      | 100%                           |
| Luxottica (China) Investment Co. Ltd.          | China                          | 100%                           |
| Oakley, Inc. <sup>(1)</sup>                    | United States                  | 100%                           |
| Arnette Optic Illusions, Inc.                  | United States                  | 100%                           |
| The United States Shoe Corporation             | United States                  | 100%                           |

(1) In addition to being a holding company, Oakley, Inc. is also a manufacturer and a distributor.



Table of Contents**PROPERTY, PLANT AND EQUIPMENT**

Our corporate headquarters is located at Piazzale L. Cadorna 3, Milan 20123, Italy. Information regarding the location, use and approximate size of our principal offices and facilities as of March 31, 2015 is set forth below:

| <b>Location</b>   | <b>Use</b>  | <b>Owned/<br/>Leased</b> | <b>Approximate<br/>Area in<br/>Square<br/>Feet</b> |
|---|---|--------------------------|--|
| Milan, Italy  | Corporate headquarters  | Leased                   | 174,875  |
| Milan, Italy  | Offices (former corporate headquarters)                                       | Owned                    | 115,716  |
| Agordo, Italy <sup>(1)</sup>  | Administrative offices and manufacturing facility                             | Owned                    | 926,200  |
| Mason (Ohio), United States   | North American retail division headquarters                                   | Owned                    | 415,776  |
| Atlanta (Georgia), United States                                      | North American distribution center  | Owned                    | 183,521  |
| Campinas, Brazil  | Manufacturing and research facility, administrative offices and related space | Leased                   | 484,391  |
| Port Washington (New York), United States                             | U.S. corporate headquarters and wholesale division                            | Leased                   | 35,000   |
| Foothill Ranch/Lake Forest (California), United States <sup>(2)</sup> | Oakley headquarters, manufacturing facility and ophthalmic laboratory         | Owned                    | 850,713  |
| Ontario (California), United States                                   | Oakley eyewear, apparel and footwear distribution centers                     | Leased                   | 643,301  |
| Macquarie Park, Australia   | Offices   | Leased                   | 43,572   |
| Revesby, Australia  | Distribution center   | Leased                   | 61,054   |
| Cincinnati (Ohio), United States                                      | Warehouse, distribution center  | Leased                   | 96,000   |
| Dallas (Texas), United States   | Ophthalmic laboratory, distribution center, office                            | Leased                   | 128,869  |
| Memphis (Tennessee), United States                                    | Ophthalmic laboratory   | Leased                   | 59,350   |
| Columbus (Ohio), United States  | Ophthalmic laboratory, distribution center                                    | Leased                   | 121,036  |
| Salt Lake City (Utah), United States                                  | Ophthalmic laboratory, warehouse, offices                                     | Leased                   | 47,171   |
| St. Albans (Hertfordshire), United Kingdom                            | Offices   | Leased                   | 15,600   |
| Dongguan, China <sup>(1)(3)</sup>                                     | Office, manufacturing facility, land and dormitories                          | Leased                   | 4,571,088  |
| Shanghai, China <sup>(4)</sup>  | Offices   | Leased                   | 51,643   |
| Bhiwadi, India <sup>(5)</sup>   | Manufacturing facility, administrative offices                                | Leased                   | 343,474  |
| Rovereto, Italy   | Frame manufacturing facility  | Owned                    | 228,902  |
| Sedico, Italy <sup>(1)</sup>  | Distribution center   | Owned                    | 392,312  |
| Cencenighe, Italy   | Semi-finished product manufacturing facility                                  | Owned                    | 59,892   |
| Lauriano, Italy   | Frame and crystal lenses manufacturing facility                               | Owned                    | 292,078  |
| Pederobba, Italy <sup>(1)(6)</sup>                                    | Frame manufacturing facility  | Owned                    | 191,722  |
| Sedico, Italy <sup>(1)</sup>  | Frame manufacturing facility  | Owned                    | 342,830  |
| Izmir, Turkey <sup>(7)</sup>  | Turkish headquarters, offices, warehouse and frame manufacturing facility     | Leased                   | 92,750   |
| Santiago, Chile   | Offices, warehouse, finishing lab   | Leased                   | 41,484   |
| São Paulo, Brazil   | Administrative offices  | Leased                   | 51,010   |
| Jundiaí, Brazil   | Distribution center   | Leased                   | 81,698   |
| Manhattan (New York), United States                                   | Offices   | Leased                   | 14,406   |

(1)

Facility is comprised of several different premises located within the same municipality.

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- (2) Facility is comprised of several different premises located in Foothill Ranch and Lake Forest, California, United States. The premises in Lake Forest (313,813 square feet) are leased.
- (3) Facility consists of 1,422,545 square feet dedicated to offices and manufacturing and the rest consists of dormitories, related facilities and undeveloped land. We have leased this facility for 50 years beginning in 2004. A new distribution center is under construction in Dongguan to expand our distribution capacity.
- (4) Facility is comprised of three different premises located within the same municipality. The office lease of Luxottica (China) Investment Co. Ltd. is subject to a mortgage.
- (5) We have leased such facility for 99 years beginning in 1989.
- (6) 25,963 square feet of this facility are leased.
- (7) Renewal of the office space lease is expected to be completed in April 2015.

A substantial number of our retail stores are leased. See " Distribution Retail Distribution" above for more information about our retail locations and a breakdown of geographic regions. All of our retail store leases expire between 2015 and 2025 and have terms that we believe are generally reasonable and reflective of market conditions.

We believe that our current facilities (including our manufacturing facilities) are adequate to meet our present and reasonably foreseeable needs. There are no encumbrances on any of our principal owned properties.

**RECENT DEVELOPMENTS**

On February 27, 2015, the Group terminated its Euro 500 million multicurrency (Euro/U.S. dollars) revolving credit facility. As of the date of termination, the facility was undrawn. For a discussion of this facility see "*The Euro 500 Million Multicurrency Revolving Credit Facility*" in Item 5 "Operating and Financial Review and Prospects Liquidity and Capital Resources Our Indebtedness."

**ITEM 4A. UNRESOLVED STAFF COMMENTS**

None.

**ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS**

The following discussion should be read in conjunction with the Consolidated Financial Statements included elsewhere in this Annual Report. Such financial statements have been prepared in accordance with IFRS as issued by the IASB.

**Overview**

We operate in two industry segments: (i) manufacturing and wholesale distribution and (ii) retail distribution. Through our manufacturing and wholesale distribution segment, we are engaged in the design, manufacture, wholesale distribution and marketing of proprietary brand and designer lines of mid- to premium-priced prescription frames and sunglasses and, through Oakley, of performance optics products. We operate in our retail segment principally through our retail brands, which include LensCrafters, Sunglass Hut (including those in host stores), Pearle Vision, ILORI, The Optical Shop of Aspen, GMO, OPSM, Laubman & Pank, Oakley "O" Stores and Vaults, David Clulow and our retail

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licensed brands (Sears Optical and Target Optical). As of December 31, 2014, the retail segment consisted of 6,471 corporate-owned retail locations and 613 franchised locations as follows:

|  | North<br>America | Asia-<br>Pacific | China/<br>Hong<br>Kong | Europe     | Africa<br>and<br>Middle<br>East | Latam      | Total        |
|--|------------------|------------------|------------------------|------------|---------------------------------|------------|--------------|
| LensCrafters                           | 942              |                  | 262                    |            |                                 |            | 1,204        |
| Pearle Vision                          | 186              |                  |                        |            |                                 |            | 186          |
| Sunglass Hut <sup>(1)</sup>            | 1,901            | 283              | 12                     | 323        | 131                             | 232        | 2,882        |
| ILORI and The Optical Shop of<br>Aspen | 30               |                  |                        |            |                                 |            | 30           |
| Oakley retail locations <sup>(2)</sup> | 178              | 28               |                        | 9          |                                 |            | 215          |
| Sears Optical                          | 638              |                  |                        |            |                                 |            | 638          |
| Target Optical                         | 346              |                  |                        |            |                                 |            | 346          |
| OPSM                                   |                  | 340              |                        |            |                                 |            | 340          |
| Laubman & Pank                         |                  | 30               |                        |            |                                 |            | 30           |
| David Clulow <sup>(3)</sup>            |                  |                  |                        | 99         |                                 |            | 99           |
| GMO <sup>(4)</sup>                     |                  |                  |                        |            |                                 | 474        | 474          |
| Oliver Peoples                         | 8                |                  |                        |            |                                 |            | 8            |
| Alain Mikli                            | 4                | 9                | 3                      | 3          |                                 |            | 19           |
| Franchised locations <sup>(5)</sup>    | 398              | 153              |                        | 8          | 46                              | 8          | 613          |
| <b>Total</b>                           | <b>4,631</b>     | <b>843</b>       | <b>277</b>             | <b>442</b> | <b>177</b>                      | <b>714</b> | <b>7,084</b> |

- (1) Includes Sunglass Icon and Apex in North America and Sunglass World and Occhiali for Sunglasses in South Africa.
- (2) Includes Oakley "O" Stores and Vaults.
- (3) Includes David Clulow joint venture stores.
- (4) Includes Econópticas.
- (5) Includes franchised locations for Pearle Vision (380 locations), David Clulow, Sunglass Hut, Oakley "O" Stores and Vaults, Oliver Peoples, Alain Mikli and Laubman & Pank.

LensCrafters, ILORI, Pearle Vision, our retail licensed brands (Sears Optical and Target Optical), Oakley (Oakley "O" Stores and Vaults), Sunglass Icon, The Optical Shop of Aspen and Oliver Peoples have retail distribution operations located throughout the United States, Canada and Puerto Rico, while OPSM and Laubman & Pank operate retail outlets located in Australia and New Zealand. Sunglass Hut is a leading retailer of sunglasses worldwide based on sales in Euro. In 2006, we began operating retail locations in mainland China and currently we have rebranded the acquired stores to our premium LensCrafters brand in mainland China and Hong Kong. In 2008, we acquired David Clulow, a premium optical, retailer operating in the United Kingdom and Ireland. In 2011, we completed our acquisition of Multiópticas Internacional. Our net sales consist of direct sales of finished products manufactured with our own brand names or our licensed brands to opticians and other independent retailers through our wholesale distribution channel and sales directly to consumers through our retail division.

Demand for our products, particularly our higher-end designer lines, is largely dependent on the discretionary spending power of the consumers in the markets in which we operate. See Item 3 "Key Information Risk Factors If we do not correctly predict future economic

conditions and changes in consumer preferences, our sales of premium products and profitability could suffer." We have also historically experienced sales volume fluctuations by quarter due to seasonality associated with the sale of sunglasses. As a result, our net sales are typically higher during the summer and the winter holiday season.

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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 from an average exchange rate of Euro 1.00 = U.S. \$1.2848 in 2012 to Euro 1.00 = U.S. \$1.3277 in 2013 to Euro 1.00 = U.S. \$1.3285 in 2014. Additionally, with the acquisition of OPSM, our results of operations have been rendered susceptible to currency fluctuations between the Euro and the Australian dollar. 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. See Item 11 "Quantitative and Qualitative Disclosures About Market Risk Foreign Exchange Sensitivity" and Item 3 "Key Information Risk Factors If the U.S. dollar or the Australian dollar weakens relative to the Euro or the Chinese Yuan strengthens relative to the Euro, our profitability as a consolidated group could suffer."

**Critical Accounting Policies and Estimates**

We prepare our Consolidated Financial Statements in accordance with IFRS, which require management to make estimates, judgments and assumptions that affect the amounts reported in the Consolidated Financial Statements and the accompanying notes. We believe that our most critical accounting policies and estimates relate to the following:

Revenue Recognition;

Income Taxes;

Inventories; and

Goodwill and Other Intangible Assets and Impairment of Long-Lived Assets.

*Revenue Recognition*

Revenues include sales of merchandise (both wholesale and retail), insurance and administrative fees associated with the Company's managed vision care business, eye exams and related professional services and sales of merchandise to franchisees, along with other revenues from franchisees such as royalties based on sales and initial franchise fee revenues.

Revenue is recognized when (a) the significant risks and rewards of the ownership of goods are transferred, (b) neither continuing managerial involvement to a degree usually associated with ownership nor effective control over the goods sold is retained by the Company, (c) the amount of revenue can be measured reliably, (d) it is probable that the economic benefits associated with the transaction will flow to the Company and (e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Group records an accrual for amounts estimated to be returned by customers against sales revenues. We have estimated and accrued for the amounts to be returned in the subsequent period. This estimate is based on our right of return policies and practices along with historical data and sales trends. Changes to these policies and practices or a change in the trend of returns could lead to actual returns being different from the amounts estimated and accrued.

Also included in retail division revenues are managed vision care revenues consisting of (i) insurance revenues which are recognized when earned over the terms of the respective contractual relationships and (ii) administrative services revenues which are recognized when services are provided during the contract period. Accruals are established for amounts due under these relationships based on an estimate of uncollectible amounts. Our insurance contracts require us to estimate the potential costs and exposures over the life of the agreement such that the amount charged to the customers will cover these costs. To mitigate the exposure risk, these contracts are usually short-term in nature. However, if we do not accurately estimate the future exposure and risks associated with these contracts,

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we may suffer losses as we would not be able to cover our costs incurred with revenues from the customer.

*Income Taxes*

Income taxes are recorded in accordance with IAS 12, *Income Taxes*, which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in our Consolidated Financial Statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between the consolidated financial statement and tax basis of assets and liabilities using the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantially enacted by the end of the reporting period. The realization of deferred tax assets depends, among other things, on the Group's ability to generate sufficient taxable income in future years and the reversal of taxable temporary differences, taking into account any restrictions on the carry-forward of tax losses. The estimated tax rates and the deferred tax assets and liabilities recorded are based on information available at the time of calculation. This information is subject to change due to subsequent tax audits performed by different taxing jurisdictions and changes in corporate structure not contemplated at the time of calculation, as well as various other factors.

In addition the Group is subject to different tax jurisdictions. The determination of tax liabilities for the Group requires the use of assumptions with respect to transactions whose fiscal consequences are not yet certain at the end of the reporting period. The Group recognizes liabilities which could result from future inspections by the fiscal authorities on the basis of an estimate of the amounts expected to be paid to the taxation authorities. If the result of the abovementioned inspections differs from that estimated by Group management, there could be significant effects on both current and deferred taxes.

*Inventories*

Frames manufactured by us were approximately 55.5% and 56.0% of total frame inventory as of December 31, 2014 and 2013, respectively. All inventories at December 31, 2014 were valued using the lower of cost, as determined under an average annual cost by product line method, or market. Inventories are recorded net of allowances for possible losses. These reserves are calculated using various factors including sales volume, historical shrink results, changes in market conditions and current trends. In addition, production schedules are made on similar factors which, if not estimated correctly, could lead to the production of potentially obsolete inventory. As such, actual results could differ significantly from the estimated amounts.

*Goodwill and Other Intangible Assets and Impairment of Long-Lived Assets*

In connection with various acquisitions, we have recorded as intangible assets certain goodwill, trade names and certain other identifiable intangibles. At December 31, 2014, the aggregate carrying value of intangibles, including goodwill, was approximately Euro 4.7 billion or approximately 49% of total assets.

As acquisitions are an important element of our growth strategy, valuations of the assets acquired and liabilities assumed on the acquisition dates could have a significant impact on our future results of operations. Fair values of those assets and liabilities on the date of the acquisition could be based on estimates of future cash flows and operating conditions for which the actual results may vary significantly. This may lead to, among other items, impairment charges and payment of liabilities different than amounts originally recorded, which could have a material impact on future operations.

Goodwill is no longer amortized, but rather is tested for impairment annually and, under certain circumstances, between annual periods. An impairment charge will be recorded if the fair value of goodwill and other intangible assets is less than the carrying value. The calculation of fair value may be based on, among other items, estimated future cash flows if quoted market prices in active markets are

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not available. We test our goodwill for impairment annually as of December 31 of each year and any other time a condition arises that may cause us to believe that an impairment has occurred. Since impairment tests use estimates of the impact of future events, actual results may differ and we may be required to record an impairment in future years. We recorded no impairment losses in 2014, 2013 and 2012. For further details, see Note 11 to our Consolidated Financial Statements included in Item 18 of this Form 20-F.

Intangibles subject to amortization based on a finite useful life continue to be amortized on a straight-line basis over their useful lives. Our long-lived assets, other than goodwill, are tested for impairment whenever events or changes in circumstances indicate that the net carrying amount may not be recoverable. When such events occur, we measure impairment by comparing the carrying value of the long-lived asset to its recoverable amount, which is equal to its value in use. The value-in-use calculation involves discounting the expected cash flows to be generated by the asset to its present value. If the sum of the expected discounted future cash flows is less than the carrying amount of the assets, we would recognize an impairment loss, if determined to be necessary. Actual results may differ from our current estimates. Following the reorganization of the retail business in Australia, approved by the Board of Directors on January 24, 2012, the Group decided to stop selling under the Budget Eyewear name and recorded an impairment loss in our 2011 Consolidated Financial Statements of Euro 8.9 million (AUD 12 million) related to this trademark.

**RECENT ACCOUNTING PRONOUNCEMENTS**

See Note 2 to our Consolidated Financial Statements included in Item 18 of this Form 20-F for a discussion of the impact of recent accounting pronouncements on our financial condition and results of operations, including the expected dates of adoption and estimated effects on our financial position, statement of cash flows and results of operations.

**OVERVIEW OF 2014 RESULTS OF OPERATIONS**

In fiscal year 2014, we achieved strong growth of net sales and a more than proportionate increase in profitability relative to sales growth, as well as a significant improvement in financial leverage. Both segments made a major contribution to our results.

Because of our worldwide operations, our results of operations are affected by foreign exchange rate fluctuations. In 2014, the weakening of certain currencies in which we conduct business, in particular of the U.S. dollar against the Euro, which is our reporting currency, decreased net sales by Euro 104.2 million, primarily in the wholesale segment. This discussion should be read in conjunction with Item 3 "Key Information Risk Factors" and the Consolidated Financial Statements and related notes included in Item 18.

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The following table sets forth, for the periods indicated, the percentage of net sales represented by certain items included in our statements of consolidated income:

|   | 2014   | 2013   | 2012   |
|---|--------|--------|--------|
| Net Sales   | 100.0% | 100.0% | 100.0% |
| Cost of Sales   | 33.6   | 34.5   | 34.4   |
| Gross Profit  | 66.4   | 65.5   | 65.6   |
| Operating Expenses:                                     |        |        |        |
| Selling and Advertising                                 | 39.4   | 39.2   | 40.1   |
| General and Administrative                              | 11.8   | 11.9   | 11.8   |
| Total   | 51.2   | 51.0   | 51.9   |
| Income from Operations                                  | 15.1   | 14.4   | 13.7   |
| Other Income (Expense) Net                              | (1.3)  | (1.4)  | (1.8)  |
| Provision for Income Taxes                              | (5.4)  | (5.6)  | (4.3)  |
| Net Income  | 8.4    | 7.5    | 7.6    |
| Net Income Attributable to Non-Controlling Interests    | 0.0    | 0.1    | 0.1    |
| Net Income Attributable to Luxottica Group Stockholders | 8.4    | 7.4    | 7.5    |

For additional financial information by operating segment and geographic region, see Note 5 to our Consolidated Financial Statements included in Item 18 of this Form 20-F.

Throughout the following comparison of the fiscal year ended December 31, 2014 to the fiscal year ended December 31, 2013, and of the fiscal year ended December 31, 2013 to the fiscal year ended December 31, 2012, we use certain performance measures that are not in accordance with IFRS. Such non-IFRS measures are not meant to be considered in isolation or as a substitute for items appearing in our financial statements prepared in accordance with IFRS. Rather, these non-IFRS measures should be used as a supplement to IFRS results to assist the reader in better understanding our operational performance. For further information regarding the use of and limitations relating to such non-IFRS measures, please refer to the "Non-IFRS Measures: Adjusted Measures" discussion following the year-over-year comparisons.

In addition, comparable store sales reflect 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 prior period in the same geographic area, and applies to both periods the average exchange rate for the prior period.

**COMPARISON OF THE FISCAL YEAR ENDED DECEMBER 31, 2014 TO THE FISCAL YEAR ENDED DECEMBER 31, 2013.**

**Net Sales.** Net sales increased by Euro 339.7 million, or 4.6%, to Euro 7,652.3 million in 2014 from Euro 7,312.6 million in 2013. Euro 202.5 million of this increase was attributable to increased sales in the manufacturing and wholesale distribution segment during 2014 as compared to 2013 and Euro 137.2 million was attributable to increased sales in the retail distribution segment during 2014 as compared to 2013. This growth in net sales also included the impact of the 53rd week for the retail business, which generated net sales of approximately Euro 60.0 million. Adjusted net sales in 2014, which include the 2014 EyeMed Adjustment (as defined below), were Euro 7,698.9 million.

Effective July 1, 2014, adjusted net sales were impacted by the modification of terms of an EyeMed reinsurance agreement with an existing underwriter whereby the Company now assumes less reinsurance revenue and less claims expense. This modification resulted in a reduction in reinsurance revenue and claims of Euro 46.6 million (the "2014 EyeMed Adjustment").



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A reconciliation of adjusted net sales, a non-IFRS measure, to net sales, the most directly comparable IFRS measure, is presented in the table below. For a further discussion of such non-IFRS measures, please refer to the "Non-IFRS Measures: Adjusted Measures" discussion following the year-over-year comparisons:

| (Amounts in millions of Euro) | 2014           | 2013           |
|-------------------------------|----------------|----------------|
| <b>Net sales</b>              | <b>7,652.3</b> | <b>7,312.6</b> |
| > 2014 EyeMed Adjustment      | 46.6           |                |
| <b>Adjusted net sales</b>     | <b>7,698.9</b> | <b>7,312.6</b> |

Net sales for the retail distribution segment increased by Euro 137.2 million, or 3.2%, to Euro 4,458.6 million in 2014 from Euro 4,321.3 million in 2013. The increase in net sales for the period was partially attributable to a 1.8% increase in comparable store sales for LensCrafters and a 7.4% increase in comparable store sales for Sunglass Hut. The effects from currency fluctuations between the Euro, which is our reporting currency, and other currencies in which we conduct business, in particular the weakening of the U.S. dollar and the Australian dollar compared to the Euro, decreased net sales in the retail distribution segment by Euro 48.2 million.

Adjusted net sales for the retail division in 2014, which include the 2014 EyeMed Adjustment, were Euro 4,505.2 million.

A reconciliation of adjusted net sales for the retail division, a non-IFRS measure, to net sales of the retail division, the most directly comparable IFRS measure, is presented in the table below. For a further discussion of such non-IFRS measures, please refer to the "Non-IFRS Measures: Adjusted Measures" discussion following the year-over-year comparisons:

| (Amounts in millions of Euro) | 2014           | 2013           |
|-------------------------------|----------------|----------------|
| <b>Net sales</b>              | <b>4,458.6</b> | <b>4,321.3</b> |
| > 2014 EyeMed Adjustment      | 46.6           |                |
| <b>Adjusted net sales</b>     | <b>4,505.2</b> | <b>4,321.3</b> |

Net sales to third parties in the manufacturing and wholesale distribution segment increased by Euro 202.5 million, or 6.8%, to Euro 3,193.8 million in 2014 from Euro 2,991.3 million in 2013. This increase was mainly attributable to increased sales of most of our proprietary brands, in particular Ray-Ban and Oakley, and certain designer brands, including Prada, Dolce & Gabbana and Armani. The positive impact on net sales was partially offset by negative currency fluctuations, in particular the weakening of the U.S. dollar and the Brazilian Real compared to the Euro, which decreased net sales in the wholesale distribution segment by Euro 56.0 million.

In 2014, net sales in the retail distribution segment accounted for approximately 58.3% of total net sales, as compared to approximately 59.1% of total net sales in 2013. This decrease in sales for the retail distribution segment as a percentage of total net sales was primarily attributable to a 6.8% increase in net sales for the manufacturing and wholesale distribution segment for 2014, as compared to a 3.2% increase in net sales to third parties in the retail distribution segment for 2014.

In 2014 and 2013, net sales in our retail distribution segment in the United States and Canada comprised 77.3% 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 2.6% to U.S. \$4,577.3 million in 2014 from U.S. \$4,462.3 million in 2013, due to sales volume increases. During 2014, net sales in the retail distribution segment in the rest of the world (excluding the United States and Canada) comprised 22.7% of our total net sales in the retail distribution segment and increased by 5.5% to Euro 1,013.1 million in



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2014 from Euro 960.5 million, or 22.2% of our total net sales in the retail distribution segment, in 2013, mainly due to an increase in consumer demand.

In 2014, net sales to third parties in our manufacturing and wholesale distribution segment in Europe were Euro 1,295.3 million, comprising 40.6% of our total net sales in this segment, compared to Euro 1,272.8 million, or 42.5% of total net sales in this segment, in 2013, increasing by Euro 22.5 million or 1.8% in 2014 as compared to 2013. Net sales to third parties in our manufacturing and wholesale distribution segment in the United States and Canada were U.S. \$1,117.7 million and comprised 26.3% of our total net sales in this segment in 2014, compared to U.S. \$1,013.1 million, or 25.5% of total net sales in this segment, in 2013. The increase in net sales in the United States and Canada in 2014 compared to 2013 was primarily due to a general increase in consumer demand. In 2014, net sales to third parties in our manufacturing and wholesale distribution segment in the rest of the world were Euro 1,057.2 million, comprising 33.1% of our total net sales in this segment, compared to Euro 955.5 million, or 31.9% of our net sales in this segment, in 2013. The increase of Euro 101.7 million, or 10.6%, in 2014 as compared to 2013 was due to an increase in consumer demand, in particular in the emerging markets.

**Cost of Sales.** Cost of sales increased by Euro 51.0 million, or 2.0%, to Euro 2,574.7 million in 2014 from Euro 2,524.0 million in 2013. As a percentage of net sales, cost of sales was 33.6% and 34.5% in 2014 and 2013, respectively. The average number of frames produced daily in our facilities was approximately 297,100 and 302,000 in 2014 and 2013, respectively.

Adjusted cost of sales in 2014, which include the 2014 EyeMed Adjustment, was Euro 2,621.3 million.

A reconciliation of adjusted cost of sales, a non-IFRS measure, to cost of sales, the most directly comparable IFRS measure, is presented in the table below. For a further discussion of such non-IFRS measures, please refer to the "Non-IFRS Measures: Adjusted Measures" discussion following the year-over-year comparisons.

| (Amounts in millions of Euro) | 2014           | 2013           |
|-------------------------------|----------------|----------------|
| <b>Cost of sales</b>          | <b>2,574.7</b> | <b>2,524.0</b> |
| > 2014 EyeMed Adjustment      | 46.6           |                |
| <b>Adjusted cost of sales</b> | <b>2,621.3</b> | <b>2,524.0</b> |

**Gross Profit.** Our gross profit increased by Euro 289.0 million, or 6.0%, to Euro 5,077.6 million in 2014 from Euro 4,788.6 million in 2013. As a percentage of net sales, gross profit increased to 66.4% in 2014 from 65.5% in 2013 due to the factors noted above.

**Operating Expenses.** Total operating expenses increased by Euro 187.1 million, or 5.0%, to Euro 3,920.0 million in 2014 from Euro 3,732.9 million in 2013. As a percentage of net sales, operating expenses were 51.2% in 2014 compared to 51.0% in 2013.

The increase in operating expenses in 2014 was primarily attributable to a Euro 110.4 million increase in selling expenses, a Euro 31.3 million increase in advertising expenses and a Euro 40.0 million increase in general and administrative expenses.

Total adjusted operating expenses increased by Euro 176.1 million, or 4.7%, to Euro 3,900.0 million in 2014 from Euro 3,723.9 million in 2013, excluding non-recurring expenses of Euro 20.0 million related to the termination of the employment of the former Group CEOs in 2014 and expenses of approximately 9.0 million related to the reorganization of the Alain Mikli business in 2013. As a percentage of net sales, adjusted operating expenses decreased to 50.7% in 2014 from 50.9% in 2013.

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A reconciliation of adjusted operating expenses, a non-IFRS measure, to operating expenses, the most directly comparable IFRS measure, is presented in the table below. For a further discussion of such non-IFRS measures, please refer to the "Non-IFRS Measures: Adjusted Measures" discussion following the year-over-year comparisons.

| <b>(Amounts in millions of Euro)</b>                                 | <b>2014</b>    | <b>2013</b>    |
|--|----------------|----------------|
| <b>Operating expenses</b>  | <b>3,920.0</b> | <b>3,732.9</b> |
| > Adjustment for the employment termination of the former Group CEOs | (20.0)         |                |
| > Adjustment for Alain Mikli reorganization                          |                | (9.0)          |
| <b>Adjusted operating expenses</b>                                   | <b>3,900.0</b> | <b>3,723.9</b> |

Selling and advertising expenses (including royalty expenses) increased by Euro 147.1 million, or 5.1%, to Euro 3,013.4 million in 2014 from Euro 2,866.3 million in 2013. The increase was primarily due to an increase in selling expenses and advertising expenses. Selling expenses increased by Euro 110.4 million, or 4.9%. As a percentage of net sales, selling expenses were 30.7% in each of 2014 and 2013. Advertising expenses increased by Euro 31.3 million, or 6.5%. As a percentage of net sales advertising expenses were 6.7% and 6.6% in 2014 and 2013, respectively. Royalties increased by Euro 5.4 million, or 3.7%. As a percentage of net sales, royalty expenses were 2.0% in each of 2014 and 2013.

General and administrative expenses, including intangible asset amortization, increased by Euro 40.0 million, or 4.6%, to Euro 906.6 million in 2014, as compared to Euro 866.6 million in 2013. As a percentage of net sales, general and administrative expenses were 11.8% in 2014 compared to 11.9% in 2013. The increase was primarily related to the termination of the employment of the former Group CEOs amounting to approximately Euro 20.0 million.

Adjusted general and administrative expenses increased by Euro 29.0 million, or 3.4%, to Euro 886.6 million in 2014 as compared to Euro 857.6 million in 2013. This amount includes intangible asset amortization and excludes, in 2014, the non-recurring expenses of Euro 20.0 million related to the termination of the employment of the former Group CEOs and, in 2013, expenses of approximately Euro 9.0 million related to the reorganization of the Alain Mikli business. As a percentage of net sales, adjusted general and administrative expenses decreased to 11.5% in 2014, compared to 11.7% in 2013.

A reconciliation of adjusted general and administrative expenses, a non-IFRS measure, to general and administrative expenses, the most directly comparable IFRS measure, is presented in the table below. For a further discussion of such non-IFRS measures, please refer to the "Non-IFRS Measures: Adjusted Measures" discussion following the year-over-year comparisons.

| <b>(Amounts in millions of Euro)</b>                                 | <b>2014</b>  | <b>2013</b>  |
|--|--------------|--------------|
| <b>General and administrative expenses</b>                           | <b>906.6</b> | <b>866.6</b> |
| > Adjustment for the employment termination of the former Group CEOs | (20.0)       |              |
| > Adjustment for Alain Mikli reorganization                          |              | (9.0)        |
| <b>Adjusted general and administrative expenses</b>                  | <b>886.6</b> | <b>857.6</b> |

**Income from Operations.** For the reasons described above, income from operations increased by Euro 101.9 million, or 9.7%, to Euro 1,157.6 million in 2014 from Euro 1,055.7 million in 2013. As a percentage of net sales, income from operations increased to 15.1% in 2014 from 14.4% in 2013. Adjusted income from operations increased by Euro 112.9 million, or 10.6%, to Euro 1,177.6 million in 2014 from Euro 1,064.7 million in 2013. As a percentage of net sales, adjusted income from operations increased to 15.3% in 2014 from 14.6% in 2013.



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A reconciliation of adjusted income from operations, a non-IFRS measure, to income from operations, the most directly comparable IFRS measure, is presented in the table below. For a further discussion of such non-IFRS measures, please refer to the "Non-IFRS Measures: Adjusted Measures" discussion following the year-over-year comparisons.

| (Amounts in millions of Euro)  | 2014           | 2013           |
|--|----------------|----------------|
| <b>Income from operations</b>  | <b>1,157.6</b> | <b>1,055.7</b> |
| > Adjustment for the employment termination of the former Group CEOs | 20.0           |                |
| > Adjustment for Alain Mikli reorganization                          |                | 9.0            |
| <b>Adjusted income from operations</b>                               | <b>1,177.6</b> | <b>1,064.7</b> |

**Other Income (Expense) Net.** Other income (expense) net was Euro (97.5) million in 2014 as compared to Euro (99.3) million in 2013. Net interest expense was Euro 98.0 million in 2014 as compared to Euro 92.1 million in 2013. The increase was mainly due to an increase in outstanding debt as a result of the issuance of Euro 500 million of bonds in the first half of 2014.

**Net Income.** Income before taxes increased by Euro 103.7 million, or 10.8%, to Euro 1,060.1 million in 2014 from Euro 956.4 million in 2013 for the reasons described above. As a percentage of net sales, income before taxes increased to 13.9% in 2014, from 13.1% in 2013. Adjusted income before taxes increased by Euro 114.7 million, or 11.9%, to Euro 1,080.1 million in 2014 from Euro 965.4 million in 2013, for the reasons described above. As a percentage of net sales, adjusted income before taxes increased to 14.0% in 2014 from 13.2% in 2013.

A reconciliation of adjusted net income before taxes, a non-IFRS measure, to net income before taxes, the most directly comparable IFRS measure, is presented in the table below. For a further discussion of such non-IFRS measures, please refer to the "Non-IFRS Measures: Adjusted Measures" discussion following the year-over-year comparisons.

| (Amounts in millions of Euro)                             | 2014           | 2013         |
|---|----------------|--------------|
| <b>Net income before taxes</b>                            | <b>1,060.1</b> | <b>956.4</b> |
| > Adjustment for the termination of the former Group CEOs | 20.0           |              |
| > Adjustment for Alain Mikli reorganization               |                | 9.0          |
| <b>Adjusted net income before taxes</b>                   | <b>1,080.1</b> | <b>965.4</b> |

Our effective tax rate was 39.1% and 42.6% in 2014 and 2013, respectively. Included in 2014 was Euro 30.3 million for certain income taxes accrued in the period as a result of ongoing tax audits as compared with Euro 66.7 million accrued in 2013. Our adjusted tax rate in 2014 and 2013 was 36.0% and 35.6%, respectively.

Net income attributable to non-controlling interests was equal to Euro 3.4 million and Euro 4.2 million in 2014 and 2013, respectively.

Net income attributable to Luxottica Group stockholders increased by Euro 97.9 million, or 18.0%, to Euro 642.6 million in 2014 from Euro 544.7 million in 2013. Net income attributable to Luxottica Group stockholders as a percentage of net sales increased to 8.4% in 2014 from 7.4% in 2013. Adjusted net income attributable to Luxottica Group stockholders increased by Euro 70.1 million, or 11.4%, to Euro 687.4 million in 2014 from Euro 617.3 million in 2013. Adjusted net income attributable to Luxottica Group stockholders as a percentage of net sales increased to 8.9% in 2014, from 8.4% in 2013.

A reconciliation of adjusted net income attributable to Luxottica Group stockholders, a non-IFRS measure, to net income attributable to Luxottica Group stockholders, the most directly comparable IFRS



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measure, is presented in the table below. For a further discussion of such non-IFRS measures, please refer to the "Non-IFRS Measures: Adjusted Measures" discussion following the year-over-year comparisons.

| <b>(Amounts in millions of Euro)</b>  | <b>2014</b>  | <b>2013</b>  |
|---|--------------|--------------|
| <b>Net income attributable to Luxottica Group stockholders</b>  | <b>642.6</b> | <b>544.7</b> |
| > Adjustment for Alain Mikli reorganization   |              | 5.9          |
| > Adjustment for the cost of the tax audit relating to Luxottica S.r.l. (fiscal year 2007)              |              | 26.7         |
| > Adjustment for the accrual for the tax audit relating to Luxottica S.r.l. (fiscal years 2008 to 2011) | 30.3         | 40.0         |
| > Adjustment for the termination of the former Group CEOs   | 14.5         |              |
| <b>Adjusted net income attributable to Luxottica Group stockholders</b>                                 | <b>687.4</b> | <b>617.3</b> |

Basic earnings per share were Euro 1.35 in 2014 and Euro 1.15 in 2013. Diluted earnings per share were Euro 1.34 in 2014 and Euro 1.14 in 2013.

**COMPARISON OF THE FISCAL YEAR ENDED DECEMBER 31, 2013 TO THE FISCAL YEAR ENDED DECEMBER 31, 2012.**

**Net Sales.** Net sales increased by Euro 226.5 million, or 3.2%, to Euro 7,312.6 million in 2013 from Euro 7,086.1 million in 2012. Euro 218.2 million of this increase was attributable to increased sales in the manufacturing and wholesale distribution segment during 2013 as compared to 2012 and to increased sales of Euro 8.2 million in the retail distribution segment during 2013 as compared to 2012.

Net sales for the retail distribution segment increased by Euro 8.2 million, or 0.2%, to Euro 4,321.3 million in 2013 from Euro 4,313.1 million in 2012. The increase in net sales for the period was partially attributable to a 3.4% improvement in comparable store sales. In particular, we saw a 2.3% increase in comparable store sales for the North American retail operations, and a 5.2% increase in comparable store sales for the Australian/New Zealand retail operations. The effects from currency fluctuations between the Euro, which is our reporting currency, and other currencies in which we conduct business, in particular the weakening of the U.S. dollar and the Australian dollar compared to the Euro, decreased net sales in the retail distribution segment by Euro 193.6 million.

Net sales to third parties in the manufacturing and wholesale distribution segment increased by Euro 218.2 million, or 7.9%, to Euro 2,991.3 million in 2013 from Euro 2,773.1 million in 2012. This increase was mainly attributable to increased sales of most of our proprietary brands, in particular Ray-Ban and Oakley, and of certain designer brands including Prada, Tiffany and the Armani brands which were launched in 2013. The positive impact on net sales was partially offset by negative currency fluctuations, in particular the weakening of the U.S. dollar and the Brazilian Real compared to the Euro, which decreased net sales in the wholesale distribution segment by Euro 114.2 million.

In 2013, net sales in the retail distribution segment accounted for approximately 59.2% of total net sales, as compared to approximately 60.9% of total net sales in 2012. This decrease in sales for the retail distribution segment as a percentage of total net sales was primarily attributable to a 7.9% increase in net sales for the manufacturing and wholesale distribution segment for 2013, as compared to a 0.2% increase in net sales to third parties in the retail distribution segment.

In 2013 and 2012, net sales in our retail distribution segment in the United States and Canada comprised 77.8% and 78.4%, respectively, of our total net sales in this segment. In U.S. dollars, retail net sales in the United States and Canada increased by 2.7% to U.S. \$4,462.3 million in 2013 from U.S. \$4,343.5 million in 2012, due to sales volume increases. During 2013, net sales in the retail



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distribution segment in the rest of the world (excluding the United States and Canada) comprised 22.2% of our total net sales in the retail distribution segment and increased by 3.0% to Euro 960.5 million in 2013 from Euro 932.4 million, or 21.6% of our total net sales in the retail distribution segment, in 2012, mainly due to an increase in consumer demand.

In 2013, net sales to third parties in our manufacturing and wholesale distribution segment in Europe were Euro 1,272.8 million, comprising 42.5% of our total net sales in this segment, compared to Euro 1,183.3 million, or 42.7% of total net sales in this segment in 2012, increasing by Euro 89.5 million or 7.6% in 2013 as compared to 2012. Net sales to third parties in our manufacturing and wholesale distribution segment in the United States and Canada were U.S. \$1,013.1 million and comprised 25.5% of our total net sales in this segment in 2013, compared to U.S. \$953.6 million, or 26.8% of total net sales in this segment, in 2012. The increase in net sales in the United States and Canada in 2013 compared to 2012 was primarily due to a general increase in consumer demand. In 2013, net sales to third parties in our manufacturing and wholesale distribution segment in the rest of the world were Euro 955.5 million, comprising 31.9% of our total net sales in this segment, compared to Euro 847.6 million, or 30.6% of our net sales in this segment, in 2012. The increase of Euro 107.9 million, or 12.7%, in 2013 as compared to 2012 was due to an increase in consumer demand, in particular in the emerging markets.

**Cost of Sales.** Cost of sales increased by Euro 88.0 million, or 3.6%, to Euro 2,524.0 million in 2013 from Euro 2,436.0 million in 2012, in line with the increase in net sales. As a percentage of net sales, cost of sales was 34.5% and 34.4% in 2013 and 2012, respectively, primarily due to an increase in demand. In 2013, the average number of frames produced daily in our facilities increased to approximately 302,000 as compared to approximately 289,200 in 2012, which was attributable to increased production in all manufacturing facilities in response to an overall increase in demand.

**Gross Profit.** Our gross profit increased by Euro 138.8 million, or 3.0%, to Euro 4,788.6 million in 2013 from Euro 4,650.1 million in 2012. As a percentage of net sales, gross profit was 65.5% and 65.6% in 2013 and 2012, respectively, due to the factors noted above.

**Operating Expenses.** Total operating expenses increased by Euro 52.9 million, or 1.4%, to Euro 3,732.9 million in 2013 from Euro 3,680.0 million in 2012. The increase was primarily due to advertising costs and royalties under the Armani license agreement, which started in 2013, and to costs associated with the new companies acquired in 2013. As a percentage of net sales, operating expenses were 51.0% in 2013 compared to 51.9% in 2012. Total adjusted operating expenses increased by Euro 64.3 million, or 1.8%, to Euro 3,723.9 million in 2013 from Euro 3,659.7 million in 2012, excluding expenses of approximately Euro 9.0 million related to the reorganization of the Alain Mikli business in 2013 and expenses of approximately Euro 20.3 million related to the reorganization of the retail business in Australia in 2012. As a percentage of net sales, adjusted operating expenses decreased to 50.9% in 2013 from 51.6% in 2012.

A reconciliation of adjusted operating expenses, a non-IFRS measure, to operating expenses, the most directly comparable IFRS measure, is presented in the table below. For a further discussion of such non-IFRS measures, please refer to the "Non-IFRS Measures: Adjusted Measures" discussion following the year-over-year comparisons.

| (Amounts in millions of Euro)               | 2013           | 2012           |
|---|----------------|----------------|
| <b>Operating expenses</b>                   | <b>3,732.9</b> | <b>3,680.0</b> |
| > Adjustment for Alain Mikli reorganization | (9.0)          |                |
| > Adjustment for OPSM reorganization        |                | (20.3)         |
| <b>Adjusted operating expenses</b>          | <b>3,723.9</b> | <b>3,659.7</b> |

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Selling and advertising expenses (including royalty expenses) increased by Euro 25.7 million, or 0.9%, to Euro 2,866.3 million in 2013 from Euro 2,840.6 million in 2012. The increase was primarily due to an increase in advertising and royalty expenses and was partially offset by a decrease in selling expenses. Selling expenses decreased by Euro 28.2 million, or 1.2%. The decrease was primarily due to the weakening of the major currencies impacting the Group's operations partially offset by the new companies acquired in 2013. Advertising expenses increased by Euro 33.7 million, or 7.6%. The increase is primarily due to advertising costs incurred in connection with the roll-out of Armani and to the companies acquired in 2013. Royalties increased by Euro 20.2 million, or 16.2%. The increase was primarily due to royalties under the Armani license agreement which started in 2013. As a percentage of net sales, selling and advertising expenses were 39.2% in 2013 and 40.1% in 2012.

Adjusted selling and advertising expenses (including royalty expenses), excluding expenses of approximately Euro 17.3 million related to the reorganization of the retail business in Australia, increased by Euro 43.0 million, or 1.5%, to Euro 2,866.3 million in 2013, as compared to Euro 2,823.3 million in 2012. As a percentage of net sales, adjusted selling and advertising expenses were 39.2% in 2013 and 39.8% in 2012.

A reconciliation of adjusted selling and advertising expenses, a non-IFRS measure, to selling and advertising expenses, the most directly comparable IFRS measure, is presented in the table below. For a further discussion of such non-IFRS measures, please refer to the "Non-IFRS Measures: Adjusted Measures" discussion following the year-over-year comparisons.

| (Amounts in millions of Euro)                    | 2013           | 2012           |
|--|----------------|----------------|
| <b>Selling and advertising expenses</b>          | <b>2,866.3</b> | <b>2,840.6</b> |
| > Adjustment for OPSM reorganization             |                | (17.3)         |
| <b>Adjusted selling and advertising expenses</b> | <b>2,866.3</b> | <b>2,823.3</b> |

General and administrative expenses, including intangible asset amortization, increased by Euro 27.3 million, or 3.2%, to Euro 866.6 million in 2013, as compared to Euro 839.4 million in 2012. The increase was mainly driven by the general and administrative expenses of the companies acquired in 2013 which account for Euro 24.7 million of this increase. As a percentage of net sales, general and administrative expenses increased to 11.9% in 2013, compared to 11.8% in 2012.

Adjusted general and administrative expenses, including intangible asset amortization and excluding, in 2013, expenses of approximately Euro 9.0 million related to the reorganization of the Alain Mikli business and, in 2012, expenses of approximately Euro 3.0 million related to the reorganization of the retail business in Australia, increased by Euro 21.2 million, or 2.5%, to Euro 857.6 million in 2013 as compared to Euro 836.4 million in 2012. As a percentage of net sales, adjusted general and administrative expenses decreased to 11.7% in 2013, compared to 11.8% in 2012.

A reconciliation of adjusted general and administrative expenses, a non-IFRS measure, to general and administrative expenses, the most directly comparable IFRS measure, is presented in the table below. For a further discussion of such non-IFRS measures, please refer to the "Non-IFRS Measures: Adjusted Measures" discussion following the year-over-year comparisons.

| (Amounts in millions of Euro)                       | 2013         | 2012         |
|---|--------------|--------------|
| <b>General and administrative expenses</b>          | <b>866.6</b> | <b>839.4</b> |
| > Adjustment for Alain Mikli reorganization         | (9.0)        |              |
| > Adjustment for OPSM reorganization                |              | (3.0)        |
| <b>Adjusted general and administrative expenses</b> | <b>857.6</b> | <b>836.4</b> |



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**Income from Operations.** For the reasons described above, income from operations increased by Euro 85.5 million, or 8.8%, to Euro 1,055.7 million in 2013 from Euro 970.1 million in 2012. As a percentage of net sales, income from operations increased to 14.4% in 2013 from 13.7% in 2012. Adjusted income from operations increased by Euro 72.8 million, or 7.3%, to Euro 1,064.7 million in 2013 from Euro 991.8 million in 2012. As a percentage of net sales, adjusted income from operations increased to 14.6% in 2013 from 14.0% in 2012.

A reconciliation of adjusted income from operations, a non-IFRS measure, to income from operations, the most directly comparable IFRS measure, is presented in the table below. For a further discussion of such non-IFRS measures, please refer to the "Non-IFRS Measures: Adjusted Measures" discussion following the year-over-year comparisons.

| <b>(Amounts in millions of Euro)</b>        | <b>2013</b>    | <b>2012</b>  |
|---|----------------|--------------|
| <b>Income from operations</b>               | <b>1,055.7</b> | <b>970.1</b> |
| > Adjustment for Alain Mikli reorganization | 9.0            |              |
| > Adjustment for OPSM reorganization        |                | 21.7         |
| <b>Adjusted income from operations</b>      | <b>1,064.7</b> | <b>991.8</b> |

**Other Income (Expense) Net.** Other income (expense) net was Euro (99.3) million in 2013 as compared to Euro (125.7) million in 2012. Net interest expense was Euro 92.1 million in 2013 as compared to Euro 119.2 million in 2012. The decrease was mainly due to the early repayment of a portion of long-term debt in 2012 and 2013.

**Net Income.** Income before taxes increased by Euro 111.9 million, or 13.3%, to Euro 956.4 million in 2013 from Euro 844.4 million in 2012 for the reasons described above. As a percentage of net sales, income before taxes increased to 13.1% in 2013, from 11.9% in 2012. Adjusted income before taxes increased by Euro 99.2 million, or 11.5%, to Euro 965.4 million in 2013 from Euro 866.2 million in 2012, for the reasons described above. As a percentage of net sales, adjusted income before taxes increased to 13.2% in 2013 from 12.2% in 2012.

A reconciliation of adjusted net income before taxes, a non-IFRS measure, to net income before taxes, the most directly comparable IFRS measure, is presented in the table below. For a further discussion of such non-IFRS measures, please refer to the "Non-IFRS Measures: Adjusted Measures" discussion following the year-over-year comparisons.

| <b>(Amounts in millions of Euro)</b>        | <b>2013</b>  | <b>2012</b>  |
|---|--------------|--------------|
| <b>Net income before taxes</b>              | <b>956.4</b> | <b>844.4</b> |
| > Adjustment for Alain Mikli reorganization | 9.0          |              |
| > Adjustment for OPSM reorganization        |              | 21.7         |
| <b>Adjusted net income before taxes</b>     | <b>965.4</b> | <b>866.2</b> |

Our effective tax rate was 42.6% and 36.2% in 2013 and 2012, respectively. Included in 2013 was Euro 66.7 million for certain income taxes accrued in the period as a result of ongoing tax audits as compared with Euro 10.0 million accrued in 2012.

Net income attributable to non-controlling interests was equal to Euro 4.2 million, in each of 2013 and 2012.

Net income attributable to Luxottica Group stockholders increased by Euro 10.3 million, or 1.9%, to Euro 544.7 million in 2013 from Euro 534.4 million in 2012. Net income attributable to Luxottica Group stockholders as a percentage of net sales decreased to 7.4% in 2013 from 7.5% in 2012. Adjusted net



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income attributable to Luxottica Group stockholders increased by Euro 57.7 million, or 10.3%, to Euro 617.3 million in 2013 from Euro 559.6 million in 2012. Adjusted net income attributable to Luxottica Group stockholders as a percentage of net sales increased to 8.4% in 2013, from 7.9% in 2012. A reconciliation of adjusted net income attributable to Luxottica Group stockholders, a non-IFRS measure, to net income attributable to Luxottica Group stockholders, the most directly comparable IFRS measure, is presented in the table below. For a further discussion of such non-IFRS measures, please refer to the "Non-IFRS Measures: Adjusted Measures" discussion following the year-over-year comparisons.

| <b>(Amounts in millions of Euro)</b>  | <b>2013</b>  | <b>2012</b>  |
|---|--------------|--------------|
| <b>Net income attributable to Luxottica Group stockholders</b>  | <b>544.7</b> | <b>534.4</b> |
| > Adjustment for Alain Mikli reorganization   | 5.9          |              |
| > Adjustment for the cost of the tax audit relating to Luxottica S.r.l. (fiscal year 2007)                    | 26.7         |              |
| > Adjustment for the accrual for the tax audit relating to Luxottica S.r.l. (fiscal years subsequent to 2007) | 40.0         |              |
| > Adjustment for OPSM reorganization  |              | 15.2         |
| > Adjustment for Italian income tax audit   |              | 10.0         |
| <b>Adjusted net income attributable to Luxottica Group stockholders</b>                                       | <b>617.3</b> | <b>559.6</b> |

Basic earnings per share were Euro 1.15 in 2013 and in 2012. Diluted earnings per share were Euro 1.14 in 2013 and in 2012.

### **Non-IFRS Measures: Adjusted Measures**

In order to provide a supplemental comparison of current period results of operations to prior periods, we have adjusted for certain transactions or events.

In order to provide a supplemental comparison of current period results of operations to prior periods, certain measures, such as net sales, operating expenses, selling and advertising expenses, general and administrative expenses, income from operations, income before taxes and net income attributable to Luxottica Group stockholders have been adjusted by the following items:

- (a) excluding non-recurring expenses of Euro 20.0 million (Euro 14.5 million net of tax) in 2014 related to the termination of the employment of the former Group CEOs;
- (b) including sales of the EyeMed division in 2014 of Euro 46.6 million related to the 2014 EyeMed Adjustment;
- (c) excluding an accrual in 2014 of approximately Euro 30.3 million for the tax audit relating to Luxottica S.r.l. (fiscal years 2008 to 2011);
- (d) excluding costs in 2013 of approximately Euro 9.0 million (Euro 5.9 million net of tax) related to the reorganization of the Alain Mikli business;
- (e) excluding costs in 2013 of approximately Euro 26.7 million for the tax audit relating to Luxottica S.r.l. (fiscal year 2007);
- (f) excluding an accrual in 2013 of approximately Euro 40 million for the tax audit relating to Luxottica S.r.l. (fiscal years 2008 to 2011);
- (g)

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excluding non-recurring costs in 2012 of approximately Euro 15.2 million related to the reorganization of OPSM; and

(h)

excluding costs in 2012 of approximately Euro 10.0 million related to an ongoing income tax audit.

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The Company believes that these adjusted measures are useful to both management and investors in evaluating the Company's operating performance compared with that of other companies in its industry because they exclude the impact of items that are not relevant to the Company's operating performance.

The adjusted measures referenced above are not measures of performance in accordance with IFRS. We include these adjusted comparisons in this presentation in order to provide a supplemental view of operations that excludes items that are unusual, infrequent or unrelated to our ongoing core operations.

These adjusted measures are not meant to be considered in isolation or as a substitute for items appearing in our financial statements prepared in accordance with IFRS. Rather, these non-IFRS measures should be used as a supplement to IFRS results to assist the reader in better understanding the operational performance of the Company. The Company cautions that these adjusted measures are not defined terms under IFRS and their definitions should be carefully reviewed and understood by investors. Investors should be aware that Luxottica Group's method of calculating these adjusted measures may differ from methods used by other companies.

The Company recognizes that there are limitations in the usefulness of adjusted comparisons due to the subjective nature of items excluded by management in calculating adjusted comparisons. We compensate for the foregoing limitation by using these adjusted measures as a comparative tool, together with IFRS measurements, to assist in the evaluation of our operating performance.

See the tables on the foregoing pages for a reconciliation of the adjusted measures discussed above to their most directly comparable IFRS financial measures.

**TAXES**

Our effective tax rates for the fiscal years ended December 31, 2014, 2013 and 2012, were approximately 39.1%, 42.6% and 36.3%, respectively. The effective tax rates for fiscal years 2014, 2013 and 2012 includes tax accruals of Euro 30.3 million, Euro 66.7 million and Euro 10.0 million, respectively, associated with ongoing tax audits. In future periods, we expect that our effective tax rate should return to historical levels of approximately 36%. However, until all open tax years have been settled, our effective tax rate may be higher than historical levels. For additional information on risks associated with our future effective tax rate, please see Item 3 "Key Information Risk Factors Risks Relating to Our Business and Operations *Changes in our tax rates or exposure to additional tax liabilities could affect our future results.*"

**LIQUIDITY AND CAPITAL RESOURCES**

Our cash and cash equivalents at December 31, 2014 totaled Euro 1,453.6 million, compared to Euro 618.0 million at December 31, 2013. As of December 31, 2014, Euro 1,052.3 million of the Group's total cash and cash equivalents was held outside of Italy. There are no significant repatriation restrictions other than local or Italian taxes associated with repatriation. While we currently do not foresee a need to repatriate funds, should we require more capital in Italy than is generated by our operations locally, we could elect to raise capital in Italy or the rest of Europe through debt or equity issuances. These alternatives could result in higher effective tax rates or increased interest expense.

**Cash Flows**

*Operating Activities.* The Company's net cash provided by operating activities in 2014, 2013 and 2012 was Euro 1,170.1 million, Euro 921.8 million and Euro 1,040.4 million, respectively.

Depreciation and amortization were Euro 384.0 million in 2014 as compared to Euro 366.6 million in 2013 and Euro 358.3 million in 2012. The increase in depreciation and amortization in 2014 as compared



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to 2013 is mainly due to the increase in tangible and intangible asset purchases and to the acquisition of glasses.com for Euro 1.2 million. The increase in depreciation and amortization in 2013, as compared to 2012, is mainly due to the increase in tangible and intangible asset purchases and the acquisition of Alain Mikli.

Non-cash stock-based compensation expense was Euro 31.8 million in 2014 as compared to Euro 28.1 million in 2013 and Euro 41.4 million in 2012. The increase in 2014 as compared to 2013 was mainly due to higher expenses related to incentive plan awards granted in 2014 partially offset by awards granted in previous years that vested in the first half of 2014. The decrease in 2013 as compared to 2012 was mainly due to higher expenses related to incentive plan awards granted in previous years that vested in 2012.

The change in accounts receivable was Euro (41.3) million in 2014 as compared to Euro (16.8) million in 2013 and Euro (34.6) million in 2012. The changes in 2014 as compared to 2013 and in 2013 as compared to 2012 were primarily due to the higher volume of sales partially offset by an improvement in collections. The inventory change was Euro 7.3 million in 2014 as compared to Euro 11.8 million in 2013 and Euro (80.5) million in 2012. The change in 2013 as compared to 2012 was due to higher inventory stock level in 2012 due to the SAP implementation in the Italian manufacturing plants. The change in other assets and liabilities was Euro 21.2 million in 2014 as compared to Euro (30.4) million in 2013 and Euro 51.3 million in 2012. The change in 2014 as compared to 2013 was primarily driven by the increase in the liability to employees in the retail division in North America due to the timing in payment of salaries to store personnel. The change in 2013 as compared to 2012 was primarily driven by the decrease in the liability to employees in the retail division in North America due to the timing in payment of salaries to store personnel and a decrease in bonus accruals. The change in accounts payable was Euro 24.6 million in 2014 as compared to Euro 12.5 million in 2013 and Euro 61.5 million in 2012. The changes in 2014 as compared to 2013 and in 2013 as compared to 2012 were primarily due to the continuous improvement of payment terms and conditions that started in 2012. Income tax payments in 2014 were Euro 349.2 million as compared to Euro 427.9 million in 2013 and Euro 265.7 million in 2012. The increase in income tax payments in 2013 as compared to 2012 and 2014 was related to the timing of our tax payments related to certain Italian and U.S. subsidiaries and the payment of Euro 38.0 million in the last quarter of 2013 related to the tax audit of Luxottica S.r.l. Interest paid was Euro 93.1 million in 2014 as compared to Euro 94.5 million in 2013 and Euro 120.8 million in 2012. The change in 2013 as compared to 2012 was mainly due to repayment of long-term debt.

*Investing Activities.* The Company's net cash used in investing activities was Euro 459.3 million, Euro 479.8 million and Euro 478.3 million in 2014, 2013 and 2012, respectively. The primary investment activities in 2014 were related to (i) the acquisition of tangible assets for Euro 280.8 million, (ii) the acquisition of intangible assets for Euro 138.5 million, primarily related to IT infrastructure, and (iii) the acquisition of glasses.com for Euro 30.1 million and other minor acquisitions in the retail segment for Euro 11.0 million. The primary investment activities in 2013 were related to (i) the acquisition of tangible assets for Euro 274.1 million, (ii) the acquisition of intangible assets for Euro 101.1 million, primarily related to IT infrastructure, (iii) the acquisition of Alain Mikli for Euro 71.9 million and (iv) the acquisition of 36.33% of the share capital of Salmoiraghi & Viganò for Euro 45.0 million. The primary investment activities in 2012 were related to (i) the acquisition of tangible assets for Euro 261.5 million, (ii) the acquisition of intangible assets for Euro 117.0 million, mainly due to the implementation of new IT infrastructure, (iii) the acquisition of Tecnol for Euro 66.4 million, (iv) the acquisition of Sun Planet for Euro 21.9 million and (v) other minor acquisitions for Euro 11.4 million.

Our capital expenditures were Euro 418.9 million in 2014 as compared to Euro 369.7 million in 2013 and Euro 365.0 million (excluding capital leases of Euro 7.9 million) in 2012, primarily related to investments in IT infrastructure in 2014, 2013 and 2012, and in each year investments in manufacturing facilities for the manufacturing and wholesale segment and the opening, remodeling and relocation of stores in the retail division. Capital expenditures were Euro 94.0 million in the three-month period ended

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March 31, 2015. It is our expectation that 2015 net capital expenditures will be approximately 5.5% of the Group's net sales, excluding investments for acquisitions. We expect to fund future capital expenditures through cash flow generation primarily due to our operating leverage as well as working capital efficiencies.

Net cash provided by disposals of property, plant and equipment was insignificant in 2014, 2013 and 2012. Investments in equity investees resulted in cash used of Euro 0.0 million in 2014, Euro 45.0 million in 2013 and Euro 0.0 million in 2012.

*Financing Activities.* The Company's net cash provided by (used in) financing activities was Euro 72.3 million, Euro (568.8) million and Euro 668.4 million in 2014, 2013 and 2012, respectively. Cash provided by financing activities in 2014 consisted primarily of (i) Euro 500 million related to the issuance of new bonds, (ii) Euro (318.5) million related to the payment of existing debt, (iii) Euro (308.3) million used to pay dividends to the shareholders of the Company, (iv) Euro 70.0 million related to the exercise of stock options and (v) Euro 135.7 million related to the increase in bank overdrafts. Cash used in financing activities in 2013 mainly related to repayment of maturing outstanding debt of Euro (327.1) million and aggregate dividend payments to stockholders of Euro (273.7) million, which were partially offset by cash proceeds from the exercise of stock options totaling Euro 75.3 million. Cash used in financing activities in 2012 mainly related to proceeds received from the issuance of bonds for Euro 500.0 million, offset by the repayment of maturing outstanding debt of Euro (935.2) million and aggregate dividend payments to stockholders of Euro (227.4) million.

***Our Indebtedness***

We have relied primarily upon internally generated funds, trade credit, committed bank facilities and debt capital markets to finance our operations and expansion. We do not typically raise capital through the issuance of stock; rather, we use debt financing to lower our overall cost of capital and increase our return on stockholders' equity. We have access to capital markets at favorable market conditions and continue to monitor the debt capital markets in order to take appropriate actions to raise financing.

We manage our financing requirements by maintaining an adequate level of liquidity and committed and uncommitted financing facilities. To this end, we take a series of actions to ensure compliance with these financing requirements. In particular:

our treasury department monitors our cash flow forecast in conjunction with our liquidity and financing credit lines;

we utilize debt instruments and other credit lines in order to obtain funding for our operations;

we maintain adequate access to liquidity in our bank accounts and adequate levels of available committed credit lines; and

we monitor our liquidity risk in order to avoid unacceptable concentrations of such risk.

Our debt agreements contain certain covenants, including covenants that restrict our ability to incur additional indebtedness. We do not currently expect to require any additional financing that would require us to obtain consents or waivers of any existing restrictions on additional indebtedness set forth in our debt agreements.

Our long-term credit facilities contain certain financial covenants including ratios of Net Financial Position (as defined in the agreements) to EBITDA (earnings before interest, taxes, depreciation and amortization as defined in the agreements) and EBITDA to net financial charges (as defined in the agreements). As of December 31, 2014 and December 31, 2013, we were in compliance with these financial covenants and we expect to continue to be in compliance in the foreseeable future periods. We believe that after giving effect to any additional financing that we may incur, such restrictions would not materially affect our compliance with these covenants, our ability to incur the additional debt or our future business operations.

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The financial and operating covenants included in the above long-term debt are as follows (such terms are defined in our applicable debt agreements):

1. consolidated Total Net Debt shall not be equal to or exceed 3.5 times the Consolidated EBITDA; and
2. consolidated EBITDA shall not be less than five times the Consolidated Net Financial Charges.

Our total indebtedness was Euro 2,315.2 million as of December 31, 2014. Available additional borrowings under credit facilities as of such date were Euro 1,098.1 million of which Euro 500.0 million were committed credit lines.

The Group has credit ratings assigned by Standard & Poor's of "A-" and "A-2" for its long-term and short-term debt, respectively; the outlook was stable as of April 10, 2015. The long-term rating was upgraded from "BBB+" on January 20, 2014.

For additional information, see Note 21 to our Consolidated Financial Statements included in Item 18 of this Form 20-F.

### *Bank Overdrafts*

Bank overdrafts represent negative cash balances held in banks and amounts borrowed under various unsecured short-term lines of credit obtained by the Company and certain of its subsidiaries through local financial institutions. These facilities are usually short-term in nature or contain evergreen clauses with a cancellation notice period. Certain of these subsidiaries' agreements require a guaranty from Luxottica Group S.p.A. Interest rates on these lines vary based on the country of borrowing, among other factors. The Company uses these short-term lines of credit to satisfy its short-term cash needs.

### *Our Credit Facilities*

#### *The U.S. \$1,500 Million Credit Facility, U.S. \$500 Million Bridge Loan and Related Interest Rate Swaps*

To finance the acquisition of Oakley, on October 12, 2007, we and our subsidiary U.S. Holdings entered into two credit facilities with a group of banks providing for certain term loans and a short-term bridge loan for an aggregate principal amount of U.S. \$2.0 billion. The term loan facility was a term loan of U.S. \$1.5 billion, with a five-year term, with options to extend the maturity on two occasions for one year each time. We exercised the first option to extend the final maturity of this facility by one year to October 12, 2013. The term loan facility was divided into two facilities, Facility D and Facility E. Facility D consists of an amortizing term loan in an aggregate amount of U.S. \$1 billion, made available to U.S. Holdings, and Facility E consisted of a bullet term loan in an aggregate amount of U.S. \$500 million. We borrowed U.S. \$500 million under Facility E. Each facility had a five-year term, with options to extend the maturity on two occasions for one year each time. This facility was paid off on September 12, 2013.

The term loan had a spread of between 20 and 40 basis points over LIBOR, depending on the Group's ratio of debt to EBITDA. Interest accrued on the term loan at LIBOR (as defined in the agreement) plus 0.20%. Tranche E borrowings were fully repaid in advance on July 14, 2012 and October 15, 2012. Tranche D borrowings were fully repaid in advance on September 12, 2013.

During the third quarter of 2007, we entered into ten interest rate swap transactions with an aggregate initial notional amount of U.S. \$500 million with various banks ("Tranche E Swaps"). These swaps expired on October 12, 2012. The Tranche E Swaps were entered into as a cash flow hedge on Facility E of the credit facility discussed above. The Tranche E Swaps exchanged the floating rate of LIBOR for an average fixed rate of 4.26% per annum.

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During the fourth quarter of 2008 and January 2009, we entered into 14 interest rate swap transactions with an aggregate initial notional amount of U.S. \$700 million with various banks which decreased by U.S. \$50 million every three months ("Tranche D Swaps"), which matches the scheduled maturity of the hedged debt. These swaps expired on October 12, 2012. The Tranche D Swaps were entered into as a cash flow hedge on Facility D of the credit facility discussed above. The Tranche D Swaps exchange the floating rate of LIBOR for an average fixed rate of 2.672% per annum.

*The Euro 250 Million Revolving Credit Facility and Related Interest Rate Swaps*

On May 29, 2008, we entered into a Euro 250 million revolving credit facility agreement, guaranteed by our subsidiary, U.S. Holdings, with Intesa Sanpaolo S.p.A. as agent and Intesa Sanpaolo S.p.A., Banca Popolare di Vicenza S.c.p.A. and Banca Antonveneta S.p.A. as lenders. The credit facility required repayment of equal quarterly installments of principal of Euro 30 million, which started August 29, 2011, and a last repayment of Euro 40 million on the final maturity date. Interest accrued at EURIBOR (as defined in the agreement) plus a margin between 0.40% and 0.60% based on the "Net Debt/EBITDA" ratio, as defined in the agreement. This credit facility was fully repaid at maturity on May 29, 2013.

In June and July 2009, we entered into eight interest rate swap transactions with an aggregate initial notional amount of Euro 250 million with various banks ("Intesa Swaps"). The Intesa Swaps decreased their notional amount on a quarterly basis, following the amortization schedule of the underlying facility, which started on August 29, 2011. The Intesa Swaps expired on May 29, 2013. The Intesa Swaps were entered into as a cash flow hedge on the Intesa Sanpaolo S.p.A. credit facility discussed above. The Intesa Swaps exchanged the floating rate of EURIBOR (as defined in the agreement) for an average fixed rate of 2.25% per annum.

*The Euro 300 Million Club Deal*

On November 11, 2009, we entered into a Euro 300 million Term Facility Agreement, guaranteed by our subsidiaries U.S. Holdings and Luxottica S.r.l., with Mediobanca Banca di Credito Finanziario S.p.A., as agent, and Mediobanca Banca di Credito Finanziario S.p.A., Deutsche Bank S.p.A., Calyon S.A. Milan Branch and Unicredit Corporate Banking S.p.A., as lenders. The final maturity of the Term Facility was November 30, 2012. Interest accrued at EURIBOR (as defined in the agreement) plus a margin between 1.75% and 3.00% based on the "Net Debt/EBITDA" ratio, as defined in the agreement. In November 2010, we renegotiated this facility, extending the maturity for a further two years. The new expiration date was November 30, 2014. Interest accrued at EURIBOR plus a margin between 1.00% and 2.25%, as defined in the amendment (1.147% as of December 31, 2013). On August 29, 2014, the Group repaid the term loan in full in the amount of Euro 300 million.

*The Euro 500 Million Multicurrency Revolving Credit Facility*

On April 17, 2012, we and our subsidiary, U.S. Holdings, entered into a multicurrency (Euro/U.S. dollars) revolving credit facility with a group of banks providing for loans in the aggregate principal amount of Euro 500 million (or the equivalent in U.S. dollars). Amounts borrowed could be repaid and re-borrowed with all outstanding balances maturing on April 10, 2017. We were able to select interest periods of one, three or six months with interest accruing (i) on Euro-denominated loans based on the corresponding EURIBOR rate and (ii) on U.S. dollar denominated loans based on the corresponding LIBOR rate and a premium of 0.35% per annum, both plus a margin between 1.30% and 2.25% based on the "Consolidated Net Debt to Consolidated EBITDA" ratio as defined in the agreement. As of December 31, 2014, the line was undrawn.

On March 5, 2014, we and our subsidiary, U.S. Holdings, entered into an amendment to the existing multicurrency (Euro/U.S. dollars) revolving credit facility in order to, among other things, extend the term

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of the agreement and modify the applicable interest rates. Under the amended agreement, amounts borrowed could be repaid and re-borrowed with all outstanding balances maturing on April 10, 2019. We were able to select interest periods of one, three or six months with interest accruing (i) on Euro-denominated loans based on the corresponding EURIBOR rate and (ii) on U.S. dollar-denominated loans based on the corresponding LIBOR rate, both plus a margin of between 0.65% and 1.50% based on the Company's long-term senior unsecured debt credit rating issued by Standard & Poor's.

On February 27, 2015, the Group terminated this revolving credit facility. As of the date of termination, the facility was undrawn.

*Our Other Debt Financings*

*The U.S. \$275 Million Senior Unsecured Guaranteed Notes of U.S. Holdings*

On July 1, 2008, U.S. Holdings closed a private placement of U.S. \$275 million of senior unsecured guaranteed notes, issued in three series ("Series A," "Series B" and "Series C"). The aggregate principal amounts of the Series A, Series B and Series C Notes are U.S. \$20 million, U.S. \$127 million and U.S. \$128 million, respectively. The Series A Notes matured on July 1, 2013, the Series B Notes mature on July 1, 2015 and the Series C Notes mature on July 1, 2018. Interest on the Series A Notes accrued at 5.96% per annum, interest on the Series B Notes accrues at 6.42% per annum and interest on the Series C Notes accrues at 6.77% per annum. The Notes were not rated. The Notes contain certain financial and operating covenants. We were in compliance with those covenants as of December 31, 2014. The proceeds from the Notes were used to repay a portion of the bridge loan facility that expired on July 1, 2008.

*The U.S. \$175 Million Senior Unsecured Guaranteed Notes of U.S. Holdings*

On January 29, 2010, U.S. Holdings closed a private placement of U.S. \$175 million of senior unsecured guaranteed notes, issued in three series ("Series D," "Series E" and "Series F"). The aggregate principal amount of each of the Series D and Series E Notes is U.S. \$50 million and the aggregate principal amount of the Series F Notes is U.S. \$75 million. The Series D Notes mature on January 29, 2017, the Series E Notes mature on January 29, 2020 and the Series F Notes mature on January 29, 2019. Interest on the Series D Notes accrues at 5.19% per annum, interest on the Series E Notes accrues at 5.75% per annum and interest on the Series F Notes accrues at 5.39% per annum. The Notes were not rated. The Notes contain certain financial and operating covenants. We were in compliance with those covenants as of December 31, 2014. The proceeds from the Notes were used for general corporate purposes.

*The Euro 100 Million Senior Unsecured Guaranteed Notes*

On September 30, 2010, we closed a private placement of Euro 100 million senior unsecured guaranteed notes, issued in two series ("Series G" and "Series H"). The aggregate principal amounts of the Series G and Series H Notes are Euro 50 million and Euro 50 million, respectively. The Series G Notes mature on September 15, 2017 and the Series H Notes mature on September 15, 2020. Interest on the Series G Notes accrues at 3.75% per annum and interest on the Series H Notes accrues at 4.25% per annum. The Notes were not rated. The Notes contain certain financial and operating covenants. We were in compliance with those covenants as of December 31, 2014. The proceeds from the Notes were used for general corporate purposes.

*The Euro 500 Million Senior Unsecured Guaranteed Notes (Due 2015)*

On November 10, 2010, we closed an offering in Europe to institutional investors of Euro 500 million of senior unsecured guaranteed notes due November 10, 2015. The Notes are listed on the Luxembourg

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Stock Exchange under ISIN XS0557635777. Interest on the Notes accrues at 4.00% per annum. The Notes are guaranteed on a senior unsecured basis by U.S. Holdings and Luxottica S.r.l. The Notes can be prepaid at our option under certain circumstances. The proceeds from the Notes were used for general corporate purposes. On January 20, 2014, the Notes were assigned an "A-" credit rating by Standard & Poor's Ratings Services ("Standard & Poor's") The Notes contain certain financial and operating covenants. We were in compliance with those covenants as of December 31, 2014.

*The U.S. \$350 Million Senior Unsecured Guaranteed Notes*

On December 15, 2011, U.S. Holdings closed a private placement of U.S. \$350 million senior unsecured guaranteed notes ("Series I"). The Series I Notes mature on December 15, 2021. Interest on the Series I Notes accrues at 4.35% per annum. The proceeds from the Notes were used for general corporate purposes and to refinance existing term debt. The Notes were not rated. The Notes contain certain financial and operating covenants. We were in compliance with those covenants as of December 31, 2014.

*The Euro 500 Million Senior Unsecured Guaranteed Notes (Due 2019)*

On March 19, 2012, we closed an offering in Europe to institutional investors of Euro 500 million of senior unsecured guaranteed notes due March 19, 2019. The Notes are listed on the Luxembourg Stock Exchange under ISIN XS0758640279. Interest on the Notes accrues at 3.625% per annum. The Notes are guaranteed on a senior unsecured basis by U.S. Holdings and Luxottica S.r.l. When issued, the Notes were assigned a "BBB+" credit rating by Standard & Poor's and, on January 20, 2014, the Notes were upgraded to an "A-" credit rating by Standard & Poor's. The Notes contain certain financial and operating covenants. We were in compliance with those covenants as of December 31, 2014.

*The Euro 2 Billion Euro Medium Term Note Programme*

On April 29, 2013, our Board of Directors authorized a Euro 2 billion Euro Medium Term Note Programme (the "Programme") pursuant to which Luxottica Group S.p.A. may from time to time offer notes to investors in certain jurisdictions (excluding the United States, Canada, Japan and Australia). The Programme was updated on May 9, 2014. The notes issued under this program are expected to be listed on the Luxembourg Stock Exchange.

*Euro 500 Million Euro Medium Term Notes (Due 2024)*

On February 10, 2014, we completed an offering in Europe to institutional investors of Euro 500 million of senior unsecured guaranteed notes due February 10, 2024 under the Group's Euro Medium Term Note Programme. Interest on the notes accrues at 2.625% per annum. The Notes are listed on the Luxembourg Stock Exchange under ISIN XS1030851791. The Notes are guaranteed on a senior unsecured basis by U.S. Holdings and Luxottica S.r.l. The proceeds from the Notes were used for general corporate purposes and to refinance existing term debt. The Notes were assigned an "A-" credit rating by Standard & Poor's. The Notes contain certain operating covenants. We were in compliance with those covenants as of December 31, 2014.

***Outstanding Standby Letters of Credit***

Certain U.S. subsidiaries have obtained various standby and trade letters of credit from banks that aggregated Euro 40.7 million and Euro 36.9 million as of December 31, 2014 and 2013, respectively. Most of these letters of credit are used for security in risk management contracts, purchases from foreign vendors or as security on store leases. Most standby letters of credit contain evergreen clauses under which the letter is automatically renewed unless the bank is notified not to renew. Trade letters of credit are for purchases from foreign vendors and are generally outstanding for a period that is less than six

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months. Substantially all the fees associated with maintaining the letters of credit fall within the range of 40 to 60 basis points annually.

**Concentration of Credit Risk**

Financial instruments which potentially expose us to concentration of credit risk consist primarily of cash, investments and accounts receivable. We attempt to limit our credit risk associated with cash equivalents by placing our cash balances and investments with highly-rated banks and financial institutions. However, at any time, amounts invested at these banks may be in excess of the amount of insurance provided on such deposits. With respect to accounts receivable, we limit our credit risk by performing ongoing credit evaluations, and certain customers may be required to post security in the form of letters of credit. As of December 31, 2014 and 2013, no single customer's balance comprised 10% or more of the overall accounts receivable balance. However, included in accounts receivable as of December 31, 2014 and 2013, was approximately Euro 36.7 million and Euro 23.6 million, respectively, due from the host stores of our U.S. retail division. These receivables represent cash proceeds from sales deposited into the host stores' bank accounts, which are subsequently forwarded to us on a weekly or monthly basis depending on our contract with the particular host store and are based on short-term contract arrangements.

**Our Working Capital**

Set forth below is certain information regarding our working capital (total current assets minus total current liabilities):

| (Amounts in millions of Euro) | As of December 31, |           |           |
|-------------------------------|--------------------|-----------|-----------|
|                               | 2014               | 2013      | 2012      |
| Current Assets                | 3,167.7            | 2,236.0   | 2,426.9   |
| Current Liabilities           | (2,388.7)          | (1,700.4) | (1,805.0) |
| Working Capital               | 779.0              | 535.6     | 621.9     |

The increase in working capital in 2014 as compared to 2013 is mainly attributable to an increase in cash and cash equivalents as a result of the issuance of Euro 500 million of bonds in the first half of 2014. The decrease in working capital in 2013 as compared to 2012 is mainly attributable to a decrease in commercial receivables and inventory.

We believe that the financial resources available to us will be sufficient to meet our currently anticipated working capital and capital expenditure requirements for the next 24 months.

We do not believe that the relatively moderate rates of inflation which have been experienced in the geographic markets where we compete have had a significant effect on our net sales or profitability. In the past, we have been able to offset cost increases by increasing prices, although we can give no assurance that we will be able to do so in the future.

**Off-Balance Sheet Arrangements**

We have no material off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources.

We use, from time to time, derivative financial instruments, principally interest rate and currency swap agreements, as part of our risk management policy to reduce our exposure to market risks from changes in foreign exchange rates and interest rates (see Note 31 to our Consolidated Financial

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Statements included in Item 18 of this Form 20-F). Although we have not done so in the past, we may enter into other derivative financial instruments when we assess that the risk can be hedged effectively.

**Contractual Obligations and Commercial Commitments**

We are party to numerous contractual arrangements consisting of, among other things, royalty agreements with designers, leases for retail store, plant, warehouse and office facilities, as well as certain data processing and automotive equipment, and outstanding borrowings under credit agreements and facilities with financial institutions to finance our operations. These contractual arrangements may contain minimum annual commitments. A more complete discussion of the obligations and commitments is included in Notes 21 and 28 to our Consolidated Financial Statements included in Item 18 of this Form 20-F.

The following table summarizes the scheduled maturities of our long-term debt, minimum lease commitments under non-cancelable operating leases, minimum payments under non-cancelable royalty arrangements, purchase commitments (including long-term) and endorsement contracts as of December 31, 2014. The table does not include pension liabilities or liabilities for uncertain tax payments. We cannot make a reasonable and reliable estimate of when or if the uncertain tax payments will be made. Our pension plans are discussed in Note 22 to our Consolidated Financial Statements included in Item 18 of this Form 20-F.

| <b>Contractual Obligations<br/>(Amounts in millions of Euro)</b> | <b>Payments Due by Period</b> |                         |                         |                          | <b>Total</b>   |
|--|-------------------------------|-------------------------|-------------------------|--------------------------|----------------|
|  | <b>1 Year</b>                 | <b>1 to 3<br/>Years</b> | <b>3 to 5<br/>Years</b> | <b>After 5<br/>Years</b> |                |
| Long-Term Debt and Current Maturities <sup>(1)(2)</sup>          | 626.8                         | 115.0                   | 683.9                   | 889.5                    | 2,315.2        |
| Interest Payments <sup>(3)</sup>                                 | 84.5                          | 123.0                   | 89.5                    | 54.0                     | 351.0          |
| Operating Leases   | 337.8                         | 489.5                   | 279.6                   | 225.8                    | 1,332.8        |
| Minimum Royalty Arrangements <sup>(4)</sup>                      | 114.8                         | 175.9                   | 119.5                   | 126.6                    | 536.9          |
| Long-Term Purchase Commitments <sup>(5)</sup>                    | 24.2                          | 28.6                    | 18.7                    | 9.4                      | 80.9           |
| Endorsement Contracts <sup>(6)</sup>                             | 9.5                           | 10.6                    | 0.5                     | 0.3                      | 20.8           |
| Other Commitments <sup>(7)</sup>                                 | 14.1                          | 14.2                    | 1.0                     |                          | 29.3           |
| <b>Total</b>   | <b>1,211.7</b>                | <b>956.8</b>            | <b>1,192.7</b>          | <b>1,305.6</b>           | <b>4,666.8</b> |

(1) As described previously, our long-term debt has certain financial and operating covenants that may cause the acceleration of future maturities if we do not comply with them. We were in compliance with these covenants as of December 31, 2014 and expect to be in compliance for the foreseeable future.

(2) The calculation of Long-Term Debt and Current Maturities includes capital lease obligations, pursuant to which the following amounts are scheduled to become due and payable: Euro 4.2 million (less than one year) and Euro 21.0 million (one to three years).

(3) These amounts do not include interest payments due under our various revolving credit facilities as the amounts to be borrowed in future years are uncertain at this time. In addition, interest rates used to calculate the future interest due on our variable interest rate term loans were calculated based on the interest rate as of December 31, 2014 and assume that we make all scheduled principal payments as they mature.

(4) These amounts represent obligations under our license agreements with designers, some of which require us to make annual guaranteed minimum payments.

(5) These amounts represent obligations under our supplier commitments with various vendors.





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- (6) These amounts represent obligations under our endorsement contracts with selected athletes and others who endorse Oakley products, certain of which require us to pay specified annual minimum commitments and sometimes additional amounts based on performance goals.
- (7) Other commitments mainly include auto, machinery and equipment lease commitments.

At December 31, 2014, we had available funds of approximately Euro 598.1 million under our unused short-term lines of credit. Substantially all of these lines have terms of less than one year, but they have been renewed annually in prior years. For additional information, see Note 15 to our Consolidated Financial Statements included in Item 18 of this Form 20-F.

**ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**

**DIRECTORS AND SENIOR MANAGEMENT**

The Board of Directors of Luxottica Group S.p.A. was appointed at the Stockholders' Meeting held on April 27, 2012. It currently consists of 11 members.

The current term of the Board of Directors expires at the time of the approval of the statutory financial statements as of and for the year ending December 31, 2014. The information included in Item 6 relates to the Board of Directors whose term expires upon the approval of the statutory financial statements as of and for the year ended December 31, 2014.

In 2014, four of our directors resigned: Mr. Sergio Erede (on March 13, 2014), Mr. Andrea Guerra (on September 1, 2014), Mr. Enrico Cavatorta (on October 13, 2014) and Mr. Roger Abravanel (on October 13, 2014). On October 29, 2014, Mr. Massimo Vian and Mr. Adil Mehboob-Khan were "co-opted" by the Board of Directors and were appointed as directors of the Company in order to fill the existing vacancies on the Board of Directors.

During 2014, the Company adopted a governance model based on the appointment of two Chief Executive Officers (the "Co-CEO Model") to better respond to the growing complexity of the Group and to the demands of global competition. Following Mr. Andrea Guerra's resignation as Chief Executive Officer, on September 1, 2014, Mr. Enrico Cavatorta was appointed as Chief Executive Officer of Corporate Functions and *ad interim* CEO for Markets. Following Mr. Cavatorta's resignation from the Board of Directors on October 13, 2014, the Group's Chairman, Mr. Leonardo Del Vecchio, was temporarily granted (until October 29, 2014) all management authority in anticipation of the implementation of the Co-CEO Model based on separate "Markets" and "Product and Operations" areas of responsibility.

On October 29, 2014, the Board of Directors granted to Mr. Massimo Vian all managing powers on an interim basis. The Co-CEO Model was implemented on January 19, 2015 with the appointment of Mr. Adil Mehboob-Khan as Chief Executive Officer for Markets and Mr. Massimo Vian as Chief Executive Officer for Product and Operations.

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Set forth below is certain information as of April 10, 2015 regarding the directors and senior management of Luxottica Group S.p.A.:

| <b>Name</b>            | <b>Age</b> | <b>Senior<br/>Manager or<br/>Director(1)<br/>Since</b> | <b>Position</b>   |
|------------------------|------------|--|---|
| Leonardo Del Vecchio   | 79         | 1961   | Chairman of the Board of Directors                              |
| Luigi Francavilla      | 77         | 1968/1985  | Deputy Chairman   |
| Adil Mehboob-Khan      | 51         | 2015/2014  | Chief Executive Officer for Markets and Director                |
| Massimo Vian           | 42         | 2005/2014  | Chief Executive Officer for Product and Operations and Director |
| Mario Cattaneo         | 84         | 2003   | Director  |
| Claudio Costamagna     | 59         | 2006   | Director  |
| Claudio Del Vecchio    | 58         | 1978/1986  | Director  |
| Elisabetta Magistretti | 67         | 2012   | Director  |
| Marco Mangiagalli      | 66         | 2009   | Director  |
| Anna Puccio            | 51         | 2012   | Director  |
| Marco Reboa            | 59         | 2009   | Director  |
| Paolo Alberti          | 52         | 2009   | President Wholesale   |
| Nicola Brandolese      | 43         | 2012   | President Retail Optical  |
| Fabio d'Angelantonio   | 45         | 2005   | President Retail Luxury and Sun                                 |
| Stefano Grassi         | 41         | 2007   | Chief Financial Officer   |
| Nicola Pelà            | 52         | 2005   | Group Human Resources Officer                                   |
| Enrico Mistrion        | 45         | 1995   | Chief Information Officer and Global Business Services Officer  |
| Alessandra Senici      | 47         | 2000   | Group Investor Relations and Corporate Communications Officer   |
| Giorgio Striano        | 44         | 2009   | Group Manufacturing Officer                                     |

(1)

For our senior managers, the periods listed in the table reflect periods of affiliation with Luxottica Group S.p.A. or any of its predecessors and affiliates, and not necessarily the period since they were appointed to their current position. When two years are indicated, the former is the first year of affiliation with Luxottica Group S.p.A. or any of its predecessors and affiliates and the latter is the year of appointment as a director.

All information disclosed below regarding compensation, shareholdings and incentive plans also include directors who held the office for part of 2014 and sixteen senior managers, each of whom held office for all or part of 2014.

Executive officers serve at the discretion of the Board of Directors. Messrs. Cattaneo, Costamagna, Claudio Del Vecchio, Mangiagalli and Reboa and Ms. Magistretti and Puccio are all non-executive directors. In addition, Ms. Magistretti and Puccio and Messrs. Cattaneo, Costamagna, Mangiagalli and Reboa are also independent directors under Italian law. Mr. Abravanel, who resigned on October 13, 2014, also was a non-executive and independent director.

Pursuant to Italian law and our By-laws, a list for the appointment of the Board of Directors can be presented only by stockholders who hold the minimum percentage of the share capital established annually by CONSOB. For 2012, the year in which the current Board of Directors was appointed, the percentage established by CONSOB for Luxottica was equal to 1%. For 2015, the percentage established by CONSOB for Luxottica is equal to 0.5%.

Pursuant to Italian law, we maintain a Board of Statutory Auditors, elected at the Stockholders' Meeting, composed of experts in legal and accounting matters who are required to have no other affiliation with Luxottica Group S.p.A. and who must satisfy certain professional and other standards.

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The Board of Statutory Auditors, comprised of three regular members and two alternate members, is required to verify that we (i) comply with applicable law and our By-laws, (ii) respect the principles of correct administration, (iii) maintain adequate organizational structure, internal controls and administrative and accounting systems, (iv) ensure that our accounting system represents the facts in a fair and true manner and (v) give adequate instructions to our subsidiaries. The Board also supervises the manner in which we comply with the Code of Corporate Governance issued by Borsa Italiana S.p.A. It also supervises our financial reporting process, the effectiveness of our internal auditing system and risk assessment, the audit work and the independence of our auditing firm. Although members of the Board of Statutory Auditors are required to attend the meetings of the Board of Directors and of the stockholders, they are not deemed to be members of the Board of Directors and do not vote on matters submitted to such meetings. At the Stockholders Meeting on April 27, 2012, the following individuals were appointed as members of the Board of Statutory Auditors: Francesco Vella, who is Chairman, Barbara Tadolini and Alberto Giussani. The following individuals were also appointed as alternate members of the Board of Statutory Auditors: Giorgio Silva and Fabrizio Riccardo Di Giusto. The alternate members will replace current members who leave their position during the current term. Francesco Vella and Fabrizio Riccardo Di Giusto were selected from a list submitted by minority stockholders. Alberto Giussani, Barbara Tadolini and Giorgio Silva were selected from a list submitted by Delfin S.à r.l. The current term of the Board of Statutory Auditors expires at the time of the approval of the statutory financial statements as of and for the year ending December 31, 2014.

See Item 16G "Corporate Governance Summary of the Significant Differences Between Our Corporate Governance Practices and the Corporate Governance Standards of the New York Stock Exchange" for more information regarding the designation of the Board of Statutory Auditors to act as our "Audit Committee" as defined in the U.S. Sarbanes-Oxley Act of 2002.

On July 26, 2012, the Board of Directors approved certain amendments to our By-laws as required by Italian law no. 120/2011 in order to ensure gender equality in the composition of the Board of Directors and the Board of Statutory Auditors. Please see Item 10 "Additional Information" for further details regarding the requirements set forth under the law no. 120/2011.

Pursuant to the Italian Code of Corporate Governance, issued by Borsa Italiana, we also maintain a Human Resources Committee, elected from the members of the Board of Directors. The Human Resources Committee has verification, advisory and proposal making functions, including, among others: (i) proposing to the Board of Directors the Group remuneration policy, (ii) recommending to the Board of Directors the remuneration payable to the Company's Directors with additional responsibilities and determining the remuneration criteria for senior management of the Company and of the entire Group and (iii) reviewing the Luxottica Group employees' incentive plans and making proposals to the Board of Directors regarding the beneficiaries of the plans. The Human Resources Committee also evaluates the organizational requirements of the Group and the actions taken to assign key positions ("succession plans") and makes inquiries for the preparation and revision of succession plans adopted by the Board of Directors. The members of the Human Resources Committee are independent directors Claudio Costamagna, who acts as Chairman, Anna Puccio and Marco Mangiagalli, who was appointed by the Board of Directors on October 22, 2014 following the resignation of Mr. Abravanel, who held the office until October 13, 2014. The term of the Human Resources Committee is co-extensive with the term of our Board of Directors since its members are also members of our Board of Directors.

We also have a Control and Risk Committee, which is composed of the following independent directors: Mario Cattaneo, Chairman, Marco Mangiagalli, Elisabetta Magistretti and Marco Reboa. The Control and Risk Committee is responsible for performing investigations, providing advice and submitting proposals to the Board of Directors. In particular, the Control and Risk Committee (i) assists the Board of Directors in the execution of its internal control tasks and mandates, (ii) evaluates the planned initiatives and projects of the Internal Auditing function, (iii) reviews and assesses the regular reports issued by the Internal Auditing function, (iv) assesses, together with the manager responsible for the preparation of the Company's accounting records and the managers and the auditors, the proper

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use and application of accounting principles, (v) assesses the results of the activities performed by the Internal Auditing function, (vi) expresses opinions concerning the identification and management of corporate risks and (vii) expresses opinions concerning the planning, implementation and management of the internal control system.

See Item 16G "Corporate Governance Summary of the Significant Differences Between Our Corporate Governance Practices and the Corporate Governance Standards of the New York Stock Exchange" for more information regarding the designation of the Human Resources Committee to act as our compensation committee.

A short biography of each of our Directors and executive officers is set forth below:

**Leonardo Del Vecchio** is the founder of our operations and has been Chairman of the Company since its incorporation. In 1986, the President of the Republic of Italy conferred on Mr. Del Vecchio the honor of Cavaliere dell'Ordine al "Merito del Lavoro" (Knight of the Order for Labor Merit). In May 1995, he received an honorary degree in Business Administration from the Venice Ca' Foscari University. In 1999, he received a Master "honoris causa" in International Business from MIB-Management School in Trieste. In 2002, he received an honorary degree in Managerial Engineering from the University of Udine and, in March 2006, Mr. Del Vecchio received another honorary degree in Materials Engineering from Politecnico of Milan. Furthermore, in December 2012, Mr. Del Vecchio received from CUOA Foundation a master "honoris causa" in Business Administration. Mr. Del Vecchio is also a director of Beni Stabili S.p.A. SIIQ, GiVi Holding S.p.A. and Gianni Versace S.p.A., Vice Chairman of Foncière des Régions S.A. and a director of Delfin S.à r.l., Aterno S.a.r.l. and Kairos Julius Baer SIM.

**Luigi Francavilla** joined the Group in 1968, has been Director since 1985, Deputy Chairman since 1991, and was, until June 2010, the Chief Quality Officer of the Group. From 1977 until May 2009, he was Group Product and Design Director. From 1972 to 1977, Mr. Francavilla was General Manager of Luxottica S.r.l. and, from 1969 to 1971, he served as Technical General Manager of Luxottica S.r.l. In addition, he is Chairman of Luxottica S.r.l. and Luxottica Tristar (Dongguan) Optical Co. Ltd., two of our principal operating subsidiaries. Mr. Francavilla is also a Director in the Venice branch of the Bank of Italy. In April 2000, he received an honorary degree in Business Administration from Constantinian University in Cranston, Rhode Island, U.S.A. In 2011, he was appointed Grande Ufficiale of the Italian Republic. In 2012, the President of the Republic of Italy conferred on Mr. Francavilla the honor of Cavaliere dell'Ordine al "Merito del Lavoro" (Knight of the Order for Labor Merit).

**Adil Mehboob-Khan** was appointed as a Director of the Company on October 29, 2014 and Chief Executive Officer for Markets on January 19, 2015. Prior to joining Luxottica, Mr. Mehboob-Khan held a number of marketing and general management positions at The Procter & Gamble Company, where he began his career in 1987. In 2009, he was appointed Vice President in charge of all European Retail Beauty Businesses. From 2011 to 2014, he was President, Global Salon Professional & Wella. Mr. Mehboob-Khan holds a degree in engineering from the University of London. He also serves as a Director of Luxottica U.S. Holdings Corp. and OPSM Group Pty Limited.

**Massimo Vian** was appointed as a Director of the Company on October 29, 2014, undertaking *ad interim* all managing powers until January 19, 2015, when he was appointed Chief Executive Officer for Product and Operations. Mr. Vian joined the Group in 2005 as Industrial Engineering Director. From 2007 to 2010, he served as Asia Operations Director, and he was subsequently appointed as Group Chief Operations Director and assumed the responsibility for the Company's Zero Waste initiative in 2013. Mr. Vian holds a degree in Management Engineering from the University of Padova. Prior to joining Luxottica, he held different roles at Nacco Materials Handling, EFESO Consulting, Key Safety Systems and Momo S.r.l. Mr. Vian is also Chief Executive Officer of Luxottica S.r.l. and serves as a Director of Luxottica U.S. Holdings Corp. and OPSM Group Pty Limited.

**Mario Cattaneo** has been a Director since 2003. He is emeritus professor of Corporate Finance at the Catholic University of Milan. He was a director of Eni S.p.A. from 1998 until 2005 and of Unicredito from 1999 until 2005 and Statutory Auditor of the Bank of Italy from 1991 until 1999. He is a member of the Board of Directors of Salini Impregilo S.p.A. and Bracco S.p.A. He is an auditor of Michelin Italiana Sami S.p.A.

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**Claudio Costamagna** has been a Director since 2006. Mr. Costamagna holds a business administration degree and has held important offices in Citigroup, Montedison and Goldman Sachs where he served for many years as Chairman of the Investment Banking division for Europe, the Middle East and Africa. He is currently Chairman of "CC e Soci S.r.l.", a financial advisory boutique he founded, and a member of the International Advisory Board of the Bocconi University. Mr. Costamagna is Chairman of Salini Impregilo S.p.A. and AAA S.A.. He is also director of FTI Consulting Inc.

**Claudio Del Vecchio**, a son of Leonardo Del Vecchio, joined the Group in 1978 and has been a Director since 1986. From 1979 to 1982, he managed our Italian and German distribution operations. From 1982 until 1997, he was responsible for all business operations of the Group in North America. He also serves as a Director of Luxottica U.S. Holdings Corp., a key subsidiary in North America. Claudio Del Vecchio is Chairman and Chief Executive Officer of Brooks Brothers Group, Inc.

**Elisabetta Magistretti** became a Director of Luxottica Group S.p.A. on April 27, 2012. She graduated with honors from Bocconi University with a degree in Business and Economics. Ms. Magistretti is a Certified Chartered Public Accountant. She began her career at Arthur Andersen in 1972, where she became a partner in 1984. In 2001, she joined Unicredit Group as Head of the Administrative Government; from 2006 to 2009 she was responsible for the Group Internal Audit Department. From 2002 to 2009, she served on the Board of "Fondo Interbancario di Tutela dei Depositi," from 2002 to 2011, she served on the Management Board of "Organismo Italiano di Contabilità" and from 2006 to 2009, she was a member of the Supervisory Board of Unicredit S.p.A. From 2003 until early 2013, she was a Director of Unicredit Audit. From 2010 until 2012, she was a member of the Unicredit Bulbank Audit Committee and of the Supervisory Board of Zao Unicredit Russia, where she was Chairman of the Audit Committee. From 2011 to 2012, she was an independent director of Gefran S.p.A. She is also member of the Board of Directors of Pirelli & C. S.p.A. and Mediobanca S.p.A.

**Marco Mangiagalli** became a Director on April 29, 2009. Mr. Mangiagalli received a degree in Political Economy from Bocconi University in 1973. Most of his career has been with Eni Group; he also has had working experience with Barclays Group in Italy and the Nuovo Banco Ambrosiano Group. He has served as a member of the Board of Directors for Agip S.p.A., Polimeri Europa S.p.A., Nuovo Pignone S.p.A., Snamprogetti S.p.A., Saipem S.p.A., Eni International Holding B.V., Albacom S.p.A., Emittenti Titoli S.p.A. and Oil Investment Corp. He also has been Chairman of Eni Coordination Center S.A., Eni Bank Ltd/Banque Eni S.A. and of Enifin S.p.A. From August 2008 to May 2011, he was Chairman of the Board of Directors for Saipem S.p.A. He is a member of the Supervisory Board of Intesa San Paolo S.p.A.

**Anna Puccio** became a Director of Luxottica Group S.p.A. on April 27, 2012. Ms. Puccio graduated from the Venice University Ca' Foscari with a degree in Business Administration and holds a post-graduate degree in International Business from CUOA Business School. She started her career at Microsoft Corp. in the United States in 1987. Thereafter, from 1990 to 2001, Ms. Puccio worked for Procter & Gamble Corp. in various countries, including Italy, Germany, the United Kingdom and Switzerland and, most recently, as Marketing Director Europe in its Beauty Care Business Unit. From 2001 to 2004, she was Chief Executive Officer of Zed-TeliaSonera Italy and, from 2005 to 2006, Chief Executive Officer of Sony Ericsson Italy. From 2008 to 2009, Ms. Puccio was Senior Strategy Advisor for Accenture Mobility Operative Services. From 2006 to 2012, she was a member of the Board of Directors of Buongiorno S.p.A. Since 2010, Ms. Puccio has been the Group Managing Director of CGM, National Group of Social Enterprises. In February 2014, Ms. Puccio was appointed as Company Secretary and a member of the Board of Directors of Fondazione Italiana Accenture and is a member of the Board of Directors of Amplifon S.p.A.

**Marco Reboa** became a Director on April 29, 2009. Mr. Reboa received a degree in Business Economics from Bocconi University in 1978. He has been registered in the Register of Chartered

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Accountants of Milan since 1982 and he is an auditor pursuant to Ministerial Decree since 1995. He is currently a professor at the Faculty of Law at the Libero Istituto Universitario Carlo Cattaneo in Castellanza, Italy and works in private practice in Milan, specializing in extraordinary financial transactions. Mr. Reboa has published books and articles on financial statements, economic appraisals and corporate governance. He is editor-in-chief of the Magazine of Chartered Accountants. Mr. Reboa was the Chairman of the Luxottica Group S.p.A. Board of Statutory Auditors from June 14, 2006 until April 29, 2009. He is a member of the Board of Directors of Carraro S.p.A.

**Paolo Alberti** joined Luxottica Group in May 2009 and is President Wholesale. Prior to joining Luxottica, he was Executive VP at Bulgari Parfums where he was responsible for the development, marketing, logistics and commercialization of Bulgari Perfumes and Cosmetics. He was also responsible for the Bulgari eyewear license with Luxottica. Prior to being at Bulgari, he was General Manager at L'Oréal, Consumer Division, Director at Johnson & Johnson and Advertising Brand Manager at Procter & Gamble. Mr. Alberti holds a B.S. in Civil Management Engineering from the University of the Pacific (California, USA) and a Master in Business Administration from Bocconi University.

**Nicola Brandolese** became President of Retail Optical Americas in January 2014 and was appointed President Retail Optical in 2015. He joined Luxottica in 2012 as Group Business Development Director and Chief Digital Officer. Before joining Luxottica, from 2003 to 2012, Mr. Brandolese spent nine years with News Corporation, where he led marketing, sales and product management as Executive Vice President of Sky. Between 1997 and 2003, Mr. Brandolese served as Project Leader with The Boston Consulting Group and as Director of Sales and Business Strategy at Sapient Corporation. Prior to working in management consulting, Mr. Brandolese led Purchasing and Logistics at Erikstone OY AB in Finland. Mr. Brandolese holds a Master's degree in Engineering from the Polytechnic University of Milan and a BEP degree from Boston's Babson College.

**Fabio d'Angelantonio** was appointed to lead the Retail Luxury and Sun Business at the beginning of 2009, while maintaining the role of Chief Marketing Officer that he has held since 2005. After experience with the European Union and in the Olivetti Marketing Department in Brussels and Madrid, Mr. d'Angelantonio led the international department from 1995 to 2000 for the Belgian publishing house Editions Hemma (part of the Havas-Vivendi group). At the beginning of 2000, Mr. d'Angelantonio joined Ciaoweb (Fiat-Ifil group) where he held the position of Channel Manager, eventually moving to Merloni Elettrodomestici, today Indesit Company, where he held increasingly senior positions ending in Brand & Advertising Manager, responsible for the management of the entire brand portfolio for the group. After receiving a degree in Business Administration in 1994 from the LUISS University in Rome, he completed an MBA in International Management at the UBI in Brussels in 1999.

**Stefano Grassi** was appointed Chief Financial Officer on October 29, 2014. Mr. Grassi joined the Group in 2007 as Finance Manager Luxottica Retail North America and from 2008 to 2012 he served as Group Retail Financial Controller. In 2012, he became Group Controlling & Forecasting Director. Before joining Luxottica, Mr. Grassi held various positions at General Electric in Italy, the United States, Spain, France and Hungary until 2005, when he became CFO of General Electric Capital Commercial Finance Italy. Mr. Grassi holds a degree in Business Administration from La Sapienza University in Rome.

**Enrico Mistrion** joined the Group in 1995, after graduating with a degree in Business Administration from the University of Venice. Over the last 20 years, Mr. Mistrion assumed roles of increasing responsibility in different strategic areas within the Group, including Administration, Finance and Business Controlling, along with Planning and Supply Chain. In 2007, he became Group Financial Controller and, in 2010, Supply Chain Director. In 2015, he was appointed Chief Information Officer and Global Business Services Director.

**Nicola Pelà** has been Group Human Resources Officer since 2005. Before joining Luxottica, he held a number of HR positions in Olivetti, Fiat, Barilla and SmithKline Beecham. He has lived and worked in Italy, the United States and Belgium. Mr. Pelà has a bachelor's degree in Law with honors and a

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master's degree in Business Administration from CUOA (Centro Universitario di Organizzazione Aziendale).

**Alessandra Senici** has served as the Group Investor Relations Director at Luxottica Group since May 2007 and, in September 2014, widened her responsibilities by taking over the leadership of Corporate Communications, being appointed as Group Investor Relations and Communications Officer. Ms. Senici joined the Group in February 2000. She was previously an Equity Analyst with Rasfin Sim and Cariplo S.p.a., where she also worked on primary and secondary offerings together with the corporate finance and equity capital markets teams. She also has currency trading experience. Ms. Senici holds a bachelor's degree in Business Administration from the University of Brescia, is a member of A.I.R., the Italian Association of Investor Relations Officers, and a member of the steering committee of Valore D, an association of large companies formed in Italy in order to support women's leadership in the corporate world.

**Giorgio Striano** was appointed Group Manufacturing Officer of the Company in March 2015. Mr. Striano joined the Company in 2009 as Senior Vice President, Oakley Operations. In 2013, Mr. Striano increased his responsibilities by assuming leadership for Luxottica's optical manufacturing and lens procurement functions and, in 2014, he transitioned to lead Luxottica's manufacturing operations in Italy. Mr. Striano holds a degree in electrical engineering and a master's degree in advanced industrial marketing from INSEAD in Singapore. Prior to joining the Company, Mr. Striano gained manufacturing and general management experience at The Procter & Gamble Company and Manuli Rubber Industries.



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Set forth below is information regarding total compensation paid to the members of our Board of Directors and our Board of Statutory Auditors for services rendered to Luxottica Group S.p.A. and our subsidiaries during 2014 and remuneration to Senior Managers who held office for all or a portion of 2014 (amounts in Euros).

**Compensation paid to directors, general managers, auditors and other executives with strategic responsibilities (in Euro)**

|            | Office                         | Term of office                       | Expiration                                | Variable non-equity compensation |                                |                            |                      | Total     | Fair value of equity compensation*<br>(Estimated to Potential Value) |
|------------|--------------------------------|--------------------------------------|---|----------------------------------|--------------------------------|----------------------------|----------------------|-----------|--|
|            |                                |                                      |   | Fixed remuneration               | Compensation for Participation | Bonus and other incentives | Profit participation |           |  |
| <b>Del</b> | Chairman of the Board          | January 1, 2014 - December 31, 2014  | Approval of financial statements for 2014 |                                  |                                |                            |                      |           |  |
|            |                                |                                      |   | 1,285,000(1)                     |                                |                            |                      | 1,285,000 |  |
|            |                                |                                      |   | 1,285,000                        |                                |                            |                      | 1,285,000 |  |
| <b>Del</b> | Vice Chairman                  | January 1, 2014 - December 31, 2014  | Approval of financial statements for 2014 |                                  |                                |                            |                      |           |  |
|            |                                |                                      |   | 143,002(2)                       |                                |                            |                      | 143,002   |  |
|            |                                |                                      |   | 657,060                          |                                |                            |                      | 657,060   |  |
|            |                                |                                      |   | 800,062                          |                                |                            |                      | 800,062   |  |
| <b>Del</b> | CEO for Product and Operations | October 29, 2014 - December 31, 2014 | Meeting after co-option                   |                                  |                                |                            |                      |           |  |
|            |                                |                                      |   | 633,011(3)                       |                                | 424,100(11)                | 11,491               | 1,068,602 | 736,503  |
|            |                                |                                      |   | 633,011                          |                                | 424,100                    | 11,491               | 1,068,602 | 736,503  |
| <b>Del</b> | Director                       | October 29, 2014 - December 31, 2014 | Meeting after co-option                   |                                  |                                |                            |                      |           |  |
|            |                                |                                      |   | 14,852                           |                                |                            |                      | 14,852    |  |
|            |                                |                                      |   | 14,852                           |                                |                            |                      | 14,852    |  |
| <b>Del</b> | CEO                            | January 1, 2014 - September 1, 2014  | Resigned on September 1, 2014             |                                  |                                |                            |                      |           |  |

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|              |                                 |  |  |              |           |                     |
|--------------|---------------------------------|--|--|--------------|-----------|---------------------|
|              |                                 | 2014 -<br>September 1,<br>2014               | 2014   |              |           |                     |
|              |                                 |  |  | 1,678,914(4) | 27,618    | 1,706,532 1,783,358 |
|              |                                 |  |  | 1,678,914    | 27,618    | 1,706,532 1,783,358 |
|              | Director-General<br>Manager/CEO | January 1,<br>2014 -<br>October 13,<br>2014  | Resigned on<br>October 31,<br>2014                 |              |           |                     |
|              |                                 |  |  | 650,542(5)   | 14,038    | 664,581             |
|              |                                 |  |  | 650,542      | 14,038    | 664,581             |
|              | Director                        | January 1,<br>2014 -<br>October 13,<br>2014  | Resigned on<br>October 13,<br>2014                 |              |           |                     |
|              |                                 |  |  | 66,720       | 19,624(6) | 86,344              |
|              |                                 |  |  | 66,720       | 19,624    | 86,344              |
| <b>aneio</b> | Director                        | January 1,<br>2014 -<br>December 31,<br>2014 | Approval of<br>financial<br>statements<br>for 2014 |              |           |                     |
|              |                                 |  |  | 85,000       | 30,000(7) | 115,000             |
|              |                                 |  |  | 85,000       | 30,000    | 115,000             |
| <b>a</b>     | Director                        | January 1,<br>2014 -<br>December 31,<br>2014 | Approval of<br>financial<br>statements<br>for 2014 |              |           |                     |
|              |                                 |  |  | 85,000       | 30,000(8) | 115,000             |
|              |                                 |  |  | 85,000       | 30,000    | 115,000             |
| <b>l</b>     | Director                        | January 1,<br>2014 -<br>December 31,<br>2014 | Approval of<br>financial<br>statements<br>for 2014 |              |           |                     |
|              |                                 |  |  | 85,000       |           | 85,000              |
|              |                                 |  |  | 85,000       |           | 85,000              |
| <b>de</b>    | Director                        | January 1,<br>2014 -<br>March 13,<br>2014    | Resigned on<br>March 13,<br>2014                   |              |           |                     |

|  |        |        |
|--|--------|--------|
| Contribution paid by the Company                       | 16,910 | 16,910 |
| Contribution paid by subsidiary or affiliate companies | 16,910 | 16,910 |

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| Office                                       | Term of office                      | Expiration                                | Compensation for   |                         | Variable non-equity compensation Bonus and other incentive participation | Profit Non-cash benefits | Other compensation | Total   | Fair value of equity In compensation* (Estimated Potential Value) |
|--|-------------------------------------|---|--------------------|-------------------------|--|--------------------------|--------------------|---------|---|
|  |                                     |   | Fixed remuneration | Committee Participation |  |                          |                    |         |   |
| Director                                     | January 1, 2014 - December 31, 2014 | Approval of financial statements for 2014 | 85,000             | 25,000                  | (9)  |                          |                    | 110,000 |   |
| Compensation paid by the Company             |                                     |   | 85,000             | 25,000                  |  |                          |                    | 110,000 |   |
| Compensation paid by subsidiary or affiliate |                                     |   |                    |                         |  |                          |                    |         |   |
| Director                                     | January 1, 2014 - December 31, 2014 | Approval of financial statements for 2014 | 85,000             | 29,839                  | (6)  | (9)                      |                    | 114,839 |   |
| Compensation paid by the Company             |                                     |   | 85,000             | 29,839                  |  |                          |                    | 114,839 |   |
| Compensation paid by subsidiary or affiliate |                                     |   |                    |                         |  |                          |                    |         |   |
| Director                                     | January 1, 2014 - December 31, 2014 | Approval of financial statements for 2014 | 85,000             | 25,000                  | (6)  |                          |                    | 110,000 |   |
| Compensation paid by the Company             |                                     |   | 85,000             | 25,000                  |  |                          |                    | 110,000 |   |
| Compensation paid by subsidiary or affiliate |                                     |   |                    |                         |  |                          |                    |         |   |
| Director                                     | January 1, 2014 - December 31, 2014 | Approval of financial statements for 2014 | 85,000             | 25,000                  | (9)  |                          |                    | 110,000 |   |
| Compensation paid by the Company             |                                     |   | 85,000             | 25,000                  |  |                          |                    | 110,000 |   |
| Compensation paid by subsidiary or affiliate |                                     |   |                    |                         |  |                          |                    |         |   |
| Chairman of the Board of Statutory Auditors  | January 1, 2014 - December 31, 2014 | Approval of financial statements for 2014 | 85,000             | 25,000                  |  |                          |                    | 110,000 |   |

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|  |                                  |               |         |           |           |
|--|----------------------------------|---------------|---------|-----------|-----------|
| Compensation paid by the Company                       | 105,000                          |               |         | 105,000   |           |
| Compensation paid by subsidiary or affiliate companies |                                  |               |         |           |           |
|  | 105,000                          |               |         | 105,000   |           |
| Auditor  | Approval                         |               |         |           |           |
| January 1, 2014 - December 31, 2014                    | of financial statements for 2014 |               |         |           |           |
| Compensation paid by the Company                       | 70,000                           |               |         | 70,000    |           |
| Compensation paid by subsidiary or affiliate companies |                                  |               |         |           |           |
|  | 70,000                           |               |         | 70,000    |           |
| Auditor  | Approval                         |               |         |           |           |
| January 1, 2014 - December 31, 2014                    | of financial statements for 2014 |               |         |           |           |
| Compensation paid by the Company                       | 70,000                           |               |         | 70,000    |           |
| Compensation paid by subsidiary or affiliate companies | 18,000(10)                       |               |         | 18,000    |           |
|  | 88,000                           |               |         | 88,000    |           |
| Compensation with                                      |                                  |               |         |           |           |
| Liabilities  |                                  |               |         |           |           |
| to   |                                  |               |         |           |           |
| the  |                                  |               |         |           |           |
| of   |                                  |               |         |           |           |
| with   |                                  |               |         |           |           |
| Liabilities of the                                     |                                  |               |         |           |           |
| (  |                                  |               |         |           |           |
| Compensation paid by the Company                       | 4,387,907                        | 2,534,700(11) | 146,567 | 7,069,174 | 4,500,225 |
| Compensation paid by subsidiary or affiliate companies |                                  |               |         |           |           |
|  | 4,387,907                        | 2,534,700     | 146,567 | 7,069,174 | 4,500,225 |
| Compensation with                                      |                                  |               |         |           |           |
| Liabilities  |                                  |               |         |           |           |
| to   |                                  |               |         |           |           |
| the  |                                  |               |         |           |           |
| of   |                                  |               |         |           |           |
| with   |                                  |               |         |           |           |
| Liabilities  |                                  |               |         |           |           |
| by   |                                  |               |         |           |           |
| (  |                                  |               |         |           |           |
| Compensation paid by the Company                       | 346,397                          | 146,500(11)   | 11,362  | 504,260   | 465,763   |
| Compensation paid by subsidiary or affiliate companies | 2,674,768                        | 2,999,936(11) |         | 5,674,704 | 2,755,297 |
|  | 3,021,165                        | 3,146,436     | 11,362  | 6,178,964 | 3,221,060 |

- (1) Euro 85,000 paid as a Director, Euro 1,200,000 paid as Chairman
- (2) Euro 85,000 paid as a Director, Euro 58,002 paid as Vice Chairman
- (3) Euro 14,852 paid as a Director, Euro 125,806 paid as CEO, Euro 492,353 paid as an employee
- (4) Euro 56,903 paid as a Director, Euro 548,142 paid as CEO, Euro 1,073,869 paid as an employee
- (5) Euro 66,720 paid as a Director, Euro 583,822 paid as an employee
- (6) Compensation paid as a member of the Human Resources Committee
- (7) Compensation paid as the Chairman of the Control and Risk Committee
- (8) Compensation paid as the Chairman of the Human Resources Committee
- (9) Compensation paid as a member of the Control and Risk Committee
- (10) Compensation paid for the position as statutory auditor of Salmoiraghi & Viganò S.p.A.
- (11) Variable compensation paid based on employee positions and not as directors

\*

The amounts reflected are equal to the proportionate share of the securities' fair value, calculated through actuarial techniques, spread over the relevant vesting period.

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Aggregate compensation paid by us to our senior management (who are not directors) as a group (16 people) was approximately Euro 19.2 million in 2014, of which approximately Euro 6.0 million represented provision for termination indemnities and social security charges required by Italian law. Upon the recommendation of the Human Resources Committee and as a result of Luxottica achieving the combined EPS target for the three-year period from 2011 to 2013 set forth in the 2011 Performance Share Plan, on February 27, 2014, the Board of Directors assigned 166,500 Luxottica Group shares to members of this group. Upon the recommendation of the Human Resources Committee and as a result of Luxottica achieving the combined EPS target for the three-year period from 2012 to 2014 set forth in the 2012 Performance Share Plan, on March 2, 2015, the Board of Directors assigned 198,000 Luxottica Group shares to members of this group. The aggregate amount set aside or accrued during the year ended December 31, 2014 to provide pension and retirement benefits for our directors who are also members of our management was Euro 1.9 million. Our directors who are not members of management do not receive such benefits.

With the exception of termination benefits provided for Mr. Mehboob-Khan and Mr. Vian, our Chief Executive Officers, and two senior managers, none of our directors have service contracts with the Company or any of its subsidiaries providing for benefits upon termination of employment.

In case of termination other than for good cause, we will pay our Chief Executive Officer for Markets a separation allowance, in addition to providing for termination indemnities provided by Italian law, equal to the sum of Euro 9 million if the employment contract is terminated during the first year of service, Euro 7 million if the employment contract is terminated during the second year of service and Euro 3 million if the employment contract is terminated during or after the third year of service.

An additional allowance equal to Euro 1 million will be paid to Mr. Mehboob-Khan in order to provide compensation for both non-competition and non-solicitation commitments. This allowance will be paid for the 24 months following the termination of the employment contract in deferred three-month installments.

In case of termination other than for good cause, we will pay our Chief Executive Officer for Product and Operations a separation allowance, in addition to providing for termination indemnities provided by Italian law, equal to the sum of Euro 3 million.

An additional allowance equal to Euro 0.5 million will be paid to Mr. Vian in order to provide compensation for both non-competition and non-solicitation commitments. This allowance will be paid for the 24 months following the termination of the employment contract in deferred three-month installments.

The termination of the employment agreement of either of our CEOs for any reason will be good cause for the revocation of such CEO's director office without any indemnity or compensation.

There are no agreements that provide for the allocation or maintenance of non-monetary benefits or the stipulation of ad hoc consultancy contracts in the event of termination of the position of the Chief Executive Officer or the position of other executive directors.

**EMPLOYEES**

As of December 31, 2014, we employed approximately 77,700 employees worldwide, of whom approximately 43,000 were employed in the United States and Canada, approximately 17,600 were employed in Asia-Pacific, approximately 11,700 were employed in Europe, approximately 4,900 were employed in Latin America and approximately 500 were collectively employed in the Middle East and South Africa. As of such date, approximately 29,700 were employed in our manufacturing and wholesale segment (including Oakley), approximately 47,500 were employed in our retail segment and approximately 500 were employed in our corporate offices. Substantially all of our employees in Italy are covered by collective bargaining agreements. Other than those employees of Luxottica Retail N.A.

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subject to collective bargaining agreements described below, none of our employees in the United States are covered by collective bargaining agreements. We have enjoyed generally good relations with our employees.

Employment agreements in Italy are generally collectively negotiated between the national association of companies within a particular industry and the respective national unions. Individual companies must enter into contracts with their employees based on the relevant collective agreement. The agreement for optical workers, which is part of the national textile agreement, covers approximately 8,000 of our employees. This agreement was renewed in 2013 resulting in an average wage increase rate of approximately 2% per year. In addition to the national collective bargaining agreement for workers, we typically enter into separate local contracts with labor unions representing our employees. The local agreement with optical workers, supplementing the terms of the national textile contract was extended from December 31, 2014 until December 31, 2015. The agreement continues to provide for new profitability targets for employee variable wages.

Italian law provides that, upon termination of employment, employees are entitled to receive certain compulsory severance payments based on their compensation levels and length of employment. As of December 31, 2014, we had established a reserve of Euro 41.8 million for such severance payments, which is reflected in our Consolidated Financial Statements.

Luxottica Retail N.A. is a party to the following two collective bargaining agreements as of December 31, 2014. The collective bargaining agreement with Local 108, Retail, Wholesale and Department store union covers approximately 13 employees holding the positions of Sales Associate. The collective bargaining agreement with Local 4,100 Communications Workers of America covers approximately 60 Pearle Vision and LensCrafters employees holding the positions of Certified Technician, Eye Care Advisor, EyeWear Consultant, Optician, Production Technician and Sales Associate. LensCrafters International, Inc. is a party to four collective bargaining agreements as of December 31, 2014. These collective bargaining agreements, each with Local 1000A, United Food and Commercial Workers Canada, cover approximately 94 employees holding the positions of Lab Technician, Lead Lab Technician, Certified Technician, Technician Trainee, Eyewear Consultant, and Licensed and Student Optician.

**SHARE OWNERSHIP**

Set forth below is certain information concerning the beneficial ownership of our ordinary shares as of April 10, 2015, by each of our directors and executive officers who beneficially own in excess of 1% of our issued share capital.

| <b>Stockholder</b>   | <b>Issuer</b>          | <b>Shares owned as of April 10, 2015</b> | <b>Percentage Ownership</b> |
|----------------------|------------------------|--|-----------------------------|
| Leonardo Del Vecchio | Luxottica Group S.p.A. | 296,666,525 <sup>(1)</sup>               | 61.53%                      |

(1) 295,904,025 shares held of record by Delfin S.à r.l., an entity established and controlled by Mr. Del Vecchio. Mr. Del Vecchio holds voting and investment power over the shares held by such entity; 275,000 ADRs and 487,500 shares are held by his wife.

Except as otherwise indicated above, each of our directors and our executive officers owns less than 1% of our issued share capital.

In addition, set forth below is certain information regarding share ownership for our directors and our senior managers (who are not directors) as a group (including any shares held directly or indirectly by each such person or such person's spouse), prepared and disclosed as required by applicable Italian law.



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| <b>NAME</b>                                       | <b>OFFICE</b>   | <b>COMPANY'S<br/>SHARES</b> | <b>SHARES<br/>HELD<br/>AS OF<br/>DECEMBER<br/>31,<br/>2013</b> | <b>SHARES<br/>BOUGHT<br/>DURING<br/>2014</b> | <b>SHARES<br/>SOLD<br/>DURING<br/>2014</b> | <b>SHARES<br/>HELD<br/>AS OF<br/>DECEMBER<br/>31,<br/>2014</b> |
|---|---|-----------------------------|--|--|--|--|
| Leonardo Del Vecchio                              | Chairman  | Luxottica Group S.p.A.      | 293,811,025(1)   | 3,185,500                                    | 330,000                                    | 296,666,525(1bis)  |
| Luigi Francavilla                                 | Deputy Chairman   | Luxottica Group S.p.A.      | 3,364,800(2)   |  |  | 3,364,800(2)   |
| Massimo Vian                                      | CEO for Product and Operations (since October 29, 2014)   | Luxottica Group S.p.A.      | 2,780  | 18,000(3)                                    | 18,030                                     | 2,750  |
| Claudio Del Vecchio                               | Director  | Luxottica Group S.p.A.      | 3,310,000(4)   |  |  | 3,310,000(4)   |
| Andrea Guerra                                     | CEO (until September 1, 2014)   | Luxottica Group S.p.A.      | 770,000  | 1,326,500(5)                                 | 2,096,500                                  |  |
| Enrico Cavatorta                                  | Director (until September 1, 2014) CEO (from September 1, to October 13, 2014) General Manager (until October 31, 2014) | Luxottica Group S.p.A.      | 45   | 651,500(6)                                   | 651,545                                    |  |
| Key managers employed by the Company (10)         |   | Luxottica Group S.p.A.      | 500  | 249,000(7)                                   | 248,180                                    | 1,320  |
| Key managers employed by subsidiary companies (6) |   | Luxottica Group S.p.A.      | 62,770   | 107,500(7)                                   | 112,072                                    | 58,198   |

(1) 293,048,525 shares held by Delfin S.à r.l. (a company controlled by Leonardo Del Vecchio who holds 98.328% of the share capital in usufruct with voting rights and owns directly the remaining 1.672%); 275,000 ADRs and 487,500 shares held by his wife Nicoletta Zampillo.

(1bis) 295,904,025 shares held by Delfin S.à r.l. (a company controlled by Leonardo Del Vecchio who holds 75.00% of the share capital in usufruct with voting rights and owns directly the remaining 25.00%);

275,000 ADRs and 487,500 shares held by his wife Nicoletta Zampillo.

- (2) Shares held in usufruct with his wife.
- (3) Shares granted under the PSP Plan 2011.
- (4) 40,000 shares represented by ADRs, 10,000 of which are held through the Del Vecchio Family Foundation; 142,000 shares held by a trust constituted for the benefit of his minor children.
- (5) 1,250,000 shares bought following the exercise of stock options; 76,500 shares granted under the PSP Plan 2011.
- (6) 620,000 shares bought following the exercise of stock options; 31,500 shares granted under the PSP Plan 2011.
- (7) Included shares granted under the PSP Plan 2011 and shares bought following the exercise of stock options.

In addition to the holdings disclosed in the above chart, two senior managers employed by Luxottica's U.S. subsidiaries who participate in the Luxottica Group Tax Incentive Savings Plan, a company-sponsored 401(k) savings plan for Luxottica's U.S. employees (the "Plan"), beneficially own Luxottica ADRs through interests in the Plan. As of December 31, 2013 and 2014, such senior managers beneficially owned interests in the Plan equivalent to, in the aggregate, 1,468,900 ADRs in each period. During 2014, there were no additional purchases in the Plan by these senior managers. The ADRs beneficially owned by Plan participants are held in the form of "units" of an investment fund offered under the Plan and are allocated by the Plan administrator to participant accounts based on U.S. dollar allocation amounts specified by the participants, which may result in holdings of fractional ADR investments.

In September 2001, we adopted an employee stock option plan providing for the issuance of options covering up to 11,000,000 ordinary shares of nominal value Euro 0.06 each. Our Board of Directors administers the stock option plan. The purpose of the plan is to provide additional incentives to our key employees. Grants under the stock option plan may be of non-qualified options and/or incentive stock options. Under the plan, the Board of Directors may not grant an option for a term of more than nine years from the date of grant, or for a term that expires after March 31, 2017. The option exercise price per share may not be less than the greater of (i) the closing market price of our ADSs on the NYSE on the first business day immediately preceding the date of grant or (ii) the average of the closing market

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price of the ADSs on the NYSE for each business day during the 30-day period ending on the date of grant. Options cannot be currently granted under this plan.

On September 14, 2004, our Chairman and majority stockholder, Mr. Leonardo Del Vecchio, allocated shares previously held through La Leonardo Finanziaria S.r.l. (subsequently merged into Delfin S.à r.l.), a holding company of the Del Vecchio family, representing 1.99% (or 9.6 million shares) of the Company's authorized and issued share capital as of April 10, 2015, to a stock option plan for our top management at an exercise price of Euro 13.67 per share (see Note 29 to the Consolidated Financial Statements included in Item 18 of this Form 20-F). The stock options to be issued under the stock option plan vested upon the achievement of certain economic objectives as of June 30, 2006, and, as such, the holders of these options became entitled to exercise such options beginning on that date until their termination on August 30, 2014. During 2012, 2013 and 2014, 3,900,000, 3,100,000 and 330,000 options were exercised, respectively. As of December 31, 2014, no options were outstanding.

In July 2006, we adopted an additional employee stock option plan providing for the issuance of options covering up to 20,000,000 ordinary shares of nominal value of Euro 0.06 each. The purpose of the plan is to provide additional incentives to key employees of the Group. Under the 2006 Option Plan, the option exercise price per share shall be the fair market value of an ordinary share on the date of grant, which, for U.S. employees, is defined as the higher of (i) the arithmetic average of the official market price of our ordinary shares on the MTA during the month ending on the day prior to the date of grant or (ii) the official market price of our ordinary shares on the MTA on the trading day immediately preceding the date of grant. Options granted under the plan generally become exercisable three years after the date of grant and expire nine years after such date.

In May 2008, a performance shares plan for our top managers as identified by the Board of Directors (the "PSP Plan") was adopted. The PSP Plan is intended to strengthen the loyalty of our key managers and to recognize their contributions to our success on a medium- to long-term basis. The beneficiaries of the PSP Plan are granted the right to receive ordinary shares ("Units"), without consideration if certain financial targets set by the Board of Directors are achieved over a specified three-year period. The PSP Plan has a term of five years, during which the Board of Directors may resolve to issue different grants to the PSP Plan's beneficiaries. The PSP Plan covers a maximum of 6,500,000 ordinary shares. Each annual grant does not exceed 2,000,000 Units. On May 13, 2008, the Board of Directors granted a total maximum amount of 1,203,600 Units. On May 7, 2009, the Board of Directors granted a total maximum amount of 1,793,750 Units. On April 29, 2010, the Board of Directors granted a total maximum amount of 865,000 Units. On April 29, 2011, the Board of Directors granted a total maximum amount of 764,750 Units. On May 7, 2012, the Board of Directors granted a total maximum amount of 721,200 Units. Employees who received awards under the Plan were directors, officers and other managers with highly strategic roles who were selected by the Board of Directors upon the direct recommendation of our Human Resources Committee. As of December 31, 2014, there were outstanding 610,800 Units under the 2012 grant.

In April 2013, an additional performance shares plan for our key managers and employees, as identified by the Board of Directors, was adopted (the "New PSP Plan"). The New PSP Plan is intended to strengthen the loyalty of our key employees and managers and to recognize their contributions to our success on a medium- to long-term basis. In addition, the plan is intended to link Company results with individual performance. The beneficiaries are granted the right to receive Units of the Company if certain financial targets set by the Board of Directors at the time of grant are achieved at the end of a specified three-year reference period. The New PSP Plan has a term of five years, during which the Board of Directors may authorize the issuance of grants to the New PSP Plan's beneficiaries. The New PSP Plan covers a maximum of 10,000,000 ordinary shares. Each annual grant will not exceed 2,500,000 Units. On April 29, 2013, the Board of Directors granted a total maximum amount of 1,281,480 Units. On April 29, 2014, the Board of Directors granted a total maximum amount of 1,205,280 Units.

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On February 28, 2012, the Board of Directors of Luxottica Group S.p.A. verified the achievement of the EPS targets over the reference period 2009 through 2011 and granted a total of 1,505,400 shares to 31 beneficiaries of the 2009 PSP Plan and approved cash distributions to three beneficiaries whose employment ended but who were entitled to allocation of amounts determined in accordance with the 2009 PSP Plan's regulation.

On February 28, 2013, the Board of Directors of Luxottica Group S.p.A. verified the achievement of EPS targets over the reference period 2010 through 2012 and granted a total of 523,800 shares to 34 beneficiaries of the 2010 PSP Plan and approved cash distributions to five beneficiaries whose employment ended but who were entitled to allocation of amounts determined in accordance with the 2010 PSP Plan's regulation.

On February 27, 2014, the Board of Directors of Luxottica Group S.p.A. verified the achievement of EPS targets over the reference period 2011 through 2013 and granted a total of 509,500 shares to 35 beneficiaries of the 2011 PSP Plan and approved cash distributions to two beneficiaries whose employment ended but who were entitled to allocation of amounts determined in accordance with the 2011 PSP Plan's regulation.

On March 2, 2015, the Board of Directors of Luxottica Group S.p.A. verified the achievement of EPS targets over the reference period 2012 through 2014 and granted a total of 498,778 shares to 39 beneficiaries of the 2012 PSP Plan and approved cash distributions to two beneficiaries whose employment ended but who were entitled to allocation of amounts determined in accordance with the 2012 PSP Plan's regulation.

The EPS targets over the reference period 2008 through 2010 were not met and therefore no shares were granted to beneficiaries of the 2008 PSP Plan.

On May 7, 2009, our Board of Directors authorized the reassignment of new options to employees who were then beneficiaries of the stock option grants approved in 2006 and 2007 and held options with an exercise price, considering present market conditions and the financial crisis, that was significantly higher than the market price at such time, undermining the performance incentives that typically form the foundation of these plans. The Board of Directors therefore approved the grant of new options to the beneficiaries of the abovementioned stock option grants, which are exercisable conditional upon the surrender of the options granted in 2006 and/or 2007 at an exercise price determined pursuant to the provisions of the 2001 and 2006 Stock Option Plans and, therefore, consistent with the market values of Luxottica shares at the time of grant of the new options. The new options vested in 2012. The May 7, 2009 extraordinary grant which was subject to the achievement of certain Company financial performance targets vested on December 2, 2013.

In connection with the reassignment of options to employees not domiciled in the United States:

1. 85 employee-beneficiaries of the 2006 and 2007 stock option grants surrendered the options previously granted to them under the abovementioned grants in order to be assigned new options granted by the Board of Directors on May 7, 2009. Each such beneficiary was assigned options granting the right to purchase the same number of Luxottica Group ordinary shares that were subject to the options he or she previously held pursuant to the abovementioned grants, for a total amount of 2,060,000 options. The new options were granted under the 2006 stock option plan at an exercise price of Euro 13.45 per share.
2. Ten employee-beneficiaries of the 2006 three-year extraordinary stock option grant surrendered the options previously granted to them under the abovementioned grant in order to be assigned new options granted by the Board of Directors on May 7, 2009. Each such beneficiary was assigned options granting the right to purchase the same number of Luxottica Group ordinary shares that were subject to the options he or she previously held pursuant to the abovementioned grant, reduced by 50%, for a total amount of 4,250,000 options. The new

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performance options were granted under the 2006 stock option plan at an exercise price of Euro 13.45 per share.

The reassignment of options for employees domiciled in the U.S. was structured as a tender offer. The offer expired on June 12, 2009. All outstanding eligible options that were properly tendered under the reassignment program by eligible employees were accepted.

Pursuant to the terms of the reassignment program, Luxottica accepted for cancellation options to purchase 3,725,000 ordinary shares, representing approximately 99.6% of the shares underlying all eligible options held by U.S. employees. Of this amount, 825,000 shares were subject to options issued under the 2006 and 2007 stock option grants, while 2,900,000 shares were subject to options issued under the 2006 three-year extraordinary performance stock option grant. Pursuant to the terms and conditions of the reassignment program, on June 12, 2009, Luxottica issued new options to purchase an aggregate of 2,275,000 ordinary shares to U.S. employees who properly tendered eligible options, consisting of options issued under the Luxottica 2001 Stock Option Plan to purchase an aggregate of 825,000 ordinary shares and new performance options issued under the Luxottica 2006 Stock Option Plan to purchase an aggregate of 1,450,000 ordinary shares (equal to half the performance options previously granted). As of December 31, 2014, 185,000 of the 825,000 options issued under the Luxottica 2001 Stock Option Plan had been forfeited, 589,500 were exercised and all remaining options were outstanding.

The new options issued under the Luxottica 2001 Stock Option Plan have an exercise price of Euro 15.03 per share. The new performance options issued under the Luxottica 2006 Stock Option Plan have an exercise price of Euro 15.11 per share.

At the Board of Directors meeting held on May 7, 2012, a total of 2,076,500 stock options were awarded under the 2006 Stock Option Plan to our employees and the employees of our subsidiaries. As of December 31, 2014, 228,500 of these stock options had been forfeited.

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As of December 31, 2014, the following grants were outstanding as detailed below:

|  | <b>Number of<br/>options<br/>outstanding</b> | <b>Exercise<br/>price</b> | <b>Expiration<br/>date</b> | <b>Options<br/>held<br/>by<br/>officers<br/>and<br/>directors</b> |
|--|--|---------------------------|----------------------------|---|
| <b>2006 Grant<sup>(1)</sup></b>                                    |  | Euro 22.19                | January 31, 2015           |   |
| <b>2006 Performance Grant 1<sup>(1)</sup></b>                      |  | Euro 22.09                | July 27, 2015              |   |
| <b>2006 Performance Grant 2<sup>(1)</sup></b>                      |  | Euro 20.99                | July 27, 2015              |   |
| <b>2007 Grant<sup>(1)</sup></b>                                    | 5,000  | Euro 24.03                | March 6, 2016              |   |
| <b>2008 Grant</b>  | 119,200                                      | Euro 18.08                | March 14, 2017             | 15,000  |
| <b>2008 PSP Grant<sup>(2)</sup></b>                                |  |                           |                            |   |
| <b>2009 Non-U.S. Grant</b>   | 36,000                                       | Euro 13.45                | May 7, 2018                |   |
| <b>2009 U.S. Grant</b>   | 45,750                                       | Euro 14.99                | May 7, 2018                |   |
| <b>2009 Non-U.S. Residents Reassignment,<br/>Ordinary</b>          | 152,000                                      | Euro 13.45                | May 7, 2018                |   |
| <b>2009 U.S. Residents Reassignment, Ordinary</b>                  | 50,500                                       | Euro 15.03                | March 31, 2017             | 20,000  |
| <b>2009 Non-U.S. Residents Reassignment,<br/>Performance Grant</b> | 550,000                                      | Euro 13.45                | May 7, 2018                |   |
| <b>2009 U.S. Residents Reassignment,<br/>Performance Grant</b>     | 50,000                                       | Euro 15.11                | June 12, 2018              | 50,000  |
| <b>2010 Non-U.S. Residents Grant</b>                               | 194,000                                      | Euro 20.72                | April 29, 2019             |   |
| <b>2010 U.S. Residents Grant</b>                                   | 114,500                                      | Euro 21.23                | April 29, 2019             |   |
| <b>2011 Non-U.S. Residents Grant</b>                               | 339,500                                      | Euro 22.62                | April 28, 2020             |   |
| <b>2011 U.S. Residents Grant</b>                                   | 217,000                                      | Euro 23.18                | April 28, 2020             |   |
| <b>2012 Non-U.S. Residents Grant</b>                               | 1,318,000                                    | Euro 26.94                | May 7, 2021                | 35,000  |
| <b>2012 U.S. Residents Grant</b>                                   | 530,000                                      | Euro 28.32                | May 7, 2021                |   |
| <b>2012 PSP Grant</b>  | 610,800                                      |                           |                            | 293,000   |
| <b>2013 PSP Grant</b>  | 1,154,220                                    |                           |                            | 288,000   |
| <b>2014 PSP Grant</b>  | 1,165,320                                    |                           |                            | 295,200   |

(1) These grants were subject to the reassignment of new options discussed above which was completed in June 2009.

(2) The performance targets of the 2008 PSP were not reached and therefore the Board of Directors did not assign any shares.

*Stock options and PSP Units held by directors and senior managers*

Set forth below is certain information regarding stock options held by our directors and our senior managers (who are not directors) as a group, prepared and disclosed as required by applicable Italian law.

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**Stock options granted to directors, general managers and other executives with strategic responsibilities**

| Office  | Plan   | Options held at the beginning of the year |                |                                | Options granted during the year | Options exercised during the year |                                     |            |
|---|--|---|----------------|--------------------------------|---------------------------------|-----------------------------------|-------------------------------------|------------|
|   |  | Number of options                         | Exercise price | Exercise period (from - to)    | Number of options               | Exercise price                    | Share market price on exercise date |            |
| CEO (until September 1, 2014)   | Reassigned extra-ordinary plan 2009 non-US (BOD resolution May 7, 2009)* | 1,250,000                                 | Euro 13.45     | December 3, 2012 - May 7, 2018 |                                 | 1,250,000                         | Euro 13.45                          | Euro 41.60 |
| Director/CEO (September 1, 2014 - October 13, 2014)                     | Reassigned ordinary plan 2009 non-US (BOD resolution May 7, 2009)        | 70,000                                    | Euro 13.45     | May 7, 2012 - May 7, 2018      |                                 | 70,000                            | Euro 13.45                          | Euro 41.11 |
| General Manager of Central Corporate Functions (until October 31, 2014) | Reassigned extra-ordinary plan 2009 non-US (BOD resolution May 7, 2009)* | 550,000                                   | Euro 13.45     | December 3, 2012 - May 7, 2018 |                                 | 550,000                           | Euro 13.45                          | Euro 40.95 |

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| Office                  | Plan  | Options held at the beginning of the year |                | Options granted during the year |                   | Options exercised during the year |                   | Options held at the end of the year |                                | Options held at the end of the year |
|-------------------------|---|---|----------------|---------------------------------|-------------------|-----------------------------------|-------------------|-------------------------------------|--------------------------------|-------------------------------------|
|                         |   | Number of options                         | Exercise price | Exercise period (from - to)     | Number of options | Exercise price                    | Number of options | Exercise price                      | Number of options              |                                     |
| Executives              | Reassigned extra-ordinary plan 2009                           | 100,000                                   | Euro 13.45     | December 3, 2012 - May 7, 2018  |                   |                                   | 100,000           | Euro 13.45                          | Euro 40.0 (85,000 on 5/3/14)   |                                     |
| Non-US responsibilities | (BOD resolution May 7, 2009)*                                 |   |                |                                 |                   |                                   |                   |                                     | Euro 40.0 (15,000 on 6/3/14)   |                                     |
| Executives              | 2011 non-US Stock Option Plan (BOD resolution April 28, 2011) | 50,000                                    | Euro 22.62     | April 28, 2014 - April 28, 2020 |                   |                                   | 50,000            | Euro 22.62                          | Euro 40.50 (35,000 on 5/23/14) |                                     |
| Executives              | 2012 non-US Stock Option Plan (BOD resolution May 7, 2012)    | 35,000                                    | Euro 26.94     | May 7, 2015 - May 7, 2021       |                   |                                   |                   |                                     | Euro 41.60 (15,000 on 5/26/14) | 35,000                              |



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| Office | Plan   | Options held at the beginning of the year |                | Exercise period (from - to)       | Options granted during the year | Options exercised during the year | Options sold at the end of the year | Options held at the end of the year |
|--------|--|---|----------------|-----------------------------------|---------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|
|        |  | Number of options                         | Exercise price |                                   |                                 |                                   |                                     |                                     |
|        | 2008 Stock Option Plan (BOD resolution March 13, 2008)               | 15,000                                    | Euro 18.08     | March 14, 2011 - March 14, 2017   |                                 |                                   |                                     | 15,000                              |
|        | Reassigned ordinary plan 2009 non-US (BOD resolution May 7, 2009)    | 40,000                                    | Euro 13.45     | May 7, 2012 - May 7, 2018         |                                 | 40,000                            | Euro 13.45                          | Euro 43.03                          |
|        | Reassigned ordinary plan 2009 US (BOD resolution May 7, 2009)        | 20,000                                    | Euro 15.03     | December 3, 2012 - March 31, 2017 |                                 |                                   |                                     | 20,000                              |
|        | Reassigned extra-ordinary plan 2009 US (BOD resolution May 7, 2009)* | 50,000                                    | Euro 15.11     | December 3, 2012 - June 12, 2018  |                                 |                                   |                                     | 50,000                              |
|        |  | 2,180,000                                 |                |                                   |                                 | 2,060,000                         |                                     | 120,000                             |

\*\*

The amounts reflected are equal to the proportionate share of the securities' fair value, calculated through actuarial techniques, spread over the relevant vesting period

\*

The effectiveness of the grant date for U.S. residents is May 7, 2009, the date the BOD approved the grant and the action of the Human Resources Committee.

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Table of Contents**Incentive plans awarding financial instruments (other than stock options) to directors, general managers and other executives with strategic responsibilities**

| Financial instruments granted in previous years and not vested during the year |   | Financial instruments granted during the year |  |                                       |                | Market price on grant date | Financial instruments vested during the year and not assigned |
|--|---|---|--|---------------------------------------|----------------|----------------------------|---|
| Number and kind of financial instruments                                       | Vesting period  | Number and kind of financial instruments      | Fair value on grant date<br>( <i>Estimated potential value</i> ) | Vesting period                        | Grant date     |                            | Number and kind of financial instruments                      |
| 24,000   | April 28, 2011 - December 31, 2013<br>May 7, 2012 - December 31, 2014 | 22,800  | Euro 889,884   | April 29, 2014 -<br>December 31, 2016 | April 29, 2014 | Euro 41.08                 | 5,000   |
| 20,400   | April 29, 2013 - December 31, 2015                                    |   |  |                                       |                |                            |   |
| 90,000   | April 28, 2011 - December 31, 2013<br>May 7, 2012 - December 31, 2014 | 42,000  | Euro 1,639,260   | April 29, 2014 -<br>December 31, 2016 | April 29, 2014 | Euro 41.08                 | 21,200  |
| 44,400   | April 29, 2013 - December 31, 2015                                    |   |  |                                       |                |                            |   |
| 36,000   | April 28, 2011 - December 31, 2013<br>May 7, 2012 - December 31, 2014 | 25,200  | Euro 983,556   | April 29, 2014 -<br>December 31, 2016 | April 29, 2014 | Euro 41.08                 | 8,700   |
| 27,600   | April 29, 2013 - December 31, 2015                                    |   |  |                                       |                |                            |   |

|         |                                    |         |                 |                                 |  |            |
|---------|------------------------------------|---------|-----------------|---------------------------------|--|------------|
|         | April 28, 2011 - December 31, 2013 |         |                 |                                 |  |            |
|         | May 7, 2012 - December 31, 2014    |         |                 |                                 |  | 27,500     |
| 129,600 | April 29, 2013 - December 31, 2015 |         |                 |                                 |  |            |
| 134,400 |                                    |         |                 | April 29, 2014 - April 29, 2014 |  |            |
|         |                                    | 132,000 | Euro 5,151,960  | December 31, 2016               |  | Euro 41.08 |
|         |                                    |         |                 |                                 |  |            |
|         | April 28, 2011 - December 31, 2013 |         |                 |                                 |  |            |
|         | April 28, 2011 - December 31, 2013 |         |                 |                                 |  | 18,750     |
| 108,000 | May 7, 2012 - December 31, 2014    |         |                 |                                 |  |            |
| 88,800  |                                    |         |                 | April 29, 2014 - April 29, 2014 |  |            |
|         |                                    | 98,400  | Euro 3,840,552  | December 31, 2016               |  | Euro 41.08 |
|         |                                    |         |                 |                                 |  |            |
| 703,200 |                                    | 320,400 | Euro 12,505,212 |                                 |  | 81,250     |

\*

The amounts reflected are equal to the proportionate share of the securities' fair value, calculated through actuarial techniques, spread over the relevant vesting period



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|                      |                            |        |
|----------------------|----------------------------|--------|
| Leonardo Del Vecchio | 296,666,525 <sup>(1)</sup> | 61.53% |
| Giorgio Armani       | 22,724,000 <sup>(2)</sup>  | 4.71%  |

- (1) 295,904,025 shares (61.38%) held of record by Delfin S.à r.l., an entity established and controlled by Mr. Del Vecchio. Mr. Del Vecchio holds voting and investment power over the shares held by such entity; 275,000 ADRs and 487,500 shares are held by his wife. Such percentage is calculated based on the issued share capital as of April 10, 2015.
- (2) The amount of shares owned, consistent with applicable Italian rules, is based on the March 30, 2006 filing by Giorgio Armani with CONSOB and includes 9,210,000 ordinary shares and 13,514,000 shares represented by ADSs, which corresponded to an aggregate of 4.96% of the then issued share capital. More current information on this shareholding is not publicly available and the percentage of beneficial ownership in the table has been calculated assuming that the number of shares held by Giorgio Armani has not changed.

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The shares held by Mr. Del Vecchio and our other directors and executive officers have the same voting rights as the shares held by other stockholders.

Mr. Del Vecchio is our controlling stockholder and serves as Chairman of our Board of Directors. We are not otherwise directly or indirectly owned or controlled by another corporation or by any foreign government.

As of March 31, 2015, approximately 5.71% of our ordinary shares were held in the form of ADSs by approximately 22,927 record holders. To the best of our knowledge, to date there are no arrangements that may result in a change of control of Luxottica Group S.p.A.

**RELATED PARTY TRANSACTIONS**

*License Agreements*

We have a worldwide exclusive license agreement to manufacture and distribute ophthalmic products under the Brooks Brothers name. The Brooks Brothers trade name is owned by Brooks Brothers Group, Inc. which is controlled by Claudio Del Vecchio, one of our directors. The license expired on December 31, 2014 but was renewed until December 31, 2019. Royalties paid to Brooks Brothers Group, Inc. under such agreement were Euro 0.8 million, Euro 0.8 million and Euro 0.7 million in the years ended December 31, 2014, 2013 and 2012, respectively.

Management believes that the terms of this license agreement are fair to the Company.

*Service Revenues*

During the years ended December 31, 2014, 2013 and 2012, U.S. Holdings performed consulting and advisory services relating to risk management and insurance for Brooks Brothers Group, Inc. Amounts received for the services provided for those years were Euro 0.1 million in each year. Management believes that the compensation received for these services was fair to the Company.

*Stockholder Plan*

On September 14, 2004, our Chairman and majority stockholder, Mr. Leonardo Del Vecchio, allocated shares previously held through holding companies of the Del Vecchio family, representing 1.99% (or 9.6 million shares) of the Company's authorized and issued share capital as of April 10, 2015, to a stock option plan for our top management. See Item 6 "Directors, Senior Management and Employees Share Ownership."

*Lease of the new office building*

On April 29, 2014, the Board of Directors of Luxottica Group authorized the Company to enter into an agreement to lease a building located in Piazzale Cadorna 3, Milan, Italy. The lease is for a period of seven years and five months and may be renewed for an additional six years. The building is owned by Beni Stabili SIIQ S.p.A., which is a related party of Delfin S.à r.l., an entity that is controlled by the Company's Chairman, Leonardo Del Vecchio. In accordance with the procedure on related parties adopted by the Company and CONSOB regulation n. 17221/2010 and in light of the lease value, the agreement qualifies as a minor transaction with related parties. On March 31, 2014, the Risk and Control Committee, which is composed solely of independent directors, unanimously expressed a favorable opinion regarding the Company's interest in entering into the lease as well as on the convenience and fairness of the related conditions. The Company incurred lease expenses in 2014 of Euro 2.0 million.

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*Resignation of CEOs*

On September 1, 2014, Andrea Guerra left as the Group's chief executive officer. Pursuant to his termination agreement, Luxottica paid Mr. Guerra a redundancy incentive payment equal to Euro 10,000,000 in addition to severance pay linked to the consensual termination of his employment relationship. In addition, Luxottica paid Mr. Guerra Euro 592,294 in connection with a settlement and novation agreement as consideration for his waiver of any claims or rights that he may have that are connected or related to his employment and administration relationships with the Group or any other associated entity and any resolution thereof. Mr. Guerra also signed a 24-month non-competition agreement pursuant to which he is entitled to receive Euro 800,000 to be paid in equal quarterly installments starting from the date of the termination of his employment. Additionally, Mr. Guerra sold 813,500 shares of Luxottica Group S.p.A. that he previously received under incentive plans to the principal shareholder of the Company in an off-market transaction at a price of Euro 41.50 per share. On October 13, 2014, Enrico Cavatorta resigned from the Board of Directors and stepped down as the Group's chief executive officer. He resigned from his position as General Manager on October 31, 2014. Pursuant to his termination agreement, Luxottica paid Mr. Cavatorta Euro 4,000,000 in addition to severance pay linked to the consensual termination of his employment relationship. In addition, Luxottica paid Mr. Cavatorta Euro 985,355 in connection with a settlement and novation agreement as consideration for his waiver of any claims or rights that he may have that are connected or related to his employment and administration relationships with the Group or any other associated entity and any resolution thereof. No sums were awarded in connection with Mr. Cavatorta's termination from the position of director and chief executive officer of Luxottica Group S.p.A. The aggregate expenses relating to the departures of Messrs. Guerra and Cavatorta, including other minor related costs, totaled approximately Euro 20 million.

*Delfin Reimbursement Obligation*

Delfin S.à r.l., an entity controlled by the Company's Chairman, Leonardo Del Vecchio, has agreed to reimburse the Company, on a pro-rata basis, for any bonus amounts paid by the Company to Adil Mehboob-Khan should he resign on or before December 31, 2017. The reimbursement obligation equals Euro 7.0 million if Mr. Mehboob-Khan resigns in 2015, Euro 4.7 million if he resigns in 2016 and Euro 2.3 million if he resigns in 2017. Delfin's reimbursement commitment does not apply if Mr. Mehboob-Khan's employment is terminated for good cause.

**ITEM 8. FINANCIAL INFORMATION**

**FINANCIAL STATEMENTS**

See Item 18 "Financial Statements."

**LEGAL PROCEEDINGS**

*French Competition Authority Investigation*

Our French subsidiary Luxottica France S.A.S., together with other major competitors in the French eyewear industry, has been the subject of an anti-competition investigation conducted by the French Competition Authority relating to pricing and distribution practices in such industry. The investigation is ongoing and, to date, no formal action has yet been taken by the French Competition Authority. As a consequence, it is not possible to estimate or provide a range of potential liability that may be involved in this matter. The outcome of any such action, which the Company intends to vigorously defend, is inherently uncertain, and there can be no assurance that such action, if adversely determined, will not have a material adverse effect on our business, results of operations and financial condition.



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In addition, we may be subject to material claims, judgments or proceedings in the future which, if adversely determined, may have a material adverse effect on our business, results of operations and financial condition. See Item 3 "Key Information Risk Factors If we were to become subject to adverse judgments or determinations in legal proceedings to which we are, or may become, a party, our future profitability could suffer through a reduction of sales, increased costs or damage to our reputation due to our failure to adequately communicate the impact of any such proceeding or its outcome to the investor and business communities."

The Company is a defendant in various other lawsuits arising in the ordinary course of business. It is the opinion of the management of the Company that it has meritorious defenses against all such outstanding claims, which the Company will vigorously pursue, and that the outcome of such claims, individually or in the aggregate, will not have a material adverse effect on the Company's consolidated financial position or results of operations.

**DIVIDEND DISTRIBUTIONS**

See Item 3 "Key Information Dividends" and Item 10 "Additional Information Rights Attaching to Ordinary Shares Dividends."

**SIGNIFICANT CHANGES**

Except as otherwise indicated above, no significant changes have occurred since the date of our Consolidated Financial Statements included in Item 18 of this Form 20-F.

Table of Contents**ITEM 9. THE OFFER AND LISTING**

Our ordinary shares were approved for trading on the Milan Stock Exchange on December 4, 2000. Our ADSs were admitted for trading on the NYSE on January 24, 1990. Our ADSs are evidenced by ADRs issuable by Deutsche Bank Trust Company Americas, as depositary, pursuant to the Deposit Agreement.

The table below sets forth, for the periods indicated, high and low closing prices of the ADSs on the NYSE (in U.S. dollars) and ordinary shares on the Milan Stock Exchange (in Euro).

|                               | New York Stock<br>Exchange<br>(in U.S. \$) |       | Milan Stock Exchange<br>(in Euro) |       |
|-------------------------------|--|-------|-----------------------------------|-------|
|                               | High                                       | Low   | High                              | Low   |
| <b>2010</b>                   | 30.62                                      | 22.59 | 23.17                             | 17.82 |
| <b>2011</b>                   | 34.40                                      | 25.07 | 23.49                             | 18.73 |
| <b>2012</b>                   | 41.73                                      | 27.52 | 31.70                             | 21.76 |
| <b>2013</b>                   |  |       |                                   |       |
| First Quarter                 | 51.79                                      | 41.93 | 39.68                             | 31.91 |
| Second Quarter                | 54.48                                      | 49.48 | 42.65                             | 37.74 |
| Third Quarter                 | 55.70                                      | 51.14 | 41.65                             | 38.77 |
| Fourth Quarter                | 54.08                                      | 48.96 | 40.00                             | 35.72 |
| Year 2013                     | 55.70                                      | 41.93 | 42.65                             | 31.91 |
| <b>2014</b>                   |  |       |                                   |       |
| First Quarter                 | 58.00                                      | 50.32 | 42.52                             | 37.41 |
| Second Quarter                | 58.73                                      | 55.22 | 43.20                             | 39.75 |
| Third Quarter                 | 58.20                                      | 50.56 | 42.84                             | 38.75 |
| Fourth Quarter                | 55.17                                      | 45.34 | 45.50                             | 35.70 |
| November 2014                 | 53.02                                      | 49.78 | 43.00                             | 39.63 |
| December 2014                 | 55.17                                      | 53.05 | 45.50                             | 42.50 |
| Year 2014                     | 58.73                                      | 45.34 | 45.50                             | 35.70 |
| <b>2015</b>                   |  |       |                                   |       |
| January 2015                  | 60.06                                      | 53.36 | 52.75                             | 44.91 |
| February 2015                 | 61.97                                      | 56.96 | 55.15                             | 50.70 |
| March 2015                    | 64.00                                      | 59.95 | 60.00                             | 54.20 |
| April 2015 (through April 15) | 65.53                                      | 63.25 | 61.50                             | 58.30 |

The high and low closing prices of the ADSs on the NYSE for the first quarter of 2015 were U.S. \$64.00 and U.S. \$53.36, respectively. The high and low closing prices of the ordinary shares on the Milan Stock Exchange for the first quarter of 2015 were Euro 60.00 and Euro 44.91, respectively.

**ITEM 10. ADDITIONAL INFORMATION****ARTICLES OF ASSOCIATION AND AMENDED AND RESTATED BY-LAWS***Our Objectives*

Our Articles of Association provide that Luxottica Group S.p.A.'s principal objectives are, among other things, (i) the ownership and management of shareholding interests in other companies or entities both in Italy and abroad, (ii) financing and managerial coordination of the companies and entities in which it owns shareholding interests, (iii) providing credit support for subsidiaries and (iv) the sale of glasses, sunglasses and eyewear products. The legislative decree no. 58 of February 24, 1998

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regulating the Italian financial markets ("Decree no. 58/98") and our Amended and Restated By-laws contain, among other things, provisions to the following effect:

*Directors*

The Board of Directors is invested with the fullest powers for ordinary and extraordinary management of the company, except for the acts that the law reserves for stockholders' meetings. Compensation of the directors is approved by the stockholders at the ordinary annual meeting of stockholders. The compensation of directors who also serve as executive officers is determined by the Board of Directors with the favorable opinion of the Board of Statutory Auditors.

Directors are not required to hold ordinary shares of Luxottica Group S.p.A. as a qualification for office.

Directors are required to report to the other directors and to the Board of Statutory Auditors any transactions involving the Company in which such director or a party affiliated with such director may have an interest. Our directors usually abstain from voting on matters in which they have an interest (including their compensation), but there is no requirement under Italian law to abstain from such vote.

**RIGHTS ATTACHING TO ORDINARY SHARES**

*Dividends*

We are required to pay an annual dividend on the ordinary shares if approved by a majority of stockholders at the ordinary meeting that must be held within the time specified by the law in force from time to time. Before dividends may be paid with respect to the results of any year in compliance with Italian law, an amount equal to 5% of our net income for such year must be set aside to the legal reserve until the reserve, including amounts set aside during prior years, is equal to at least one-fifth of the nominal value of our issued share capital. Dividends can only be distributed out of realized profits, resulting from regularly approved financial statements. In cases where losses have reduced the Company's share capital, dividends cannot be distributed until the share capital has been restored or reduced accordingly. See Item 3 "Key Information Dividends."

Future determinations as to dividends will depend upon, among other things, our earnings, financial position and capital requirements, applicable legal restrictions and such other factors as the Board of Directors and stockholders may determine. Dividends are usually paid in accordance with the dates set annually by Borsa Italiana S.p.A. Dividends which are not collected within five years from the date on which they become payable are forfeited in favor of the Company. Dividends are paid to those persons who hold the ordinary shares through an intermediary on a dividend payment date declared at the stockholders' meeting. The intermediary, upon request by the stockholder, issues a certified statement of account allowing the stockholder to collect the dividends.

If dividends are not distributed and an appropriate reserve is created, the stockholders can adopt a resolution, at an extraordinary meeting, to convert such reserve into capital. In this case, the shares resulting from the increase are attributable to the stockholders without additional consideration in proportion to their ownership before the increase.

*Notification of the Acquisition of Shares and Voting Rights*

Pursuant to Italian securities law and CONSOB implementing regulations thereof, any person acquiring any interest in excess of 2% in the voting shares (or in the overall number of exercisable voting rights, in case the company has issued shares granting more than one vote each, which are referred to as "loyalty shares") of a listed company must give notice to CONSOB and the company whose shares are acquired. In case the interest is acquired in a "small or medium size company," the above threshold is increased to 5%. Small and medium size companies are those: (i) whose total revenues, as indicated

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in the most recent annual financial statements, are below Euro 300,000,000; or (ii) whose average market capitalization, during the last year, is below Euro 500,000,000. If both thresholds are crossed for three consecutive years (or fiscal years), the relevant company cannot be considered a small or medium size company. In order to protect investors and the efficiency and transparency of the capital markets, CONSOB may impose, for a limited period of time, a lower threshold in case of a company with an elevated current market value and a particularly widely held stock. The voting rights attributable to the shares in respect of which notification has not been made shall not be exercised. Any resolution taken in violation of the foregoing may be annulled if the resolution would not have been passed in the absence of such votes.

In addition, any person whose aggregate "actual" shareholding in a listed company exceeds or falls below 2% (if the relevant company is not a "small or medium size company"), 5%, 10%, 15%, 20%, 25%, 30%, 50%, 66.6%, 90% or 95% of the listed company's voting share capital is obligated to notify CONSOB and the listed company whose shares are acquired or disposed of. In the case of "loyalty shares," the above thresholds shall refer to the overall number of voting rights that each stockholder can exercise. For the purpose of calculating the "actual" shareholding, the following shall be taken into consideration: (i) shares owned by any person, irrespective of whether the relative voting rights are exercisable by such person or by a third party or are suspended; (ii) shares that are not owned by such person, but for which it can exercise voting rights (e.g. as depositary having discretionary power to exercise voting rights); (iii) except in certain circumstances, shares held through, or shares the voting rights of which are exercisable by, subsidiaries, fiduciaries or intermediaries. Any person holding a "potential holding" (i.e., financial instruments that, pursuant to a binding agreement, grant the right to acquire underlying shares on the holder's own initiative and through a physical settlement) must notify the company and CONSOB whenever such "potential" holding reaches, exceeds or falls below the following percentage thresholds: 5, 10, 15, 20, 25, 30, 50 and 75. Moreover, anyone holding an "overall long position" (being the sum of the "actual" and "potential" shareholdings, as previously described, as well as of any "other long position" in derivatives, irrespective of whether such instrument provides for cash or physical settlement) must notify the company and CONSOB whenever such "overall long position" reaches, exceeds or falls below the following percentage thresholds: 10, 20, 30 and 50. If shares can be acquired as a consequence of the exercise of conversion rights or warrants, such shares are included in the relevant holding only if the purchase can take place within 60 days. Notification should be made (except in certain circumstances) promptly and, in any case, within five trading days from the relevant transaction (irrespective of the settlement date). In the case of "loyalty shares," disclosure of the significant shareholding pursuant to the above shall be given promptly or, in any case, within five trading days following the periodic disclosure given by the relevant issuer on the overall number of exercisable voting rights.

Disclosure obligations also apply to listed companies whenever they hold, directly or through subsidiaries, their own shares and whenever their holdings exceed or fall below the relevant thresholds.

Cross ownership between listed companies may not exceed 2% of their respective voting shares, or 5% in case of "small or medium size companies". If the relevant threshold is exceeded, the company which is the latter to exceed such threshold may not exercise the voting rights attributable to the shares in excess of the threshold and must sell the excess shares within a period of twelve months. If the company does not sell the excess shares within twelve months, it may not exercise the voting rights in respect of its entire shareholding. If it is not possible to ascertain which is the later company to exceed the threshold, subject to any different agreement between the two companies, the limitation on voting rights and the obligation to sell the excess shares will apply to both of the companies concerned. The 2% and 5% limits for cross ownership are increased, respectively, to 5% and 10% on the condition that such limit is only exceeded by the two companies concerned following an agreement authorized in advance by an ordinary stockholders' meeting of each of the two companies. Furthermore, if a party holds an interest in excess of 2% (or 5% in the case of a "small or medium size company") of a listed company's

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share capital, such listed company or the party which controls the listed company may not purchase an interest above the abovementioned thresholds in a listed company controlled by the first party. In case of non-compliance, voting rights attributable to the shares held in excess may not be exercised. If it is not possible to ascertain who the later party to exceed the limit is, the limitation on voting rights will, subject to different agreement between the two parties, apply to both. Any stockholders' resolution taken in violation of the limitation on voting rights may be annulled by the relevant court if the resolution would not have been passed in the absence of such votes. The foregoing provisions in relation to cross ownership do not apply when the thresholds are exceeded following a public tender offer to buy or exchange at least 60% of the company's shares.

The validity of any agreement regarding the exercise of the voting rights attached to shares of a listed company or of its parent company is subject to the notification of such agreement to CONSOB and to the relevant issuer, the publication of a summary of such agreement in the press and the filing of the agreement with the Register of Enterprises within five days of the date of the agreement. These disclosure obligations shall not apply to agreements regarding shareholdings representing less than 2% of the voting shares of the listed company (or 5% in the case of a "small or medium size company"). Failure to comply with the foregoing requirements will render the agreement null and void and the voting rights of the relative shares cannot be exercised. Any stockholders' resolution taken in violation of such limitation on voting rights may be annulled by the relevant court if the resolution would not have been passed in the absence of such votes.

The agreements subject to the above include those which (i) regulate prior consultation for the exercise of voting rights in a listed company or its controlling company, (ii) contain limitations on the transfer of shares or securities which grant the right to purchase or subscribe for shares, (iii) provide for the purchase of shares or securities mentioned in (ii), (iv) have as their object or effect the exercise (including joint exercise) of a dominant influence over the company or (v) aim to encourage or frustrate a takeover bid or equity swap, including commitments relating to non-participations in a takeover bid.

Any agreement of the nature described above can have a legal maximum term of three years (and may be renewed for an additional three-year term at its expiration) and if executed for a longer term shall otherwise expire three years after its execution. Any such agreement executed for an unlimited term can be terminated by a party upon six months' prior notice. In the case of a public tender offer, stockholders who intend to participate in the tender offer may withdraw from the agreement without notice. CONSOB Regulation 11971/99 contains provisions which govern the method and content of the notification and publication of the agreements as well as any subsequent amendments thereto.

Those holding an interest in a listed company below the general disclosure thresholds of 2% (or 5% in the case of a "small or medium size company") and being parties to a shareholders' agreement that: (i) provides for prior consultation for the exercise of voting rights in the listed company or its controlling company; or (ii) relates to the exercise (including joint exercise) of a dominant influence over the company, shall nonetheless disclose their interest if the aggregate interests held by same and by the other parties to such shareholders' agreement exceed: 5%, 10%, 15%, 20%, 25%, 30%, 50% and 66.6%.

Pursuant to EU Regulation no. 236/2012, anyone holding a short position with respect to shares listed on an EU market shall give notice to the relevant national authority (in the case of the Company, to CONSOB), whenever such position crosses or falls below the 0.2% threshold, as well as for further increases of 0.1%. Moreover, if the short position crosses or falls below the 0.5% threshold (and for further increases of 0.1%), the relevant holder shall give disclosure to the public. In both cases, disclosure shall be provided by 3:30 p.m. of the trading day following the one on which the relevant threshold has been crossed.

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*General Meetings*

Meetings of the stockholders may be held at our executive offices in Italy, in any country in the European Union or in the United States, following publication of notice of the meeting, including the agenda, on the Company's website and, if required by law, in the form of an excerpt in one or more of the following daily newspapers: "Il Sole 24Ore," "Il Corriere della Sera" or "la Repubblica", at least 30 days before the date fixed for the meeting. The notice shall contain a list of the subject matters to be dealt with at the meeting, a description of the procedures to be complied with in order to attend, and vote in, such meeting, and the deadline to submit questions to the Board or to ask for additions to the agenda. Within the same time period, the Board of Directors shall also publish (i) reports describing the subject matters to be dealt with at the meeting, by making them available both at the company's registered office and on its website, (ii) all of the documents that will be submitted to the stockholders during the meeting and (iii) the forms that stockholders may use for the appointment of proxies and information about the company's share capital, by making these materials available on the company's website.

Deutsche Bank Trust Company Americas will mail to all record holders of ADRs a notice containing a summary of the information contained in any notice of a stockholders' meeting received by Deutsche Bank Trust Company Americas. See " Documents on Display."

Meetings of stockholders may be either ordinary meetings or extraordinary meetings. Stockholders' meetings may be called by the Board of Directors or the Board of Statutory Auditors. In the case of a listed company in Italy, stockholders' meetings must be promptly convened upon the request of holders representing at least 1/20th of the share capital, provided that the request contains a summary of the matters to be discussed. If the Board of Directors, upon the request of the stockholders as mentioned above, resolves not to convene a meeting, the competent court, on appeal by the stockholders who have asked for such meeting, can order by decree that such meeting be convened, after having conferred with the Board of Directors and the Board of Statutory Auditors and having ascertained that the Board of Directors' refusal to convene the meeting is unfounded. Stockholders' meetings may not be convened upon the request of stockholders whenever the matter to be dealt with at such meeting requires a proposal, a presentation document or a report by the Board of Directors.

Holders of ordinary shares are entitled to attend and vote at ordinary and extraordinary stockholders' meetings. Each holder of shares of the Company is entitled to cast one vote for each ordinary share held. Votes may be cast personally or by proxy, in accordance with applicable Italian regulation. However, the voting rights of ordinary shares held in breach of applicable law may in some cases not be exercised.

Ordinary stockholders' meetings must be convened at least once a year to approve the annual financial statements of Luxottica Group S.p.A. Our By-laws provide that the meeting for the approval of the financial statements can be convened within the time specified by the law in force from time to time. The drafts of the statutory financial statements and consolidated financial statements, together with the opinions of the auditors, shall be filed and published within 120 days from the end of the fiscal year. Financial statements shall be published and filed at least 21 days before the meeting called to approve them.

At ordinary stockholders' meetings, stockholders vote upon dividend distributions, if any, appoint the Directors, Statutory Auditors and external auditors, determine their remuneration and vote on business matters submitted by the Directors.

Ordinary stockholders' meetings of Luxottica Group S.p.A. can be convened only in one call and there are no minimum quorum requirements. Resolutions may be adopted by a simple majority of ordinary shares represented at such meeting.

To the extent provided by law, within ten days from the publication of the agenda, stockholders who represent at least 1/40th of the share capital may request a supplement of the agenda, indicating the

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additional subject matters such stockholders wish to be dealt with at the meeting or submitting different voting proposals with respect to items already included on the agenda. Within the same time period, the stockholders requesting the supplement of the agenda shall prepare and deliver to the Board of Directors a report on the additional matters to be discussed. Stockholders may not request to supplement the agenda with items that require resolution by the General Meeting on the basis of a proposal or a report by the board (e.g. with respect to the approval of yearly financial statements and the approval of capital increases or mergers).

Stockholders may present questions with regard to the subject matters listed in the agenda, to which the Company shall reply no later than during the meeting. The notice of call must specify the deadline for submitting such questions, which shall not be earlier than: (i) three days before the date of the meeting, if replies will be provided at the meeting; or (ii) five days before the date of the meeting, if replies will be provided before the meeting (in which case, replies shall be provided at least two days before the meeting).

The Board of Directors, composed, in accordance with the By-laws, of not less than five and not more than 15 directors, shall be appointed by the stockholders at the ordinary meeting on the basis of lists presented by stockholders pursuant to the procedures indicated below.

A list for the appointment of directors can be presented only by those stockholders who, alone or jointly with other presenting stockholders, at the time of the presentation of the list, hold an aggregate interest at least equal to the percentage established by CONSOB pursuant to article 147-ter, subparagraph 1, Decree no. 58/98. For 2012, the year in which the current Board of Directors was appointed, the percentage established by CONSOB for Luxottica was equal to 1%. For 2015, the percentage established by CONSOB for Luxottica is equal to 0.5%. Each stockholder may not submit or contribute to submitting, by means of trust or proxy, more than one list. The lists shall set forth not more than fifteen candidates, listed in descending numerical order.

The lists shall be submitted to the Company at least 25 days before the date of the stockholders' meeting convened to appoint the directors and published by the Company at least 21 days before the date of such meeting.

The lists shall be signed by the stockholder or stockholders submitting them and presented together with the professional resumes of the candidates and the written statements of the candidates in which they declare that they accept the office and confirm, under their own responsibility, that there are no grounds under any law or regulation for their ineligibility or incompatibility and that they meet any requirements prescribed in the respective lists.

Pursuant to article 147-ter, subparagraph 4, of Decree no. 58/98, at least one director or, in the event the Board of Directors is composed of more than seven members, then at least two directors, must fulfill the necessary requirements to be considered "independent" in accordance with article 147-ter (hereinafter "147-ter Independent Director").

Each list shall contain, and expressly name within the first seven candidates named in the list, at least one 147-ter Independent Director, and if the list is composed of more than seven candidates, such list shall contain and expressly name a second 147-ter Independent Director. If appropriate, each list may also expressly name directors having the requirements of independence as provided for by the codes of conduct established by companies managing regulated markets or industry associations.

No candidate may appear on more than one list.

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At the end of voting, the candidates from the two lists that have obtained the highest number of votes will be elected, according to the following criteria:

- (a) All members of the Board of Directors, up to the number of members of the Board of Directors previously determined by the ordinary meeting less one, will be elected from the list which obtains the most votes (hereinafter, the "Majority List").

Such candidates will be appointed in the numerical order they appear on the list.

- (b) One director shall be the candidate listed first on the list that has obtained the second highest number of votes and who is not related to or affiliated with, directly or indirectly, the stockholders who have presented or voted for the Majority List (hereinafter, the "Minority List"). However, if, for a Board of Directors composed of no more than seven members, a 147-ter Independent Director is not elected from the Majority List or, in the event the Board of Directors is composed of more than seven members, only one 147-ter Independent Director has been appointed, then the first 147-ter Independent Director indicated in the Minority List shall be elected instead of the first candidate indicated in the Minority List.

The lists that do not obtain a percentage of votes at least equal to half of that required for the presentation of the list of candidates shall not be considered.

The first candidate listed on the Majority List will be appointed as Chairman of the Board of Directors.

In the event of a tie with respect to the top two lists, the ordinary meeting will proceed to take a new vote on only the top two lists.

Pursuant to Decree no. 58/98, the by-laws of listed companies shall provide that at least one-third of the directors belong to the less-represented gender (for the first board of directors to be appointed following August 2012 including with respect to the board of directors of Luxottica Group S.p.A., which will be appointed in 2015 the minimum threshold set forth by the law is temporarily reduced to one-fifth). For this reason, the By-laws of Luxottica Group S.p.A. provide for mechanisms to comply with the requirements for gender equality. In particular, the By-laws provide that, in case the threshold is not complied with at the end of the voting procedure, the last candidate appointed from the Majority List shall be replaced by the first non-appointed candidate of the same list belonging to the less-represented gender, in order starting from the bottom of the Majority List. Should this substitution not be enough to comply with the abovementioned threshold, the stockholders' meeting shall appoint a number of Directors belonging to the less-represented gender, in substitution for the last candidates appointed by the Majority List and belonging to the more-represented gender, so as to reach the abovementioned threshold.

If only one list is submitted, the ordinary meeting will cast its votes on it and, if the list receives a simple majority of votes, the candidates listed in descending numerical order will be elected as directors, until the requisite number, as determined by the ordinary meeting, is reached, subject to the obligation of the ordinary meeting to appoint a minimum number of 147-ter Independent Directors and to comply with the requirements for gender equality. The candidate listed first on the Majority List will be elected as Chairman of the Board of Directors.

If there are no lists, the Board of Directors will be appointed by the ordinary meeting with such majorities as required by law, subject to the obligation to comply with the requirements for gender equality.

The Board of Statutory Auditors, composed, in accordance with the By-laws, of three regular Statutory Auditors and two alternate Statutory Auditors, shall be appointed by the stockholders at the ordinary meeting on the basis of lists presented by stockholders pursuant to the procedures indicated below.



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The appointment of one regular Statutory Auditor, as Chairman, and of one alternate Statutory Auditor shall be reserved for the stockholders who presented or voted the Minority List, who must not be related, directly or indirectly, to the stockholders who presented or voted the Majority List.

Pursuant to article 27 of our By-laws a list for the appointment of Statutory Auditors can be presented only by those stockholders who, alone or jointly with other presenting stockholders, at the time of the presentation of the list, hold an aggregate interest at least equal to the one established by CONSOB pursuant to article 147-ter, subparagraph 1, of Decree no. 58/98. For 2012, the year in which the current Board of Statutory Auditors was appointed, the percentage established by CONSOB for Luxottica was equal to 1%. For 2015, the percentage established by CONSOB for Luxottica is equal to 0.5%.

The lists shall be filed at the registered office of the Company at least 25 days prior to the stockholders' meeting called for the appointment of the Statutory Auditors and published by the Company at least 21 days before the date of such meeting.

The lists shall indicate the name of one or more candidates to be appointed as regular Statutory Auditors and alternate Statutory Auditors.

Pursuant to Decree no. 58/98, at least one-third of regular Statutory Auditors shall belong to the less-represented gender (for the first board of statutory auditors to be appointed following August 2012 including with respect to the board of statutory auditors of Luxottica Group S.p.A. that will be appointed in 2015 the minimum threshold set forth by the law is temporarily reduced to one-fifth). Consequently, the By-laws of the Luxottica Group S.p.A. provide for mechanisms to comply with the requirements for gender equality. In particular, the By-laws provide that each list containing at least three candidates shall include a number of candidates of the less-represented gender equal to at least the minimum number required by law.

The name of each candidate shall be marked in a descending numerical order in each section (section of regular Auditors and section of alternate Auditors) and the candidates listed shall not be more than the members of the body to be appointed.

The lists shall also include the following:

- (i) information related to the identity of the stockholders who have filed the list, indicating the percentage of their combined shareholding;
- (ii) representations of stockholders different from the ones who hold, separately or jointly, a controlling interest or a simple majority interest in the share capital of the Company, stating the lack of affiliation as per section 144-quinquies of the CONSOB regulations; and
- (iii) detailed information on personal and professional qualifications of each candidate as well as a declaration by the candidate confirming the existence of the qualifications required by law, the acceptance of the office together with such candidate's administration and control offices held in other companies.

In the event that only one list is submitted or that only related-party stockholders, as determined by applicable law, have submitted lists as of the last day provided for the presentation of such lists, it is possible to present a list until the fourth day following such date, or such other time period provided by law. In such case, the above share interest thresholds providing for the presentation of the lists shall be reduced by half.

A stockholder cannot submit and vote for more than one list, including through third parties or by means of trust companies. Stockholders belonging to the same group and stockholders signing a stockholders' agreement regarding the shares of the listed company shall not present or vote for more

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than one list including through third parties or by means of trust companies. Each candidate shall present only one list subject to ineligibility.

The appointment of the statutory auditors shall occur according to the following criteria:

- (i) two regular auditors and one alternate auditor shall be taken from the list which has obtained the highest number of votes (hereinafter the "Majority List"), on the basis of the descending numerical order by which the candidates are listed; and
- (ii) one regular auditor, who will also be the Chairman of the Board of the Statutory Auditors (hereinafter the "Minority Statutory Auditor"), and one alternate auditor (hereinafter the "Alternate Minority Statutory Auditor") shall be taken from the list which has obtained the second highest number of votes and which shall not be related to or connected with, in any manner, the stockholders who have presented or voted for the Majority List pursuant to applicable law (hereinafter the "Minority List") on the basis of the descending numerical order by which the candidates are listed.

In case of an equal number of votes among the lists, the list presented by the stockholders holding the higher shareholding interests at the time of filing, or in second instance, the list presented by the stockholders who owned the higher number of stockholders' interests shall prevail.

In case the abovementioned requirements for gender equality are not complied with at the end of the voting procedure, the last candidate appointed from the Majority List shall be replaced by the first non-appointed candidate of the same list belonging to the less-represented gender. If there are no candidates on that list belonging to the less-represented gender, the stockholders' meeting shall appoint a regular Statutory Auditor belonging to the less-represented gender in substitution for the last candidate appointed from the Majority List.

If only one list is submitted, the ordinary meeting shall vote on it and, if the same list obtains the majority of the voting persons, without including those abstaining from voting, all the candidates included in such list shall be appointed. In such case the Chairman of the Board of the Statutory Auditors shall be the first regular statutory auditor.

Extraordinary stockholders' meetings may be convened in one call. Extraordinary meetings of stockholders may be called to vote upon, among other things, proposed amendments to the By-laws, capital increases, mergers, spin-offs, issuance of convertible debentures, appointment of receivers and similar extraordinary actions. Extraordinary stockholders' meetings are properly convened when at least one-fifth of the share capital is represented at the meeting and resolutions are adopted with the affirmative vote of at least two-thirds of the share capital represented at the meeting.

Pursuant to our By-laws, subject to the concurrent competence of the extraordinary meeting of stockholders, the Board of Directors also has the authority over resolutions in connection with mergers and demergers in accordance with articles 2505 and 2505-bis and 2506-ter of the Civil Code, the establishment or termination of branches, the determination of which directors shall be authorized to represent the Company, the reduction of the issued capital stock in the event of withdrawal of a stockholder, the amendment of the By-laws to comply with legal requirements, or the transfer of the principal place of business within the national territory.

The meeting notice period of 30 days is (i) increased to 40 days for meetings convened to appoint directors and Statutory Auditors and (ii) reduced to, respectively, 21 days for meetings convened to resolve upon the company's dissolution or upon the resolutions following a reduction of the company's share capital below the mandatory minimum threshold provided by law, and 15 days for meetings convened pending a public tender offer launched with respect to our ordinary shares.

A meeting will be deemed duly convened if stockholders representing 100% of Luxottica Group S.p.A.'s share capital, together with a majority of the members of the Board of Directors and the

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Board of Statutory Auditors, are present at the meeting. In this case, any participant can object to the discussion and resolution of any item for which it is deemed to have been insufficiently informed.

The right to attend, and to vote in, a meeting is certified by a statement issued by the intermediary where the relevant stockholder holds the account to which the Company's shares are registered. The above-mentioned rights may be exercised by those holding Luxottica Group S.p.A. shares at the end of the seventh business day preceding the date of the meeting. The intermediary's statement shall be delivered to the Company within three business days prior to the date of the meeting.

The Company updates the stockholders' register on the basis of the statements sent by the intermediaries, within 30 days from their receipt. Information contained in the stockholders' register shall be made available to all stockholders upon their request.

Stockholders may appoint proxies. A proxy may also be granted by electronic means, by providing an electronic document with electronic signature in compliance with applicable Italian law. Electronic notice of the proxy may be given, pursuant to the procedure set forth in the call notice, either by using a specific section of the Company's website, or, if contemplated in the call notice, by sending the document to the certified electronic mail address of the Company. If the representatives deliver or send a copy of the proxy, they shall certify under their responsibility the identity of the proxy and that the proxy conforms to the original.

Proxies may be appointed even though they have a conflict of interest, provided that they have informed the stockholder about such conflict of interest and have received specific instructions on the votes to be exercised for each subject matter in the agenda.

Proxies who do not have a conflict of interest may express votes that are inconsistent with the instructions received by the relevant stockholder if, and only if, new and relevant circumstances arise during the meeting and it is reasonable to believe that the stockholder would have changed its mind in light of said circumstances. In this case, proxies must declare that they are expressing votes that are inconsistent with the instructions received and explain the reasons for doing so.

Unless the By-laws specifically provide otherwise, the company shall indicate in the notice of the meeting an individual to whom stockholders may grant proxies for one or more of the subject matters listed in the agenda.

Solicitation of proxies is possible, but if the solicitation is addressed to more than 200 stockholders and concerns specific voting proposals or contains recommendations or other declarations that might influence the exercise of voting rights, it is subject to the provisions of Decree no. 58/98; in particular, the stockholder(s) making the solicitation shall publish a prospectus and a proxy form.

Proxies may be collected by a stockholders' association provided that such association has been formed by certified private agreement, does not carry out business activities and is made up of at least 50 individuals each of whom owns no more than 0.1% of our voting capital.

Proxies may be revoked and can be appointed only for a single stockholders' meeting already convened. Proxies can be appointed also for a single subject matter listed in the agenda or with regard to a single voting proposal in the case of a solicitation.

Our By-laws do not contain any limitations on the voting rights in respect of ordinary shares held by any stockholder. Resolutions adopted at a stockholders' meeting are binding on all stockholders. However, absent, dissenting or abstaining stockholders representing 1/1000th of the share capital (as well as Directors or Statutory Auditors) has the right, under Italian law, to ask a court to annul resolutions taken in violation of applicable laws or the By-laws. In addition, in a limited number of cases (including the merger of a listed company with, and its incorporation into, an unlisted company) applicable law grants dissenting and absent stockholders the right to obtain the redemption of their shares by the issuer at the average market price of the shares during the previous six-month period.

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Shares for which the redemption right has been exercised are offered to the other stockholders or, in case not all of the offered shares are sold in this way, to third parties in the market. If, after the sale offer, there are still remaining shares for which the redemption right has been exercised, the company shall purchase such shares using its available reserves (in which case the shares may be held and registered in the name of the issuer) or, if there are no available reserves, the share capital of the issuer shall be reduced.

Within five days from each stockholders' meeting, a brief report on the votes expressed at the meeting shall be published on the Company's website. Within 30 days from each stockholders' meeting, the minutes of such meeting shall be made available on the Company's website.

*Option Rights*

Pursuant to Italian law, holders of ordinary shares are entitled to subscribe for issuances of shares, debentures convertible into shares and rights to subscribe for shares in proportion to their holdings, unless such option rights are waived or limited by a stockholders' resolution and such waiver or limitation is in the interest of Luxottica Group S.p.A. Particular Italian regulations set forth the procedures to be followed by Italian listed companies in such circumstances.

It is likely that the option rights generally available to holders of ordinary shares may not be fully available to holders of ADRs. See "Description of American Depositary Receipts Share Dividends and Other Distributions."

Pursuant to Italian law, such option rights may be excluded in certain other cases, including contributions in kind.

*Preferential Shares*

Under Italian law, a company such as ours may issue shares that have a preference over ordinary shares with respect to the distribution of dividends or surplus assets. At present, we have no such preferential shares outstanding and any issuance of such shares would be subject to approval by a majority of stockholders at an extraordinary meeting.

*Rights on Liquidation*

On a liquidation or winding-up of the company, subject to the preferential rights of holders of any outstanding preferential shares, holders of ordinary shares will be entitled to participate in any surplus assets remaining after payment of the creditors. Shares rank *pari passu* among themselves in liquidation.

*Purchase of Shares by Luxottica Group S.p.A.*

We and our subsidiaries may purchase up to an aggregate of 1/5th of our ordinary shares, subject to certain conditions and limitations provided by Italian law, including that the purchase be approved by stockholders. Shares may only be purchased out of profits available for dividends and distributable reserves as appearing in the latest stockholder-approved unconsolidated financial statements. Further, we may only repurchase fully paid shares. As long as such shares are owned by us, they would not be entitled to dividends nor to subscribe for new ordinary shares in the case of capital increases; such rights would be proportionately attributed to the other stockholders and the voting rights attached to the treasury shares would be suspended. A corresponding reserve must be created in our balance sheet which is not available for distribution.

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Decree no. 58/98 provides that the purchase by a listed company of its own shares and the purchase of shares of a listed company by its subsidiary must take place by way of a public offer or on the market in a manner agreed with Borsa Italiana S.p.A. which must ensure the equality of treatment among stockholders, subject to certain limitations. The foregoing does not apply to shares being purchased by a listed company from its employees or employees of its parent company or of subsidiaries under certain circumstances.

See Item 16E "Purchases of Equity Securities by the Issuer and Affiliated Purchasers."

*Minority Stockholders' Rights*

Absent, abstaining or dissenting stockholders (representing 1/1000th of the share capital of the Company) may, within 90 days, ask a court to annul stockholders' resolutions taken in violation of applicable laws or our By-laws. Any stockholder may bring to the attention of the Board of Statutory Auditors facts or acts which are deemed wrongful. If the stockholder (or stockholders) that has submitted the complaint to the Board of Statutory Auditors represents more than 1/50th of our share capital, the Board of Statutory Auditors must investigate without delay and report its findings and recommendations at the stockholders' meeting.

Stockholders representing more than 1/20th of our share capital have the right to report major irregularities to the relevant court. In addition, stockholders representing at least 1/40th of our share capital may initiate a liability suit against the directors, Statutory Auditors and general managers of Luxottica Group S.p.A. We may waive or settle a liability suit against Directors only if less than 1/20th of the stockholders vote against such waiver or settlement. We will reimburse the legal costs of such action in the event that the claim of such stockholders is successful and (i) the court does not award such costs against the relevant directors, Statutory Auditors or general managers, or (ii) such costs cannot be recovered from such directors, Statutory Auditors or general managers. In compliance with Decree no. 58/98, our By-laws give minority stockholders the right to appoint directors and one Statutory Auditor as chairman and one Alternate Auditor to the Board of Statutory Auditors. See Item 6 "Directors, Senior Management and Employees Directors and Senior Management."

*Italian Tender Offer Rules*

Under Decree no. 58/98, a public tender offer is required to be launched by any person that through share purchases holds more than: (i) 25% of the voting stock of an Italian listed large size company (such as Luxottica Group S.p.A.), provided that there is no other shareholder holding a bigger interest in the same company; or (ii) 30% of the voting stock of a listed company. In the event that a company has issued loyalty shares, a public tender offer shall be launched in case the relevant threshold is crossed as a result of the increase over time of the voting rights exercisable for each share. The public tender offer must cover the whole voting stock of the company. Similarly, under CONSOB rules, a public tender for the entire voting stock of a listed company must be made by any person owning an interest or, if loyalty shares are issued, voting rights, above said thresholds (but does not exercise majority voting rights at an ordinary stockholders' meeting) and purchases or acquires, directly or indirectly, also through the exercise of subscription or conversion rights, during a 12-month period more than 5% of the ordinary capital with voting rights or, if loyalty shares are issued, of the overall voting rights. For the purpose of calculating the above thresholds, the following are taken into account (i) shares directly or indirectly purchased and (ii) in certain cases, derivative instruments (either physically or cash settled) whose underlying shares are part of the voting stock of an Italian listed company.

The offer must be launched within 20 days from the date on which the relevant threshold was exceeded, and must be made at a price for each class of securities at least equal to the highest price paid by the offeror, and/or by parties acting in concert with the offeror, for the purchase of the relevant class of the target company's securities over a 12-month period preceding the announcement of the

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mandatory tender offer. If no purchases for value of the relevant class of securities have been made in the relevant period, the offer price will be equal to the weighted average market price of the target securities over the previous 12 months (or, if a market price for the relevant class of securities has not been available for the whole of this period, over such shorter period for which a market price has been available). In a case where the relevant thresholds are reached through derivative instruments, the reference price of the underlying shares and any consideration paid by the holder shall be taken into account in calculating the offer price.

CONSOB regulates these provisions in greater detail through a number of exemptions from the duty to launch a tender offer. Such exemptions include, among others, (i) when another person or persons jointly hold the majority of voting rights that can be exercised at the general meeting; and (ii) when the relevant thresholds are reached as a result of the recapitalization of a company that is in a situation of financial crisis or as a result of the exercise of options, or conversion or subscription rights.

Decree no. 58/98 further provides that, should the abovementioned thresholds be crossed, the obligation to launch a 100% tender offer will not be triggered if the person concerned has exceeded the relevant threshold as a result of a public tender offer launched on 60% or more of the voting stock of the company. This provision is available only (i) if the tender offer is conditional on the acceptance by a majority of the stockholders of the company (excluding, for the purpose of calculating such majority, the offeror or any stockholder that holds an absolute or relative majority shareholding exceeding 10% as well as persons acting in concert), (ii) if the offeror (including the persons acting in concert with the offeror) has not acquired more than 1% of the voting stock of the company in the 12 months preceding the announcement of the offer and during the offer period and (iii) upon receipt of an exemption granted by CONSOB provided that the terms of (i) and (ii) above are met.

After the offer has been completed, the offeror nevertheless becomes subject to the duty to launch an offer for 100% of the voting stock if, in the course of the subsequent 12 months, (i) it (including the persons or entities acting in concert with the offeror) has purchased more than 1% of the voting stock of the company, or (ii) the company has approved a merger or spin-off. Finally, anyone holding 90% or more of the voting stock of a company must grant to all other stockholders the right to sell off their remaining shares, unless an adequate distribution of the shares is resumed so as to ensure proper trading within a period of three months. Moreover, any person who, following a tender offer for 100% of the voting stock, purchases more than 95% of the voting stock (i) must grant to all other stockholders the right to sell their voting shares or (ii) alternatively, and provided that it has stated its intention to do so in the offering documentation, is entitled to acquire all remaining voting shares of the company (squeeze-out) within three months following the conclusion of the tender offer.

"Persons acting in concert" with the offeror shall mean persons cooperating on the basis of a specific or tacit agreement, verbal or in writing, regardless of whether such agreement is invalid or without effect, for the purpose of acquiring, maintaining or strengthening control over the issuer or to defend against a public tender offer (including, in any case, the offeror's subsidiaries, controlling persons and related companies, those that are parties to a stockholders' agreement together with the offeror, the offeror's directors, members of the management board, or supervisory board or general managers). CONSOB has further identified cases in which the "action in concert" is presumed, although rebuttal is possible (for example, in the case of a person and his or her relatives), as well as cases not amounting *per se* to an "action in concert" (such as, for example, the agreement between stockholders for the submission of a slate to appoint minority directors).

Shares held in breach of the obligations to launch a mandatory tender offer cannot be voted and must be sold within 12 months.

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*Derivative Suits*

Under Italian law, action against members of the Board of Directors, members of the Board of Statutory Auditors and general managers of a company may be brought on behalf of the company if authorized by a resolution adopted at an ordinary meeting of stockholders. In respect of listed companies, Italian law provides for a form of stockholders' action against members of the Board of Directors, which may be brought by holders of at least 1/40th of the issued shares. We are allowed not to commence, or to settle, the suit provided that stockholders representing at least 1/20th of the issued and outstanding shares do not vote against a resolution to this effect. We will reimburse the legal costs of such action in the event that the claim of such stockholders is successful and (i) the court does not award these costs as part of the judgment against the relevant directors, Statutory Auditors or general managers or (ii) these costs cannot be recovered from such directors, Statutory Auditors or general managers. In addition, Italian law permits a stockholder acting alone to bring an action against members of the Board of Directors in the event that such stockholder has suffered damages directly related to negligence or willful misconduct.

*No Limitation of Ownership*

Neither Italian law nor any of our constituent documents impose any limitations on the right of non-resident or foreign stockholders to hold or exercise voting rights on our ordinary shares or the ADRs.

**DESCRIPTION OF AMERICAN DEPOSITARY RECEIPTS**

The following is a summary of certain provisions of the Amended and Restated Deposit Agreement (the "Deposit Agreement"), dated as of March 30, 2006, among Deutsche Bank Trust Company Americas, as depositary, the owners and holders from time to time of ADRs issued thereunder and us. This summary does not purport to be complete and is qualified in its entirety by reference to the Deposit Agreement, a copy of which has been filed as an exhibit to this Form 20-F. For more complete information, the entire agreement should be read. Copies of the Deposit Agreement are available for inspection at the principal Corporate Trust Office of Deutsche Bank Trust Company Americas at 60 Wall Street, New York, New York 10005.

ADRs are issued by Deutsche Bank Trust Company Americas. Each ADR evidences an ownership interest in a number of American Depositary Shares, each of which represents one ordinary share deposited with Deutsche Bank Milan, as custodian under the Deposit Agreement. Each ADR will also represent securities, cash or other property deposited with Deutsche Bank Trust Company Americas but not distributed to ADR holders. Deutsche Bank Trust Company Americas' Corporate Trust Office is located at 60 Wall Street, New York, New York 10005, and its principal executive office is located at 60 Wall Street, New York, New York 10005.

*Share Dividends and Other Distributions*

Deutsche Bank Trust Company Americas has agreed to pay to ADR holders the cash dividends or other distributions it or the custodian receives on ordinary shares or other deposited securities, after deducting its fees and expenses.

*Cash*

Deutsche Bank Trust Company Americas converts any cash dividend or other cash distribution we pay on the ordinary shares into U.S. dollars, if it can do so on a reasonable basis and can transfer the U.S. dollars to the United States. If it is not possible for Deutsche Bank Trust Company Americas to convert foreign currency in whole or in part into U.S. dollars, or if any approval or license of any government is needed and cannot be obtained, Deutsche Bank Trust Company Americas may distribute

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the foreign currency to, or in its discretion may hold the foreign currency uninvested and without liability for interest for the accounts of, ADR holders entitled to receive the same.

*Shares*

Deutsche Bank Trust Company Americas will, unless otherwise requested by us, distribute new ADRs representing any shares we may distribute as a dividend or free distribution. Deutsche Bank Trust Company Americas will only distribute whole ADRs. It will sell shares which would require it to issue a fractional ADR and distribute the net proceeds in the same way as it does with dividends or distributions of cash. If Deutsche Bank Trust Company Americas does not distribute additional ADRs, each ADR will also represent the additional deposited shares.

*Rights to Receive Additional Shares*

If we offer holders of our ordinary shares any rights to subscribe for additional ordinary shares or any other rights, Deutsche Bank Trust Company Americas may make these rights available to ADR holders. We must first instruct Deutsche Bank Trust Company Americas to do so and furnish it with satisfactory evidence that it is legal to do so. If we do not furnish this evidence and/or give these instructions, or if Deutsche Bank Trust Company Americas determines in its reasonable discretion that it is not lawful and feasible to make such rights available to all or certain owners, Deutsche Bank Trust Company Americas may sell the rights and allocate the net proceeds to holders' accounts. Deutsche Bank Trust Company Americas may allow rights that are not distributed or sold to lapse. In that case, ADR holders will receive no value for them.

If Deutsche Bank Trust Company Americas makes rights available to ADR holders, upon instruction from such holders it will exercise the rights and purchase the shares on behalf of the ADR holders.

*Deposit, Withdrawal and Cancellation*

ADRs may be turned in at the Corporate Trust Office of Deutsche Bank Trust Company Americas. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, Deutsche Bank Trust Company Americas will deliver the deposited securities underlying the ADRs at the office of the custodian, except that Deutsche Bank Trust Company Americas may deliver at its Corporate Trust Office any dividends or distributions with respect to the deposited securities represented by the ADRs, or any proceeds from the sale of any dividends, distributions or rights, which may be held by Deutsche Bank Trust Company Americas. Alternatively, at the request, risk and expense of the applicable ADR holder, Deutsche Bank Trust Company Americas will deliver the deposited securities at its Corporate Trust Office.

*Voting Rights*

ADR holders may instruct Deutsche Bank Trust Company Americas to vote the shares underlying ADRs but only if we ask Deutsche Bank Trust Company Americas to ask for such instructions. Otherwise, ADR holders will not be able to exercise their right to vote unless such holders withdraw the ordinary shares underlying the ADRs. However, an ADR holder may not know about a meeting at which such holder may be entitled to vote enough in advance to withdraw the shares.

If we ask for instructions of an ADR holder, Deutsche Bank Trust Company Americas will notify the ADR holder of the upcoming vote and arrange to deliver voting materials. The materials will (i) describe the matters to be voted on and (ii) explain how ADR holders, on a certain date, may instruct Deutsche Bank Trust Company Americas to vote the shares or other deposited securities underlying the ADRs as directed. For instructions to be valid, Deutsche Bank Trust Company Americas must receive them on or before the date specified. Deutsche Bank Trust Company Americas will try, as far as practical, subject to Italian law and the provisions of our articles of association, to vote or to have its agents vote the shares or



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other deposited securities as instructed by the ADR holder. Deutsche Bank Trust Company Americas will only vote or attempt to vote as instructed by the ADR holder and will not vote any of such holder's shares or other deposited securities except in accordance with such instructions.

Deutsche Bank Trust Company Americas shall fix a record date whenever:

any cash dividend or distribution shall become payable;

any distribution other than cash shall be made;

rights shall be issued with respect to the deposited securities;

Deutsche Bank Trust Company Americas, for any reason, causes a change in the number of ordinary shares that are represented by each ADS; or

Deutsche Bank Trust Company Americas receives notice of any meeting of holders of ordinary shares or other deposited securities.

The purpose of fixing a record date is to determine which ADR holders are:

entitled to receive such dividend, distribution or rights;

entitled to receive the net proceeds from the sale of such dividend, distribution or rights; and

entitled to give instructions for the exercise of voting rights at any such meeting.

### **MATERIAL CONTRACTS**

The contracts described below have been entered into by Luxottica Group S.p.A. and/or its subsidiaries since April 30, 2013 and, as of the date of this Form 20-F, contain provisions under which we or one or more of our subsidiaries has an obligation or entitlement which is or may be material to us. This discussion is not complete and should be read in conjunction with the agreements described below, each of which has been filed with the SEC as an exhibit to this Form 20-F.

#### *Contracts Relating to the Company's Indebtedness*

For a discussion of our material credit agreements and financings entered into since April 30, 2014, see "*The Euro 2 Billion Euro Medium Term Note Programme*" and "*The Euro 500 Medium Term Notes (Due 2014)*" in Item 5 "Operating and Financial Review and Prospects Liquidity and Capital Resources Our Indebtedness."

On February 27, 2015, the Group terminated its Euro 500 million multicurrency (Euro/U.S. dollars) revolving credit facility. As of the date of termination, the facility was undrawn.

### **ITALIAN EXCHANGE CONTROLS**

The following is a summary of relevant Italian laws in force as of the date of this Form 20-F but does not purport to be a comprehensive description of all exchange control considerations that may be relevant.

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There are no exchange controls in Italy. Residents and non-residents of Italy may effect any investments, disinvestments and other transactions that entail a transfer of assets to or from Italy, subject only to the reporting, record-keeping and disclosure requirements described below. In particular, residents of Italy may hold foreign currency and foreign securities of any kind, within and outside Italy, while non-residents may invest in Italian securities without restriction and may export from Italy cash, instruments of credit or payment and securities, whether in foreign currency or Euro, representing interest, dividends, other asset distributions and the proceeds of dispositions.

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Regulations concerning updated reporting, record-keeping and restrictions on the use of, among other things, cash and bearer instruments are to be found in legislative decree no. 231 dated November 21, 2007, as amended and supplemented from time to time ("decree 231/2007"), which implemented in Italy the Anti-Money Laundering Directives nos. 2005/60/CE and 2006/70 CE.

Article 49 of decree 231/2007 provides that the transfer of cash, bearer bank or postal passbooks and bearer instruments in Euro or foreign currency, effected for any reason between different parties (resident or non-resident) (a "Transfer"), is forbidden when the total amount is equal to or greater than Euro 1,000. A Transfer is also forbidden when carried out through multiple payments each lower than the Euro 1,000 threshold that appear designed to circumvent such prohibition. A Transfer may only be executed through banks, electronic money institutions, "Poste Italiane S.p.A." (Italian Mail) and payment institutions (the latter subject to certain conditions) (collectively, the "Authorized Operators"). Within 30 days of their knowledge, the Authorized Operators must promptly notify the Ministry of Finance of any breach of the provisions set out in article 49 of decree 231/2007. The Ministry of Finance must immediately notify the Italian Tax Police ("*Guardia di Finanza*") of the abovementioned breaches. The latter may, in turn, inform the Italian Tax Agency ("*Agenzia delle Entrate*"), so as to allow the Italian Tax Agency to carry out proper tax investigations (if any).

In addition, when the total amount of a Transfer is equal to or greater than Euro 15,000, the Authorized Operators are required to (i) duly identify the customer and the relevant beneficial owner on the basis of documents, data or information deriving from an independent and reliable source, (ii) set up a "Data Processing Archive" ("*Archivio Unico Informatico*") which contains a copy of any document required for the customer's and beneficial owner's identification, (iii) notify the Financial Intelligence Unit ("*Unità di Informazione Finanziaria*") of the Bank of Italy of any suspicious operation, where possible, before carrying out the Transfer and (iv) keep record of the information under point (i) above for ten years following the Transfer. The breach of such provisions under decree 231/2007 may trigger criminal and administrative sanctions: criminal sanctions are imposed for offenses such as breach of customer identification obligations and recording duties and breach of the requirement to disclose the fact that a suspicious transaction was reported; administrative sanctions are imposed for offenses such as failure to set up the Data Processing Archive and to report the suspicious transactions to the Financial Intelligence Unit.

The Financial Intelligence Unit keeps records of all reports (including those without merit), for ten years and may use them, directly or through other government offices, to police money laundering, tax evasion and any other crime or violation.

Moreover, pursuant to Decree No. 1990/167 concerning reporting requirements for tax purposes of cross-border transfers of means of payment, credit institutions and other financial intermediaries in Italy intervening in transfers to or from foreign countries of means of payment provided for by Article 1, paragraph 2, letter i, of Decree 231/2007 (including cash, bank and postal checks, banker's drafts and similar instruments, postal money orders, credit transfers and payment orders, credit cards and other payment cards, transferable insurance policies, pawn tickets and every other instrument available to transfer, move or acquire, including by electronic means, funds, valuables or financial balances), in an amount equal to or greater than Euro 15,000 on behalf of or in favor of individuals, non-commercial entities and certain partnerships, are required to report such transactions to the Italian Revenue Agency.

Individuals, non-profit entities and certain partnerships that are resident in Italy for tax purposes and hold or beneficially own investments abroad or foreign financial assets are required to disclose on their annual tax declarations all investments held or beneficially owned outside Italy and foreign financial assets held or beneficially owned during each taxable period through which income taxable in Italy may be derived. The same disclosure shall also be made in case, during the considered taxable period, the foreign investments have been completely disposed of. No such disclosure is required in respect of securities deposited for management with qualified Italian financial intermediaries and in respect of

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contracts entered into through their intervention, provided that the items of income derived from such foreign financial assets and contracts are collected through the intervention of the same intermediaries and such intermediaries applied withholding or substitute tax thereon. In addition, no disclosure is required for bank deposits and accounts of amount not exceeding Euro 15,000 in the tax period. Corporations and commercial partnerships resident in Italy are exempt from such disclosure requirements with respect to their annual tax declarations because this information is required to be disclosed in their financial statements.

There can be no assurance that the present regulatory environment in or outside Italy will continue or that particular policies presently in effect will be maintained, although Italy is required to maintain certain regulations and policies by virtue of its membership in the European Union and other international organizations and its adherence to various bilateral and multilateral international agreements.

**TAXATION**

The following summary contains a description of the principal U.S. federal and Italian income tax consequences of the ownership and disposition of ADSs or ordinary shares by U.S. holders (as defined below) resident in the United States for tax purposes. The following description does not purport to be a complete analysis of all possible tax considerations that may be relevant to a U.S. tax resident holder of ADSs or ordinary shares, and U.S. tax resident holders are advised to consult their advisors as to the overall consequences of their individual circumstances. In particular, this discussion does not address all material tax consequences of owning ordinary shares or ADSs that may apply to special classes of holders, some of whom may be subject to different rules, including:

partnerships and other pass-through entities;

tax-exempt entities;

certain banks, financial institutions and insurance companies;

broker-dealers;

traders in securities that elect to mark to market;

investors liable for alternative minimum tax;

investors that actually or constructively own 10% or more of the voting stock of Luxottica Group S.p.A.;

investors that hold ordinary shares or ADSs as part of a straddle or a hedging or conversion transaction;

investors whose functional currency is not the U.S. dollar; or

investors who do not hold the ordinary shares or ADSs as capital assets within the meaning of the Internal Revenue Code of 1986, as amended (the "Code").

In addition, the following summary does not discuss the tax treatment of ordinary shares or ADSs that are held in connection with a permanent establishment or fixed base through which a U.S. holder carries on business or performs personal services in Italy and does not deal with the impact of application in Italy of the U.S. FATCA legislation (and of any rules or agreements implementing the U.S. FATCA legislation in Italy).



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Furthermore, certain persons that may not be U.S. holders but who may otherwise be subject to U.S. federal income tax liability will also be subject to U.S. federal as well as Italian tax consequences due to their ownership and disposition of ADSs or ordinary shares. Such investors should consult with their own advisors as to the particular consequences associated with their investment.

This discussion is based on the tax laws of Italy and of the United States, including the Code, its legislative history, existing and proposed regulations, and published rulings and court decisions, as well as on the applicable Convention Between the United States of America and Italy for the Avoidance of Double Taxation with respect to Taxes on Income and the Prevention of Fraud or Fiscal Evasion and Protocol Between the United States and Italy (collectively, the "Treaty") and the Convention Between the United States of America and the Italian Republic for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Estates and Inheritances (the "Estate Tax Convention"), each as in effect on the date of this Form 20-F. These laws are subject to change, possibly on a retroactive basis that could affect the tax consequences described below. Neither the Company nor any other entity belonging to the Group will update the following summary to reflect changes in law and, if any such change occurs, the information in this summary could be superseded. The Treaty was signed on August 25, 1999, ratified by Italy pursuant to Law 3 March 2009, no. 20, and entered into force on December 16, 2009, replacing the previously applicable tax treaty and protocol between the United States and Italy. The Treaty includes an anti-abuse provision and a provision limiting treaty benefits to individuals, qualified governmental entities, companies that are publicly traded or that satisfy certain share ownership requirements, certain pension plans and other tax-exempt entities, and certain other persons meeting prescribed anti-treaty shopping requirements.

The Treaty also clarifies the availability of treaty benefits to entities that are treated as fiscally transparent under U.S. or Italian law.

In addition, this section is based in part upon the representations of the depository and the assumption that each obligation in the Deposit Agreement and any related agreement will be performed in accordance with its terms.

This discussion addresses only Italian income taxation, gift and inheritance taxation, capital gains taxation, stamp duty and financial transaction tax and U.S. federal income and estate taxation.

For purposes of the Treaty, the Estate Tax Convention and the Code, U.S. holders of ADSs will be treated as the owners of the underlying ordinary shares represented by such ADSs. Exchanges of ordinary shares for ADSs and ADSs for ordinary shares generally will not be subject to Italian tax or U.S. federal income tax.

*Italian Tax Law*

*Withholding or Substitute Tax on Dividends.* In general, dividends paid by Italian corporations to non-Italian resident beneficial owners without a permanent establishment in Italy to which ordinary shares or ADSs are effectively connected, are subject to final Italian withholding tax (or substitute tax, in the case of dividends on underlying shares listed on the Milan Stock Exchange) at the rate of 26%, unless reduced by an applicable double taxation treaty or under the Italian domestic legislation. Reduced rates (normally 15%) of withholding tax (or substitute tax) on dividends apply to non-Italian resident beneficial owners of ordinary shares or ADSs who are entitled to and timely comply with procedures for claiming benefits under an applicable income tax treaty entered into by Italy. Italy has concluded income tax treaties with over 60 foreign countries, including all European Union member states, Argentina, Australia, Brazil, Canada, Japan, New Zealand, Norway, Switzerland, the United States and some countries in Africa, the Middle East and East Asia. It should be noted that in general the income tax treaties are not applicable if the beneficial owner is a tax-exempt entity or, with a few exceptions, a partnership or a trust.

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Under the Treaty, Italian withholding tax (or substitute tax) at a reduced rate of 15% will generally apply to dividends paid by an Italian corporation to a U.S. resident entitled to Treaty benefits who timely complies with the procedures for claiming such benefits, provided the dividends are not effectively connected with a permanent establishment in Italy through which the U.S. resident carries on a business or with a fixed base in Italy through which the U.S. resident performs independent personal services.

The Italian legislation provides for the application of a reduced 1.375% withholding tax or substitute tax on dividends paid by an Italian corporation out of profits accrued from January 1, 2008 (for entities ending their tax year on December 31) to non-resident beneficiary entities (i) subject to corporate taxation and (ii) resident in an EU Member State or in other states (excluding the United States) which adhere to the "Accordo sullo spazio economico europeo," which are included in an *ad hoc* "white list" still to be released with a proper decree. Provisional disposals provide that, in the meantime, reference is to be made to the decree dated September 4, 1996, which reports the list of countries allowing an adequate exchange of information with the Italian tax authority.

The currently applicable Italian domestic legislation provides for the application of a reduced 11% withholding tax or substitute tax on dividends paid by an Italian corporation to non-Italian resident pension funds established in an EU Member State or in other countries (excluding the United States) which adhere to the "Accordo sullo Spazio Economico Europeo," which are included in the above-mentioned "white list" of countries allowing an adequate exchange of information with the Italian tax authority.

Under Italian law, in general, shares of Italian companies listed on the Milan Stock Exchange have to be registered in the centralized deposit system managed by *Monte Titoli*. Dividends paid on shares held in the *Monte Titoli* system (including our shares and our ADSs) to non-Italian beneficial owners without a permanent establishment in Italy to which the shares (or ADSs) are effectively connected are subject to a substitute tax on the same conditions and at the same rate as the withholding tax mentioned above, but which may be reduced under an applicable double-taxation treaty. This substitute tax will be levied by the Italian authorized intermediary that participates in the *Monte Titoli* system and with which the securities are deposited, as well as by non-Italian authorized intermediaries participating in the *Monte Titoli* system (directly or through a non-Italian centralized deposit system participating in the *Monte Titoli* system), through a fiscal representative to be appointed in Italy.

Since the ordinary shares of Luxottica Group S.p.A. are registered in the centralized deposit system managed by *Monte Titoli*, the substitute tax regime will apply to dividends paid by Luxottica Group S.p.A., instead of the withholding tax regime.

For a non-Italian resident beneficial owner of the ordinary shares or ADSs to obtain a reduced rate of substitute tax on dividends pursuant to an applicable income tax treaty entered into by Italy, including the Treaty, the following procedure must be followed. The intermediary with whom the shares are deposited must timely receive:

a declaration by the beneficial owner of ordinary shares or ADSs that contains all the data identifying this person as the beneficial owner and indicates the existence of all the conditions necessary for the application of the relevant income tax treaty, as well as the elements that are necessary to determine the applicable treaty substitute tax rate; and

a certification by the tax authorities of the beneficial owner's country of residence that the beneficial owner of the ordinary shares or ADSs is a resident of that country for the purposes of the applicable income tax treaty. The time for processing requests for certification by the applicable authorities will vary. The time normally required by the U.S. Internal Revenue Service (the "IRS") is six to eight weeks.

The above declaration and certification should be made in line with forms approved by the Italian Revenue Agency with provision dated July 10, 2013. The intermediary must keep the foregoing documentation for the entire period in which the Italian tax authorities are entitled to issue an assessment

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with respect to the tax year in which the dividends are paid and, if an assessment is issued, until the assessment is settled. If the intermediary with which the shares are deposited is not resident in Italy, the aforesaid duties and obligations must be carried out by (i) a bank or an investment services company that is a resident in Italy or (ii) a permanent establishment in Italy of a non-resident bank or investment services company, appointed by the foreign intermediary as its fiscal representative in Italy.

A non-Italian resident beneficial owner of ordinary shares or ADSs can obtain application of substitute tax on dividends of Italian source at a reduced rate of 1.375% or 11%, as applicable, from the intermediary with which the shares are deposited by promptly submitting *ad hoc* request, together with proper documentation attesting to the residence and status of the beneficial owner (including a certificate of tax residence from the competent foreign tax authorities).

As an alternative to the application of the more favorable treaty rate of substitute tax on dividends or where an income tax treaty does not apply, and except for entities that benefit from the above-mentioned 1.375% or 11% substitute tax, under domestic Italian law non-resident stockholders can claim a refund of an amount up to 11/26ths of the 26% substitute tax on dividend income from Italian tax authorities provided that (i) they implement an *ad hoc* refund procedure in accordance with the terms and conditions established by law, and (ii) they provide evidence that this dividend income was subject to income tax in their country of residence in an amount at least equal to the total refund claimed. Beneficial owners of ordinary shares or ADSs should contact their tax advisors concerning the possible availability of these refunds, the payment of which is normally subject to extensive delays.

Distributions of newly issued ordinary shares to beneficial owners with respect to their shares or ADSs that are made as part of a *pro rata* distribution to all stockholders based on a gratuitous increase of the share capital through transfer of reserves or other provisions to share capital generally will not be subject to Italian tax. However, distributions of dividends in kind may be subject to withholding tax.

*Tax on Capital Gains.* Upon disposal of ordinary shares or ADSs of an Italian resident corporation, capital gains realized by non-Italian resident individuals and foreign corporations without a permanent establishment in Italy to which the ordinary shares or ADSs are effectively connected may be subject to taxation in Italy. However, the tax regime depends on whether the interest (ordinary shares, ADSs and/or rights) disposed of is "qualified" or "non-qualified." The disposal of a "qualified" shareholding in a corporation the stock of which is listed on a regulated market (such as Luxottica Group S.p.A.) is defined to occur when a stockholder (i) owns shares, ADSs and/or rights through which shares may be acquired representing in the aggregate more than 5% of the share capital or 2% of the shares with voting rights at an ordinary stockholders' meeting of the corporation and (ii) in any twelve-month period following the date the ownership test under (i) is met, such stockholder engages in the disposal of shares, ADSs and/or of rights through which shares may be acquired that individually or in the aggregate exceed the percentages indicated under (i) above. Capital gains realized by non-Italian resident stockholders upon disposal of a "non-qualified" shareholding, are in principle subject in Italy to a capital gain tax ("CGT") at 26%. However, an exemption from CGT is provided for gains realized by non-Italian resident stockholders without a permanent establishment in Italy to which the ordinary shares or ADSs are effectively connected on the disposal of "non-qualified" shareholdings in Italian resident corporations the stock of which is listed on a regulated market (such as Luxottica Group S.p.A.) even when such shareholdings are held in Italy. Non-Italian residents who dispose of shares or ADSs may be required to timely provide a self-declaration that they are not resident in Italy for tax purposes, in order to benefit from this exemption, in the case that the "risparmio amministrato" (non-discretionary investment portfolio) or "risparmio gestito" (discretionary investment portfolio) regime, respectively, provided for by articles 6 and 7 of Italian legislative decree November 21, 1997, no. 461 applies to them. Upon disposal of a "qualified" shareholding, non-Italian resident stockholders are in principle subject to Italian ordinary taxation on 49.72% of the capital gain realized.

The above is subject to any provisions of an applicable income tax treaty entered into by the Republic of Italy, if the income tax treaty provisions are more favorable. The majority of double tax



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treaties entered into by Italy, in accordance with the OECD Model tax convention, provide that capital gains realized from the disposition of Italian securities are subject to taxation only in the country of residence of the seller. Therefore, the capital gains realized by a non-Italian resident entitled to the benefits of a treaty entered into by Italy in accordance with the OECD Model in respect of taxation of capital gains from the disposition of Italian securities will not be subject to Italian taxation, regardless of whether the shareholding disposed of is qualified or non-qualified. Non-Italian residents who dispose of shares or ADSs may be required to timely provide appropriate documentation establishing that the conditions of non-taxability of capital gains realized pursuant to the applicable income tax treaties have been satisfied (including a certificate of tax residence issued by the competent foreign tax authorities), in the case that the "risparmio amministrato" (non-discretionary investment portfolio) or "risparmio gestito" (discretionary investment portfolio) regime, respectively, provided for by articles 6 and 7 of Italian legislative decree November 21, 1997, no. 461 applies to them.

Under the Treaty, a person who is considered a U.S. resident for purposes of the Treaty and is fully entitled to benefits under the Treaty will not incur Italian capital gains tax on disposal of ordinary shares or ADSs, unless the ordinary shares or ADSs form part of a business property of a permanent establishment of the holder in Italy or pertain to a fixed base available to a holder in Italy for the purpose of performing independent personal services. In order to benefit from this exemption, U.S. residents who sell ordinary shares or ADSs may be required to timely produce appropriate documentation establishing that the above-mentioned conditions for non-taxability of capital gains under the Treaty have been satisfied (including a certificate of tax residence issued by the competent U.S. tax authorities).

*Inheritance and Gift Tax.* Subject to certain exceptions, Italian inheritance and gift tax is generally payable on transfers of ordinary shares and/or ADSs of an Italian resident corporation by reason of death or donation, regardless of the residence of the deceased or donor and regardless of whether the ordinary shares or ADSs are held outside Italy.

In particular, subject to certain exceptions, transfers of assets and rights (including ordinary shares and/or ADSs) on death or by gift are generally subject to Italian inheritance and gift tax:

- (i) at a rate of 4% in the case of transfers made to the spouse or relatives in direct line, on the portion of the global net value of the transferred assets (including ordinary shares and ADSs), if any, exceeding, for each beneficiary, Euro 1,000,000;
- (ii) at a rate of 6%, in the case of transfers made to relatives within the fourth degree or relatives-in-law within the third degree (in the case of transfers to brothers or sisters, the 6% rate is applicable only on the portion of the global net value of the transferred assets (including ordinary shares and ADSs), if any, exceeding, for each beneficiary, Euro 100,000); and
- (iii) subject to certain exceptions, at a rate of 8%, in any other case.

Inheritance taxes paid in a jurisdiction outside of Italy relating to the same estate on assets (including ordinary shares and ADSs) existing in that jurisdiction are deductible, in whole or in part, from the Italian inheritance tax due with respect to the estate.

The above-described regime may be superseded by the provisions of the double taxation treaties in respect of taxes on estates and inheritances entered into by Italy, if more favorable and where applicable.

Subject to certain limitations, the Estate Tax Convention between the United States and Italy generally affords a credit for inheritance tax imposed by Italy on ordinary shares or ADSs of an Italian resident corporation that is applicable to any U.S. federal estate tax imposed on the same ordinary shares or ADSs. This credit is available only to the estate of a deceased person who, at the time of death, was a national of or domiciled in the United States. There is currently no gift tax convention between Italy and the United States.

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*Stamp duty.* Pursuant to Article 19(1) of Decree No. 201 of December 6, 2011, a proportional stamp duty applies on an annual basis to any periodic reporting communications which may be sent by an Italian financial intermediary to a holder of securities deposited with such financial intermediary. The stamp duty applies at a rate of 0.2 per cent and for taxpayers other than individuals cannot exceed Euro 14,000 per year. In the absence of specific guidelines, the stamp duty may apply both to Italian resident and non-Italian resident security holders, to the extent that securities are held with an Italian-based financial intermediary.

*Financial transaction tax.* Law No. 228 of December 24, 2012 introduced a "financial transaction tax" (*imposta sulle transazioni finanziarie*), inspired by the proposed European transaction tax (as included in the draft of European Directive no. 2011/0261). Subject to certain exceptions, the Italian financial transaction tax shall generally apply to, among other things, (a) transfers of the ownership of shares issued by companies resident in Italy and (b) transfers of the ownership of financial instruments representing shares indicated under (a) above. In relation to such transfers, financial transaction tax shall be applicable at the rate of 0.2 per cent. For transactions occurring in regulated markets or multilateral trading facilities established in EU Member States or in qualified States (excluding the United States) adhering to the "Accordo sullo spazio economico europeo," the ordinary rate is reduced to 0.1 per cent. High-frequency trading transactions occurred in the Italian financial market relating, among others, to the same types of securities mentioned above are subject to high-frequency trading tax at a rate of 0.02%.

*United States Federal Taxation*

For purposes of this section, a U.S. holder is an individual or entity which is a beneficial owner of shares or ADSs and is:

a citizen or resident of the United States;

a corporation or other entity taxable as a corporation organized under the laws of the United States or any state thereof;

an estate whose income is subject to U.S. federal income tax regardless of its source; or

a trust if a U.S. court can exercise primary supervision over the trust's administration and one or more U.S. persons are authorized to control all substantial decisions of the trust.

If a partnership, or an entity treated for U.S. tax purposes as a partnership, holds ordinary shares or ADSs, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. Persons who are partners in partnerships holding ordinary shares or ADSs should consult their tax advisors.

*Taxation of Dividends.* Under U.S. federal income tax laws, a U.S. holder must include as gross income the gross amount of any dividend paid by Luxottica Group S.p.A. out of its current or accumulated earnings and profits, as determined for U.S. federal income tax purposes. Such holder must also include any Italian tax withheld from the dividend payment in this gross amount even though the holder does not in fact receive such amounts withheld. The dividend is ordinary income that must be included in income when the U.S. holder, in the case of ordinary shares, or the depositary, in the case of ADSs, receives the dividend, actually or constructively. The dividend will not be eligible for the dividends received deduction generally allowed to U.S. corporations in respect of dividends received from other U.S. corporations. The amount of the dividend distribution that must be included in income for a U.S. holder will be the U.S. dollar value of the Euro payments made, determined at the spot Euro/U.S. dollar rate on the date the dividend distribution is includible in income, regardless of whether the payment is in fact converted into U.S. dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date the U.S. holder includes the dividend payment in income to the date he converts the payment into U.S. dollars will be treated as ordinary income or loss. The gain or loss generally will be income from sources within the United States for foreign tax credit

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limitation purposes. Distributions in excess of current and accumulated earnings and profits, as determined for U.S. federal income tax purposes, will be treated as a return of capital to the extent of the U.S. holder's basis in the shares or ADSs and thereafter as capital gain.

Subject to certain generally applicable limitations, the Italian withholding or substitute tax imposed on dividends in accordance with the Treaty and paid over to Italy will be creditable against a U.S. holder's U.S. federal income tax liability. To the extent a refund of the tax withheld is available to the U.S. holder under Italian law or under the Treaty, the amount of tax withheld that is refundable will not be eligible for credit against such holder's U.S. federal income tax liability. See " Italian Tax Law Withholding or Substitute Tax on Dividends" for the procedures for obtaining a tax refund.

Dividends paid by foreign corporations generally constitute income from sources outside the United States, but generally will be "passive income" which is treated separately from other types of income for purposes of computing the foreign tax credit allowable. The rules governing the foreign tax credit are complex. U.S. holders should consult their tax advisors regarding the availability of a foreign tax credit for Italian withholding taxes imposed on dividends paid on ordinary shares or ADSs.

Certain dividends received by non-corporate U.S. holders in taxable years beginning before January 1, 2013 in respect of ordinary shares or ADSs will be taxed at the rate applicable to long-term capital gains (generally at a maximum income tax rate of 15%) if the dividends are "qualified dividends." For taxable years beginning on or after January 1, 2013, the maximum tax rate for qualified dividends is 20% for a non-corporate U.S. holder with taxable income exceeding \$400,000 (\$450,000 for married individuals filing a joint return). This reduced income tax rate is only applicable to dividends paid by U.S. corporations and "qualified foreign corporations" and only with respect to shares held by a qualified U.S. holder (that is, a non-corporate stockholder such as an individual) for a minimum holding period (generally, more than 60 days during the 121-day period beginning 60 days before the ex-dividend date). We believe that we are a "qualified foreign corporation" and that dividends paid by us to individual U.S. holders of ordinary shares or ADSs held for the minimum holding period should thus be eligible for the reduced income tax rate. See " Passive Foreign Investment Company Considerations" for a discussion of certain restrictions on "qualified foreign corporation" status. *Non-corporate U.S. holders are urged to consult their own tax advisors to determine whether they are subject to any special rules that limit their ability to be taxed at this favorable rate.*

*Taxation of Capital Gains.* If a U.S. holder sells or otherwise disposes of ordinary shares or ADSs and such shares constitute a capital asset in the hands of the U.S. holder, such holder will recognize capital gain or loss for U.S. federal income tax purposes equal to the difference between the U.S. dollar value of the amount realized and the tax basis, determined in U.S. dollars, in the ordinary shares or ADSs. The deductibility of capital losses is subject to limitations. Capital gain of a non-corporate U.S. holder, recognized in taxable years which begin before January 1, 2013, is generally taxed at a maximum rate of 15% for property held more than one year. For taxable years beginning on or after January 1, 2013, the maximum tax rate for long-term capital gains is 20% for a non-corporate U.S. holder with taxable income exceeding \$400,000 (\$450,000 for married individuals filing a joint return). Additionally, gain or loss will generally be from sources within the United States for foreign tax credit limitation purposes.

*Medicare Tax on Unearned Income.* Legislation enacted in 2010 requires certain U.S. holders that are individuals, estates or trusts to pay a 3.8% Medicare contribution tax on, among other things, dividends on, and capital gains from the sale or other taxable disposition of, ordinary shares or ADSs for taxable years beginning after December 31, 2012.

*Passive Foreign Investment Company Considerations.* A corporation organized outside the U.S. generally will be classified as a passive foreign investment company (a "PFIC") for U.S. federal income tax purposes in any taxable year in which either (a) at least 75% of its gross income is "passive income," or (b) the average percentage of the gross value of its assets that produce "passive income" or

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are held for the production of passive income is at least 50%. Passive income for this purpose generally includes dividends, interest, royalties, rents and gains from commodities and securities transactions. Under a special "look-through" rule, in determining whether it is a PFIC, a foreign corporation is required to take into account a *pro rata* portion of the income and assets of each corporation in which it owns, directly or indirectly, at least a 25% interest. Where the "look-through" rule applies, there is eliminated from the determination of the status of the foreign corporation as a PFIC stock and debt instruments issued by such a 25%-owned subsidiary as well as dividends and interest received from such a 25%-owned subsidiary. Based on our audited financial statements, we strongly believe that we are not a PFIC for U.S. federal income tax purposes for 2014. Based on our audited financial statements and our current expectations regarding the value and nature of our assets and the sources and nature of our income, we do not expect to become a PFIC for U.S. federal income tax purposes for future years. Nonetheless, given that our PFIC status will be determined by reference to the assets and income tests applied annually, with the assets test being applied by reference to the average of the fair market value of our assets at the end of each quarter, and the income test being applied by reference to our income at the end of the taxable year, we cannot provide complete assurance that we will not be a PFIC for either the current taxable year or for any subsequent taxable year. If we are classified as a PFIC in any year that a U.S. holder is a stockholder, we generally will continue to be treated as a PFIC for that U.S. holder in all succeeding years, regardless of whether we continue to meet the income or asset test described above. If we are classified as a PFIC in any year, certain materially adverse consequences could result for U.S. holders of ordinary shares or ADSs. Such adverse consequences could, however, be materially lessened if the U.S. holders timely file either a qualified electing fund or a mark-to-market election. In addition, if we were classified as a PFIC, in a taxable year in which we pay a dividend or the prior taxable year, we would not be a qualified foreign corporation (as described in "Taxation of Dividends"), and our dividends would not be eligible for the reduced U.S. income tax rate applicable to qualified dividends.

*Although, as stated above, we strongly believe that we are not, and we do not expect to become, a PFIC, we suggest that all existing and potential U.S. holders consult their own tax advisors regarding the potential tax impact if we were determined to be a PFIC.*

**Backup Withholding and Information Reporting.** In general, dividend payments or other taxable distributions made within the United States to a U.S. holder will be subject to information reporting requirements and backup withholding tax at the rate of 28% if such U.S. holder is a non-corporate U.S. person and such holder:

fails to provide an accurate taxpayer identification number;

is notified by the IRS that he has failed to report all interest or dividends required to be shown on his federal income tax returns and the payor of the interest or dividends is notified by the IRS of the underreporting; or

in certain circumstances, fails to comply with applicable certification requirements.

A U.S. holder generally may obtain a refund of any amounts withheld under the backup withholding rules that exceed his, her or its income tax liability by filing a timely refund claim with the IRS.

Persons who are not U.S. persons may be required to establish their exemption from information reporting and backup withholding by certifying their status on Internal Revenue Service Form W-8BEN, W-8ECI or W-8IMY.

The payment of proceeds from the sale of ordinary shares or ADSs to or through a U.S. office of a broker is also subject to these U.S. backup withholding and information reporting rules unless the seller certifies, under penalties of perjury, that such seller is a non-U.S. person (or otherwise establishes an exemption). Special rules apply where ordinary shares or ADSs are sold through a non-U.S. office of a non-U.S. broker and the sale proceeds are paid outside the United States.

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Under legislation enacted in 2010, for taxable years beginning after March 18, 2010, certain U.S. holders who are individuals holding ordinary shares or ADSs other than in an account at a U.S. financial institution may be subject to additional information reporting requirements.

*Estate Tax Convention.* Under the Estate Tax Convention between the United States and Italy, the ordinary shares or ADSs will be deemed situated in Italy. Subject to certain limitations, the Estate Tax Convention affords a credit for estate or inheritance tax imposed by Italy on ordinary shares or ADSs that is applicable against U.S. federal estate tax imposed on ordinary shares or ADSs. This credit is available only to the estate of a deceased person who, at the time of death, was a national of or domiciled in the United States.

**DOCUMENTS ON DISPLAY**

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), applicable to foreign private issuers, and in accordance therewith we file reports and other information with the SEC. Reports and other information filed by us may be read and copied at the SEC's Public Reference Room at 100 F Street, N.E., Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for more information on the Public Reference Room. In addition, such material may also be inspected and copied at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. The public may also view our annual reports and other documents filed with the SEC on the internet at [www.sec.gov](http://www.sec.gov).

**ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

**INTEREST RATE SENSITIVITY**

At December 31, 2014 and 2013, our interest rate sensitivity was limited to the amount of our unhedged variable rate outstanding debt under our credit facilities and bank overdraft facilities.

Included in this amount are:

Our Euro 250 million credit facility accrued interest at EURIBOR plus a margin between 0.40% and 0.60% based on the "Net Debt/EBITDA" ratio, as defined in the agreement. In 2009, we entered into interest rate swaps for a notional amount of Euro 250.0 million that effectively hedged the floating rate to a fixed rate for this credit facility. The facility was fully repaid on May 29, 2013.

Our Tranche D U.S. \$1.0 billion credit facility accrued interest at LIBOR plus a margin between 0.20% and 0.40% based on the Net Debt/EBITDA ratio as defined in the agreement. In 2008 and 2009, we entered into interest rate swaps for a notional amount of U.S. \$700 million that effectively hedged the floating rate to a fixed rate for a portion of Tranche D. Tranche D was fully prepaid on September 12, 2013.

Our Euro 300 million Term Facility Agreement with Mediobanca, with a maturity date of November 30, 2014. This credit facility accrued interest at EURIBOR plus a margin between 1.00% and 2.25%, as defined in the amendment to the agreement (1.234% as of December 31, 2013). The facility was fully repaid on August 29, 2014.

A 10% change in interest rates (upward or downward) at December 31, 2014 and 2013, would not have had a material effect on our future annual pretax earnings and cash flows, based on our expected future pretax earnings and cash flows with an interest rate adjustment of 10% above and below the rates in effect as of December 31, 2014 and 2013. We calculated this effect both on a single year basis and an accumulated basis using a present value calculation for all variable-rate debt instruments. For U.S. \$ denominated activities, we used an exchange rate of Euro 1.00 = U.S. \$1.3285 as of December 31, 2014 and Euro 1.00 = U.S. \$1.328 as of December 31, 2013.

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We monitor our exposure to interest rate fluctuations and may enter into hedging arrangements to mitigate our exposure to increases in interest rates if we believe it is prudent to do so.

**FOREIGN EXCHANGE SENSITIVITY**

Our manufacturing subsidiaries are mainly located in Italy and our sales and distribution facilities are maintained worldwide. We also have a manufacturing facility in the United States that distributes Oakley products worldwide. As such, we are vulnerable to foreign currency exchange rate fluctuations in two principal areas:

1. We incur most of our manufacturing costs in Euro or Chinese Yuan and we receive a significant portion of our revenues in other currencies (which we refer to as Economic Risk); and
2. Differences between the functional currency of certain subsidiaries and the Euro as the reporting currency (which we refer to as Translation Risk).

*Economic Risk.* A strengthening of the Euro relative to other currencies in which we receive revenues could negatively impact the demand for our products manufactured in Italy and/or reduce our gross margins. However, our Oakley manufacturing facility in the United States offsets the reduced margins of our Italy-manufactured products, the costs of which are in Euro, as we expand Oakley's sales in Euro-denominated countries. We expect that the weakening of the Euro will have the reverse effect. In addition, to the extent that our receivables and payables are denominated in different currencies, exchange rate fluctuations could further impact our reported results of operations. However, our production cycles are relatively short and our receivables and payables are generally short-term in nature. As a result, we do not believe that we currently have significant exposure in this area. We will, if we believe it is necessary, enter into foreign exchange contracts to hedge certain of these transactions, which could include sales, receivables and/or payables balances.

IAS 39 requires that all derivatives, whether designated as a hedging relationship or not, be recorded on the balance sheet at fair value regardless of the purpose or intent for holding them. If a derivative is designated as a fair-value hedge, changes in the fair value of the derivative and the related change in the hedge item are recognized in operations. If a derivative is designated as a cash-flow hedge, changes in the fair value of the derivative are recorded in other comprehensive income in the consolidated statement of changes in equity and are recognized in the consolidated statements of income when the hedged item affects operations. For a derivative that does not qualify as a hedge, changes in fair value are recognized in operations.

From time to time, we use derivative financial instruments, principally currency forward agreements, as part of our risk management policy to reduce our exposure to market risks from changes in foreign exchange rates. As of December 31, 2014, we had several currency forward derivatives and option structures replicating forward contracts (zero cost collar) with a maturity no longer than 180 days. We may enter into other foreign exchange derivative financial instruments when we assess that the risk can be hedged effectively.

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*Translation Risk.* A substantial portion of revenues and costs are denominated in various currencies other than Euro. The following table provides information about our revenues and costs denominated in various currencies for the years ended December 31, 2014 and 2013, and is not meant to be a tabular disclosure of market risk:

| <b>2014</b>                  | <b>U.S. Dollars</b> | <b>Euro</b> | <b>Other</b> | <b>Total</b> |
|------------------------------|---------------------|-------------|--------------|--------------|
| Revenues                     | 55.3%               | 19.5%       | 25.2%        | 100.0%       |
| Costs and operating expenses | 52.9%               | 23.4%       | 23.7%        | 100.0%       |

| <b>2013</b>                  | <b>U.S. Dollars</b> | <b>Euro</b> | <b>Other</b> | <b>Total</b> |
|------------------------------|---------------------|-------------|--------------|--------------|
| Revenues                     | 55.5%               | 18.4%       | 26.1%        | 100.0%       |
| Costs and operating expenses | 51.6%               | 25.0%       | 23.4%        | 100.0%       |

Because a large portion of our revenues and expenses are denominated in U.S. dollars, translation risk resulting from fluctuations in the exchange rate between the U.S. dollar and the Euro, our reporting currency, could have a material effect on our reported financial position and results of operations. The effect of a 10% weakening of the U.S. dollar against the Euro as compared to the actual 2014 and 2013 average exchange rate between the U.S. dollar and Euro would have been a decrease in income before taxes of Euro 69.9 million and Euro 72.8 million, respectively. In addition, a significant change in the mix of revenues or expenses between or among geographic or operating segments could increase or decrease our exposure to other currency exchange rate fluctuations. We will continue to monitor our exposure to exchange rate fluctuations and enter into hedging arrangements if and to the extent we believe it to be appropriate.

**ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**

Persons depositing shares in our deposit facility with Deutsche Bank Trust Company Americas are charged a fee for each issuance of ADSs, including issuances resulting from distributions of shares, share dividends, share splits, bonus and rights distributions and other property, and for each surrender of ADSs in exchange for deposited shares. Persons depositing shares also may be charged for the following expenses:

1. Expenses incurred by the depository, the custodian or their respective agents in connection with inspections of the relevant share register maintained by the local registrar and/or performing due diligence on the central securities depository for Italy: an annual fee of U.S. \$1.00 per 100 ADSs (such fee to be assessed against holders of record as at the date or dates set by the depository as it sees fit and collected at the discretion of the depository, subject to the Company's prior consent, by billing such holders for such fee or by deducting such fee from one or more cash dividends or other cash distributions);
2. Taxes and other governmental charges incurred by the depository or the custodian on any ADS or ordinary shares underlying an ADS, including any applicable interest and penalties thereon, and any share transfer or other taxes and other governmental charges;
3. Cable, telex, electronic transmission and delivery expenses;
4. Transfer or registration fees for deposited securities on any applicable register in connection with the deposit or withdrawal of deposited securities including those of a central depository for securities (where applicable);
5. Expenses of the depository in connection with the conversion of foreign currency into U.S. dollars;

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6. Fees and expenses incurred by the depositary in connection with compliance with exchange control regulations and other regulatory requirements applicable to the shares, deposited securities and ADSs;

7. U.S. \$5.00 or less per 100 ADSs (or portion thereof) to the Depositary for the execution and delivery of ADRs (including in connection with the deposit of Luxottica ordinary shares or the exercising of rights) and the surrender of ADRs as well as for the distribution of other securities;

8. A maximum aggregate service fee of U.S. \$2.00 per 100 ADSs (or portion thereof) per calendar year to the Depositary for the services performed by the Depositary in administering the ADR program, including for processing any cash dividends and other cash distributions; and

9. Any other fees, charges, costs or expenses that may be incurred by the depositary from time to time.

If any tax or other governmental charge is payable by the holders and/or beneficial owners of ADSs to the depositary, the depositary, the custodian or the Company may withhold or deduct from any distributions made in respect of deposited securities and may sell for the account of the holder and/or beneficial owner any or all of the deposited securities and apply such distributions and sale proceeds in payment of such taxes (including applicable interest and penalties) or charges, with the holder and the beneficial owner thereof remaining fully liable for any deficiency.

These charges are described more fully in Section 5.9 of the Deposit Agreement incorporated by reference as Exhibit 2.1 to this Form 20-F.

Since January 1, 2014, we received the following direct and indirect payments from Deutsche Bank Trust Company Americas in the aggregate amount of U.S. \$ 52,000.00 for expenses relating to the ADR program, including NYSE listing fees in relation to the listing of the ADRs and expenses related to road shows.



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PART II

**ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES**

None.

**ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS**

None.

**ITEM 15. CONTROLS AND PROCEDURES**

**DISCLOSURE CONTROLS AND PROCEDURES**

We maintain disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in the reports that we furnish or file under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and our principal financial officer, as appropriate, to allow timely decisions regarding required disclosures. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Our management, with the participation of our principal executive officers and our principal financial officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2014. Based upon that evaluation, our principal executive officers and our principal financial officer have concluded that, as of December 31, 2014, our disclosure controls and procedures are effective.

**MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

As required by the SEC rules and regulations for the implementation of Section 404 of the Sarbanes-Oxley Act, our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external reporting purposes in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our principal executive officers and principal financial officer, we have conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013). Based on our evaluation under the framework in *Internal Control Integrated Framework*, our management has concluded that our internal control over financial reporting was effective as of December 31, 2014.

The effectiveness of our internal control over financial reporting as of December 31, 2014 has been audited by our independent registered public accounting firm, PricewaterhouseCoopers S.p.A., as stated in their report, which appears in Item 18 of this Form 20-F.

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**CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING**

During the period covered by this Form 20-F, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**ITEM 16. [RESERVED]**

**ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT**

Our Board of Directors has determined that a member of our Board of Statutory Auditors, Alberto Giussani, qualifies as an "audit committee financial expert," as defined in the SEC rules, and is "independent," as defined in such rules. The Board of Statutory Auditors has been designated by our Board of Directors as the appropriate body to act as our "Audit Committee," as defined in the Sarbanes-Oxley Act, SEC regulations and the NYSE listing standards. See Item 16G "Corporate Governance Summary of the Significant Differences Between Our Corporate Governance Practices and the Corporate Governance Standards of the New York Stock Exchange Board Committees."

**ITEM 16B. CODE OF ETHICS**

The Board of Directors adopted a Code of Ethics, as may be amended from time to time, that applies to our chief executive officer, chief financial officer and all of our directors, members of management bodies, any other employees, and that is addressed to those who directly or indirectly permanently or temporarily have relationships and dealings with the Company. We will provide a copy of our Code of Ethics without charge upon a written request sent to our registered office at Piazzale L. Cadorna 3, 20123 Milan, Italy. You may also obtain a copy of our Code of Ethics on our website at [www.luxottica.com](http://www.luxottica.com).

In accordance with Italian law, we adopted a Procedure for Handling Privileged Information in order to ensure that material non-public information is promptly and adequately disclosed to the public and in compliance with the fundamental principles of transparency and truthfulness. We also adopted an Internal Dealing Procedure in order to comply with certain regulatory amendments. The procedure governs the disclosure obligations and the limitations concerning transactions carried out on the Company's shares and other financial instruments by a "significant" person (including directors, the main stockholders of the company and the persons closely related to them).

**ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

PricewaterhouseCoopers S.p.A. ("PricewaterhouseCoopers") was engaged as our independent registered public accounting firm to audit our Consolidated Financial Statements for the years ended December 31, 2014 and 2013. Due to the nature of our operations, some PricewaterhouseCoopers entities and affiliates perform other audit-related, tax and other services for the Group around the world. The Board of Statutory Auditors is responsible for the approval of all audit services for the annual audit of Luxottica Group S.p.A.'s own financial statements and for the audit of the Consolidated Financial Statements of Luxottica Group S.p.A. and its subsidiaries, and to pre-approve all audit-related and non-audit services permissible for all entities in the Group.

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The following table sets forth the aggregate fees for professional services rendered by PricewaterhouseCoopers in 2014 and 2013:

| <b>(Amounts in thousands of Euro)</b>   | <b>2014<br/>Fees</b> | <b>2013<br/>Fees</b> |
|---|----------------------|----------------------|
| Audit fees (including annual financial statement audit, semi-annual reviews and Sarbanes-Oxley audit) | 7,258                | 6,647                |
| Audit-related fees (including benefit plan audits and acquisition due diligence)                      | 295                  | 322                  |
| Tax fees (including compliance and planning)  | 672                  | 720                  |
| All other fees  |                      | 84                   |
| <b>Total fees</b>   | <b>8,225</b>         | <b>7,774</b>         |

Our Board of Statutory Auditors has approved all of the audit and non-audit fees of PricewaterhouseCoopers for the year 2014 in accordance with the pre-approval policy set forth above.

**ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES**

We rely on the exemption from the listing standards for audit committees set forth in Exchange Act Rule 10A-3(c)(3). We believe that such reliance will not materially adversely affect the ability of our Board of Statutory Auditors to act independently and to satisfy the other requirements of the SEC rules.

**ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS**

From January 1, 2014 to December 31, 2014, our affiliate, Delfin S.à r.l., an entity established and controlled by Mr. Leonardo Del Vecchio, made the following purchases of our ordinary shares:

| <b>Purchases of our Ordinary Shares by Month</b> | <b>Total Number<br/>of<br/>Ordinary<br/>Shares<br/>Purchased</b> | <b>Average<br/>Price<br/>Paid per<br/>Ordinary<br/>Share (in<br/>Euro)</b> |
|--|--|--|
| March 2014                                       | 555,500  | 40.4   |
| May 2014   | 1,250,000  | 41.5   |
| August 2014                                      | 16,500   | 38.4   |
| September 2014                                   | 813,500  | 41.5   |
| October 2014                                     | 550,000  | 40.7   |
| <b>Total year ended December 31, 2014</b>        | <b>3,185,500</b>   | <b>41.2</b>  |

For additional information, see Item 7 "Major Shareholders and Related Party Transactions."

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**ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT**

Not applicable.

**ITEM 16G. CORPORATE GOVERNANCE**

**SUMMARY OF THE SIGNIFICANT DIFFERENCES BETWEEN OUR CORPORATE GOVERNANCE PRACTICES AND THE CORPORATE GOVERNANCE STANDARDS OF THE NEW YORK STOCK EXCHANGE**

*Overview*

On November 4, 2003, the New York Stock Exchange (the "NYSE") established new corporate governance rules for listed companies. Under these NYSE rules, we are permitted, as a listed foreign private issuer, to adhere to the corporate governance standards of our home country in lieu of certain NYSE corporate governance rules, so long as we disclose the significant ways in which our corporate governance practices differ from those followed by U.S. companies under the NYSE listing standards.

Our corporate governance practices are governed principally by the rules and regulations of CONSOB and by the Code of Corporate Governance that was issued by Borsa Italiana in March 2006 (the "Code of Corporate Governance" and, collectively with the abovementioned rules and regulations, the "Italian Corporate Governance Policies").

The Italian Code of Corporate Governance is a code of conduct that companies listed on the market regulated by Borsa Italiana can apply on a "comply-or-explain" basis.

The Code was updated in December 2011 and again in 2014. Information about the implementation of the Code of Corporate Governance is included in our Corporate Governance Report, which was made publicly available on April 1, 2015.

The following is a brief summary of the significant differences between our corporate governance practices in accordance with the Italian Corporate Governance Policies and those followed by U.S. companies under the NYSE listing standards.

*Composition of Board of Directors; Independence*

The NYSE listing standards provide that the board of directors of a U.S. listed company must consist of a majority of independent directors and that certain committees must consist solely of independent directors. A director qualifies as independent only if the board affirmatively determines that the director has no material relationship with the company, either directly or indirectly. The listing standards enumerate a number of relationships that preclude independence. In addition, non-management directors of a U.S. listed company are required to meet at regularly scheduled executive sessions without management.

The Code of Corporate Governance recommends that an "adequate number" of non-executive and independent directors serve on the board of directors of an Italian company, but does not require the board of directors to consist of a majority of independent directors. Italian law requires that at least one director or, in the event the board of directors is composed of more than seven members, at least two directors must fulfill the requirements to be independent. In addition, the Code of Corporate Governance recommends that, for companies included in the FTSE MIB Index (such as Luxottica), at least  $\frac{1}{3}$  of the Board of Directors shall be composed of independent directors.

The standards for determining director independence under the Code of Corporate Governance are substantially similar to the NYSE listing standards for U.S. listed companies. The Code of Corporate Governance recommends that our independent directors meet at executive sessions without

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management once per year or else we have to disclose the reason they did not meet in our Annual Report on Corporate Governance.

Pursuant to the Code of Corporate Governance, our Board of Directors has evaluated that six directors are independent: Messrs. Cattaneo, Costamagna, Mangiagalli and Reboa and Mses. Magistretti and Puccio. This number of independent directors complies with the abovementioned provisions of law as well as with the "adequate number" of non-management directors recommended. During 2014, our lead independent director, Marco Reboa, convened three meetings of independent directors. Mr. Abravanel, who was a director until October 13, 2014, was also an independent director.

*Board Committees*

The NYSE listing standards require a U.S. listed company to have an audit committee, a nominating/corporate governance committee and a compensation committee. Each of these committees must consist solely of independent directors and must have a written charter that addresses certain matters specified in the listing standards. The NYSE listing standards contain detailed requirements for the audit committees of U.S. listed companies. Some, but not all, of these requirements also apply to non-U.S. listed companies such as us. Italian law, on the other hand, requires neither the establishment of board committees nor the adoption of written committee charters.

Italian law requires companies to appoint a Board of Statutory Auditors. The Board of Directors has designated the Board of Statutory Auditors as the appropriate body to act as the "Audit Committee," as defined in the Sarbanes-Oxley Act, SEC regulations and the NYSE listing standards. It operates in accordance with Italian law, the Company's By-laws and the "Regulations Governing the Duties of the Board of Statutory Auditors in accordance with U.S. Audit Committee Requirements." The Board of Statutory Auditors has acted as the Audit Committee since the annual meeting of stockholders on June 14, 2006. Additional information regarding our Board of Statutory Auditors is set forth below.

With respect to the nomination of directors and auditors, Italian law requires lists of nominees to be filed with the registered office of the Company, at least 25 days before its ordinary meeting of stockholders. The Company shall make the lists available to the public at least 21 days before the general meeting. The Code of Corporate Governance also recommends the constitution of a committee to recommend candidates for appointment to the position of director made up by (or a majority of) independent directors. The committee shall express opinions to the Board of Directors regarding its size and composition and express recommendations with regard to the professional skills necessary within the board and submit to the Board of Directors candidates for directors to be appointed to fill any vacancies on the Board of Directors. The Board of Directors of Luxottica Group has elected not to appoint such a committee.

The Code of Corporate Governance requires that, unless the reason for non-compliance is disclosed, Italian listed companies shall appoint a Compensation Committee and that its members shall all be independent directors. As an alternative, the committee shall be composed of non-executive directors, the majority of whom are independent. In such a case, the chairman of the committee shall be an independent director. Our Human Resources Committee performs the functions of a compensation committee, including the review of our officers' compensation and our remuneration plans. On April 27, 2012, the Board of Directors of the Company appointed Claudio Costamagna, Chairman, Anna Puccio and Roger Abravanel, all independent directors, as members of the Human Resources Committee. On October 13, 2014, Roger Abravanel resigned as director and, on October 22, 2014, Marco Mangiagalli, an independent director, was appointed to serve on the Human Resources Committee by the Board of Directors. The Human Resources Committee reports to the Board of Directors at least twice a year.

For more information on the resolution adopted by the Company to comply with the provisions of the Corporate Governance Policies, please see our Annual Report on Corporate Governance available on the Company website at [www.luxottica.com](http://www.luxottica.com).

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*Control and Risk Committee*

The Code of Corporate Governance also requires the establishment of a Control and Risk Committee. Our Control and Risk Committee consists of four independent directors. The committee has investigative, advisory and proposal-making functions concentrating on, among other matters, the internal control system, the proper use of accounting principles in conjunction with our administration managers and auditors and the process for the identification and management of corporate risks. The committee reports to the Board of Directors at least twice a year. The members of the Control and Risk Committee, appointed by the Board of Directors on April 27, 2012, are Mario Cattaneo, who is Chairman, Marco Mangiagalli, Elisabetta Magistretti and Marco Reboa, each an independent director.

*Board of Statutory Auditors*

Our Board of Statutory Auditors consists of three regular members and two alternate members. The Board of Statutory Auditors is appointed by our stockholders and serves for a period of three years. Italian law establishes the qualifications of candidates that may be appointed as members of the Board of Statutory Auditors. The office of Member of the Board of Statutory Auditors in a listed company pursuant to Italian law may not be assumed by any individual who holds the same position in five other listed companies. Our By-laws are required to ensure that at least one member of the Board of Statutory Auditors and one Alternate Auditor may be elected by our minority stockholders. Our By-laws comply with this requirement by providing that at least one regular member, who shall serve as Chairman of the Board of Statutory Auditors, and one alternate member may be elected by our minority stockholders in accordance with Italian law.

The Board of Statutory Auditors oversees our compliance with our By-laws and applicable laws and the adequacy of our internal control system and accounting and administrative system. See Item 6 "Directors, Senior Management and Employees" for further details. The Board of Statutory Auditors is required to attend all meetings of our stockholders and the meetings of our Board of Directors. The Board of Statutory Auditors is also required to notify CONSOB if we fail to comply with our By-laws or any applicable laws.

*Code of Business Conduct and Ethics*

The NYSE listing standards require each U.S. listed company to adopt, and post on its website, a code of business conduct and ethics for its directors, officers and employees. Under SEC rules, all companies required to submit periodic reports to the SEC, including us, must disclose in their annual reports whether they have adopted a code of ethics for their chief executive officer and senior financial officers. In addition, they must file a copy of the code with the SEC, post the text of the code on their website or undertake to provide a copy upon request to any person without charge. There is significant, though not complete, overlap between the code of business conduct and ethics required by the NYSE listing standards and the code of ethics for the chief financial officer and senior financial officers required by the SEC's rules.

In accordance with SEC rules, we have adopted a Code of Ethics, which contains provisions in compliance with SEC requirements. Our Code of Ethics is available on our website at [www.luxottica.com](http://www.luxottica.com) in the Company/Governance section.

*Stockholder Approval of Equity Compensation Plans*

The NYSE listing standards require U.S. listed companies to seek stockholder approval for certain equity compensation plans. Italian law requires Italian listed companies to submit any incentive plans based on securities and reserved to directors of the company or its subsidiaries or to employees and capital increases of shares reserved for issuance under their equity compensation plans to stockholders for their approval at the meeting of stockholders. In accordance with Italian law, our stockholders

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approved capital increases of shares reserved for issuance under our existing stock option plans in 1998, 2001 and 2006. In accordance with Italian law, our stockholders also approved our 2008 PSP Plan and our 2013-2017 PSP Plan.

*Corporate Governance Guidelines; Certification*

The NYSE listing standards require U.S. listed companies to adopt, and post on their websites, a set of corporate governance guidelines. The guidelines must address, among other things, director qualification standards, director responsibilities, director access to management and independent advisers, director compensation, director orientation and continuing education, management succession and an annual performance evaluation of the Board of Directors. In addition, the chief executive officer of a U.S. listed company must certify to the NYSE annually that he or she is not aware of any violations by the company of the NYSE's corporate governance listing standards. The certification must be disclosed in the company's annual report to stockholders.

Italian law requires that listed companies annually report to their stockholders on their corporate governance system. Our Company complies with such requirement. You may find our Annual Report on Corporate Governance on our website at [www.luxottica.com](http://www.luxottica.com).

*Related Party Transactions Procedure*

In 2010, the Board of Directors adopted a procedure governing the approval of related party transactions in order to comply with new Italian regulations. "Related Party Transactions" are transactions in which there is a transfer of resources, services or obligations between "Related Parties" (as defined in the procedure), regardless of whether consideration has been given. An updated procedure was adopted on February 16, 2015.

The procedure shall not be applied to, among others, "Small Amount Transactions," which are transactions in which the foreseeable maximum consideration or value does not exceed (i) Euro 250,000 per year for remuneration of a member of management or control body or managers in strategic roles or (ii) Euro 1.0 million for other Related Party Transactions. The procedure shall not be applied to related party transactions with or between our controlled companies.

The procedure provides that an appropriate board committee shall provide its opinion with respect to Related Party Transactions. The opinion of the committee is considered non-binding for certain smaller transactions but will be deemed to be binding for more significant transactions. The Board of Directors resolved, as authorized based on, among other things, the interested parties involved in each individual transaction, that (i) the Human Resources Committee composed solely of independent directors shall be involved and consulted regarding transactions for the remuneration and economic benefits of the members of the management and control bodies and managers in strategic roles and (ii) the Control and Risk Committee composed solely of independent directors shall be involved and consulted regarding other transactions with related parties. Our Related Party Transactions Procedure is available on our website at [www.luxottica.com](http://www.luxottica.com).

**ITEM 16H. MINE SAFETY DISCLOSURE.**

Not applicable.

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PART III

**ITEM 17. FINANCIAL STATEMENTS**

Not applicable.

**ITEM 18. FINANCIAL STATEMENTS**

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Luxottica Group S.p.A.

In our opinion, the accompanying consolidated statements of financial position and the related consolidated statements of income, comprehensive income, changes in equity and cash flows present fairly, in all material respects, the financial position of Luxottica Group S.p.A. and its subsidiaries at December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing in Item 15 of this Annual Report on Form 20-F. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers S.p.A.

Milan, Italy  
April 24, 2015

Table of Contents**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****AS OF DECEMBER 31, 2014 AND 2013**

| (Amounts in thousands of Euro)                    | Note<br>reference | 2014             | 2013             |
|---|-------------------|------------------|------------------|
| <b>ASSETS</b>                                     |                   |                  |                  |
| CURRENT ASSETS:                                   |                   |                  |                  |
| Cash and cash equivalents                         | 6                 | 1,453,587        | 617,995          |
| Accounts receivable                               | 7                 | 754,306          | 680,296          |
| Inventories                                       | 8                 | 728,404          | 698,950          |
| Other assets                                      | 9                 | 231,397          | 238,761          |
| <b>Total current assets</b>                       |                   | <b>3,167,695</b> | <b>2,236,002</b> |
| NON-CURRENT ASSETS:                               |                   |                  |                  |
| Property, plant and equipment                     | 10                | 1,317,617        | 1,183,236        |
| Goodwill  | 11                | 3,351,263        | 3,045,216        |
| Intangible assets                                 | 11                | 1,384,501        | 1,261,137        |
| Investments                                       | 12                | 61,176           | 58,108           |
| Other assets                                      | 13                | 123,848          | 126,583          |
| Deferred tax assets                               | 14                | 188,199          | 172,623          |
| <b>Total non-current assets</b>                   |                   | <b>6,426,603</b> | <b>5,846,903</b> |
| <b>TOTAL ASSETS</b>                               |                   | <b>9,594,297</b> | <b>8,082,905</b> |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>       |                   |                  |                  |
| CURRENT LIABILITIES:                              |                   |                  |                  |
| Short-term borrowings                             | 15                | 151,303          | 44,921           |
| Current portion of long-term debt                 | 16                | 626,788          | 318,100          |
| Accounts payable                                  | 17                | 744,272          | 681,151          |
| Income taxes payable                              | 18                | 42,603           | 9,477            |
| Short-term provisions for risks and other charges | 19                | 187,719          | 123,688          |
| Other liabilities                                 | 20                | 636,055          | 523,050          |
| <b>Total current liabilities</b>                  |                   | <b>2,388,740</b> | <b>1,700,386</b> |
| NON-CURRENT LIABILITIES:                          |                   |                  |                  |
| Long-term debt                                    | 21                | 1,688,415        | 1,716,410        |
| Employee benefits                                 | 22                | 138,475          | 76,399           |
| Deferred tax liabilities                          | 14                | 266,896          | 268,078          |
| Long-term provisions for risks and other charges  | 23                | 99,223           | 97,544           |
| Other liabilities                                 | 24                | 83,770           | 74,151           |
| <b>Total non-current liabilities</b>              |                   | <b>2,276,778</b> | <b>2,232,583</b> |
| STOCKHOLDERS' EQUITY:                             |                   |                  |                  |
| Capital stock                                     | 25                | 28,900           | 28,653           |
| Legal reserve                                     | 25                | 5,735            | 5,711            |

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|   |    |                  |                  |
|---|----|------------------|------------------|
| Reserves  | 25 | 4,318,124        | 3,646,830        |
| Treasury shares                                   | 25 | (73,875)         | (83,060)         |
| Net income  | 25 | 642,596          | 544,696          |
| Luxottica Group stockholders' equity              | 25 | 4,921,479        | 4,142,828        |
| Non-controlling interests                         | 26 | 7,300            | 7,107            |
| <b>Total stockholders' equity</b>                 |    | <b>4,928,779</b> | <b>4,149,936</b> |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b> |    | <b>9,594,297</b> | <b>8,082,905</b> |

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Table of Contents**CONSOLIDATED STATEMENTS OF INCOME****FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012**

| (Amounts in thousands of Euro)                  | Note<br>reference | 2014             | 2013             | 2012             |
|---|-------------------|------------------|------------------|------------------|
| <b>Net sales</b>                                | 5                 | 7,652,317        | 7,312,611        | 7,086,142        |
| Cost of sales                                   |                   | 2,574,685        | 2,524,006        | 2,435,993        |
| <b>Gross profit</b>                             |                   | <b>5,077,632</b> | <b>4,788,605</b> | <b>4,650,148</b> |
| Selling and advertising                         |                   | 3,013,399        | 2,866,307        | 2,840,649        |
| General and administrative                      |                   | 906,620          | 866,624          | 839,360          |
| <b>Total operating expenses</b>                 |                   | <b>3,920,019</b> | <b>3,732,931</b> | <b>3,680,009</b> |
| <b>Income from operations</b>                   | 5                 | <b>1,157,613</b> | <b>1,055,673</b> | <b>970,139</b>   |
| <b>Other income/(expense)</b>                   |                   |                  |                  |                  |
| Interest income                                 | 27                | 11,672           | 10,072           | 18,910           |
| Interest expense                                | 27                | (109,659)        | (102,132)        | (138,140)        |
| Other net                                       | 27                | 455              | (7,247)          | (6,463)          |
| <b>Income before provision for income taxes</b> |                   | <b>1,060,080</b> | <b>956,366</b>   | <b>844,447</b>   |
| Provision for income taxes                      | 27                | (414,066)        | (407,505)        | (305,891)        |
| <b>Net income</b>                               |                   | <b>646,014</b>   | <b>548,861</b>   | <b>538,556</b>   |
| Of which attributable to:                       |                   |                  |                  |                  |
| <b>Luxottica Group stockholders</b>             |                   | <b>642,596</b>   | <b>544,696</b>   | <b>534,375</b>   |
| Non-controlling interests                       |                   | 3,417            | 4,165            | 4,181            |
| <b>NET INCOME</b>                               |                   | <b>646,014</b>   | <b>548,861</b>   | <b>538,556</b>   |
| Weighted average number of shares outstanding:  |                   |                  |                  |                  |
| Basic   | 30                | 475,947,763      | 472,057,274      | 464,643,093      |
| Diluted   | 30                | 479,247,190      | 476,272,565      | 469,573,841      |
| EPS (in Euro):                                  |                   |                  |                  |                  |
| Basic   | 30                | 1.35             | 1.15             | 1.15             |
| Diluted   | 30                | 1.34             | 1.14             | 1.14             |

Table of Contents**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012**

| <b>(Amounts in thousands of Euro)</b>   | <b>Note<br/>Reference</b> | <b>2014</b>    | <b>2013</b>    | <b>2012</b>    |
|---|---------------------------|----------------|----------------|----------------|
| <b>Net income</b>   |                           | <b>646,014</b> | <b>548,861</b> | <b>538,556</b> |
| <b>Other comprehensive income:</b>  |                           |                |                |                |
| <i>Items that may be reclassified subsequently to profit or loss:</i>   |                           |                |                |                |
| Cash flow hedge net of tax of Euro 0.0 million, Euro 0.1 million and Euro 6.5 million as of December 31, 2014, 2013 and 2012, respectively                                  | 31                        |                | 318            | 13,700         |
| Currency translation differences  | 25                        | 392,527        | (286,602)      | (64,010)       |
| <i>Total items that may be reclassified subsequently to profit or loss:</i>   |                           | 392,527        | (286,284)      | (50,310)       |
| <i>Items that will not be reclassified to profit or loss:</i>   |                           |                |                |                |
| Actuarial (loss)/gain on defined benefit plans net of tax of Euro 31.6 million, Euro 39.9 million and Euro 9.0 million as of December 31, 2014, 2013 and 2012, respectively | 22                        | (52,561)       | 63,217         | (17,628)       |
| <i>Total items that will not be reclassified to profit or loss:</i>   |                           | (52,561)       | 63,217         | (17,628)       |
| Total other comprehensive income/(loss) net of tax  |                           | 339,966        | (223,067)      | (67,938)       |
| Total comprehensive income for the period   |                           | 985,980        | 325,794        | 470,619        |
| Attributable to:  |                           |                |                |                |
| Luxottica Group stockholders' equity  |                           | 982,119        | 325,007        | 466,204        |
| Non-controlling interests   |                           | 3,861          | 787            | 4,415          |
| Total comprehensive income for the period   |                           | 985,980        | 325,794        | 470,619        |

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## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012

| (Amounts in thousands of Euro)                            | Capital stock      |               |               |                            | Retained earnings | Stock options reserve | Translation of foreign operations and other | Treasury shares  | Stockholders' equity | Non-controlling interests |
|---|--------------------|---------------|---------------|----------------------------|-------------------|-----------------------|---|------------------|----------------------|---------------------------|
|   | Number of shares   | Amount        | Legal reserve | Additional paid-in capital |                   |                       |   |                  |                      |                           |
| <b>Balance as of January 1, 2012</b>                      | <b>467,351,677</b> | <b>28,041</b> | <b>5,600</b>  | <b>237,015</b>             | <b>3,355,931</b>  | <b>203,739</b>        | <b>(99,980)</b>                             | <b>(117,418)</b> | <b>3,612,928</b>     | <b>12,192</b>             |
| <b>Total Comprehensive Income as of December 31, 2012</b> |                    |               |               |                            | <b>530,448</b>    |                       | <b>(64,244)</b>                             |                  | <b>466,204</b>       | <b>4,415</b>              |
| Exercise of stock options                                 | 5,886,520          | 353           |               | 87,913                     |                   |                       |   |                  | 88,266               |                           |
| Non-cash stock-based compensation                         |                    |               |               |                            |                   | 37,547                |   |                  | 37,547               |                           |
| Excess tax benefit on stock options                       |                    |               |               | 3,814                      |                   |                       |   |                  | 3,814                |                           |
| Granting of treasury shares to employees                  |                    |               |               |                            | (25,489)          |                       |   | 25,489           |                      |                           |
| Change in the consolidation perimeter                     |                    |               |               |                            |                   |                       |   |                  |                      | 8                         |
| Dividends (Euro 0.49 per ordinary share)                  |                    |               |               |                            | (227,386)         |                       |   |                  | (227,386)            | (4,748)                   |
| Allocation of legal reserve                               |                    |               | 23            |                            | (23)              |                       |   |                  |                      |                           |
| <b>Balance as of December 31, 2012</b>                    | <b>473,238,197</b> | <b>28,394</b> | <b>5,623</b>  | <b>328,742</b>             | <b>3,633,481</b>  | <b>241,286</b>        | <b>(164,224)</b>                            | <b>(91,929)</b>  | <b>3,981,372</b>     | <b>11,868</b>             |

|   |                    |               |              |                |                  |                |                  |                 |                  |              |
|---|--------------------|---------------|--------------|----------------|------------------|----------------|------------------|-----------------|------------------|--------------|
| <b>Total Comprehensive Income as of December 31, 2013</b> |                    |               |              |                | <b>608,230</b>   |                | <b>(283,223)</b> |                 | <b>325,007</b>   | <b>787</b>   |
| Exercise of stock options                                 | 4,322,476          | 259           |              | 75,007         |                  |                |                  |                 | 75,266           |              |
| Non-cash stock-based compensation                         |                    |               |              |                |                  | 27,547         |                  |                 | 27,547           |              |
| Excess tax benefit on stock options                       |                    |               |              | 8,314          |                  |                |                  |                 | 8,314            |              |
| Granting of treasury shares to employees                  |                    |               |              |                | (8,869)          |                |                  | 8,869           |                  |              |
| Change in the consolidation perimeter                     |                    |               |              |                | (989)            |                |                  |                 | (989)            | (2,051)      |
| Dividends (Euro 0.58 per ordinary share)                  |                    |               |              |                | (273,689)        |                |                  |                 | (273,689)        | (3,497)      |
| Allocation of legal reserve                               |                    |               | 88           |                | (88)             |                |                  |                 |                  |              |
| <b>Balance as of December 31, 2013</b>                    | <b>477,560,673</b> | <b>28,653</b> | <b>5,711</b> | <b>412,063</b> | <b>3,958,076</b> | <b>268,833</b> | <b>(447,447)</b> | <b>(83,060)</b> | <b>4,142,828</b> | <b>7,107</b> |
| <b>Total Comprehensive Income as of December 31, 2014</b> |                    |               |              |                | <b>590,036</b>   |                | <b>392,083</b>   |                 | <b>982,119</b>   | <b>3,861</b> |
| Exercise of stock options                                 | 4,110,910          | 247           |              | 69,740         |                  |                |                  |                 | 69,987           |              |
| Non-cash stock-based compensation                         |                    |               |              |                |                  | 31,826         |                  |                 | 31,826           |              |
| Excess tax benefit on stock options                       |                    |               |              | 3,062          |                  |                |                  |                 | 3,062            |              |

|  |                    |               |              |                |                  |                |                 |                 |                  |              |
|--|--------------------|---------------|--------------|----------------|------------------|----------------|-----------------|-----------------|------------------|--------------|
| Granting of treasury shares to employees |                    |               |              |                | (9,185)          |                |                 | 9,185           |                  |              |
| Dividends (Euro 0.65 per ordinary share) |                    |               |              |                | (308,343)        |                |                 | (308,343)       | (3,668)          |              |
| Allocation of legal reserve              |                    |               | 24           |                | (24)             |                |                 |                 |                  |              |
| <b>Balance as of December 31, 2014</b>   | <b>481,671,583</b> | <b>28,900</b> | <b>5,735</b> | <b>484,865</b> | <b>4,230,560</b> | <b>300,659</b> | <b>(55,364)</b> | <b>(73,875)</b> | <b>4,921,479</b> | <b>7,300</b> |



Table of Contents**CONSOLIDATED STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012**

| (Amounts in thousands of Euro)                               | Note<br>Reference | 2014             | 2013             | 2012             |
|--|-------------------|------------------|------------------|------------------|
| <b>Income before provision for income taxes</b>              |                   | <b>1,060,080</b> | <b>956,366</b>   | <b>844,447</b>   |
| Stock-based compensation                                     | 32                | 31,826           | 28,078           | 41,365           |
| Depreciation and amortization                                | 10/11             | 383,996          | 366,653          | 358,281          |
| Net loss on disposals of fixed assets and intangible assets  | 10/11             | 16,339           | 15,609           | 32,700           |
| Financial expenses   |                   | 109,659          | 100,392          | 138,140          |
| Other non-cash items(*)                                      |                   | (1,295)          |                  | 14,237           |
| Changes in accounts receivable                               |                   | (41,254)         | (16,827)         | (34,568)         |
| Changes in inventories                                       |                   | 7,326            | 11,785           | (80,534)         |
| Changes in accounts payable                                  |                   | 24,578           | 12,538           | 61,472           |
| Changes in other assets/liabilities(**)                      |                   | 21,194           | (30,433)         | 51,303           |
| <b>Total adjustments</b>                                     |                   | <b>552,369</b>   | <b>487,794</b>   | <b>582,395</b>   |
| <b>Cash provided by operating activities</b>                 |                   | <b>1,612,449</b> | <b>1,444,160</b> | <b>1,426,842</b> |
| Interest paid  |                   | (93,135)         | (94,456)         | (120,762)        |
| Taxes paid   |                   | (349,196)        | (427,857)        | (265,651)        |
| <b>Net cash provided by operating activities</b>             |                   | <b>1,170,118</b> | <b>921,847</b>   | <b>1,040,430</b> |
| Additions of property, plant and equipment                   | 10                | (280,779)        | (274,114)        | (261,518)        |
| Disposals of property plant and equipment                    | 10                |                  | 2,366            |                  |
| Purchases of businesses net of cash acquired(***)            | 4                 | (41,091)         | (73,015)         | (99,738)         |
| Sales of businesses  |                   |                  | 13,553           |                  |
| Investments in equity investees(****)                        | 12                | 1,161            | (47,507)         |                  |
| Additions to intangible assets                               | 11                | (138,547)        | (101,085)        | (117,005)        |
| <b>Net cash used in investing activities</b>                 |                   | <b>(459,256)</b> | <b>(479,801)</b> | <b>(478,261)</b> |
| Long-term debt:  |                   |                  |                  |                  |
| Proceeds   | 21                | 497,104          | 4,504            | 512,700          |
| Repayments   | 21                | (318,500)        | (327,068)        | (935,173)        |
| Increase in short-term lines of credit                       |                   | 135,686          |                  |                  |
| (Decrease) in short-term lines of credit                     | 15                |                  | (44,303)         | (102,018)        |
| Exercise of stock options                                    |                   | 69,989           | 75,266           | 88,267           |
| Dividends  | 33                | (312,012)        | (277,186)        | (232,134)        |
| <b>Net cash provided by (used in) financing activities</b>   |                   | <b>72,267</b>    | <b>(568,787)</b> | <b>(668,358)</b> |
| <b>Increase/(decrease) in cash and cash equivalents</b>      |                   | <b>783,129</b>   | <b>(126,742)</b> | <b>(106,190)</b> |
| <b>Cash and cash equivalents, beginning of the period</b>    |                   | <b>617,995</b>   | <b>790,093</b>   | <b>905,100</b>   |
| Effect of exchange rate changes on cash and cash equivalents |                   | 52,464           | (45,355)         | (8,817)          |
| <b>Cash and cash equivalents, end of the period</b>          |                   | <b>1,453,587</b> | <b>617,995</b>   | <b>790,093</b>   |

(\*)

Other non-cash items in 2012 included expenses incurred for the reorganization of the Australian business for Euro 14.2 million.



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- (\*\*)  
Change in other assets and liabilities in 2014 include the non-recurring payments of an aggregate of approximately Euro 20.0 million made to Andrea Guerra and Enrico Cavatorta upon their termination as Group CEOs.
- (\*\*\*)  
Purchases of business net of cash acquired in 2014 included the purchase of glasses.com for Euro (30.1) million and other minor acquisitions in the retail segment for Euro (11.0) million.
- Purchases of businesses net of cash acquired in 2013 included the purchase of Alain Mikli International S.A. for Euro (71.9) million.
- Purchases of businesses net of cash acquired in 2012 included the purchase of Tecnol Técnica Nacional de Oculos Ltda for Euro (66.4) million, the purchase of a retail chain in Spain and Portugal for Euro (21.9) million and other minor acquisitions for Euro (11.4) million.
- (\*\*\*\*)  
The change in investment in 2013 relates to the purchase of 36.33% of the share capital of Salmoiraghi & Viganò.

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

Registered office at Piazzale L. Cadorna 3 20123 Milan

**Share capital € 28,900,294.98**

Authorized and issued

**Notes to the  
CONSOLIDATED FINANCIAL STATEMENTS  
As of DECEMBER 31, 2014**

**GENERAL INFORMATION**

Luxottica Group S.p.A. (the "Company") is a corporation with a registered office in Milan, Italy, at Piazzale L. Cadorna 3.

The Company and its subsidiaries (collectively, the "Group") operate in two industry segments: (1) manufacturing and wholesale distribution; and (2) retail distribution.

Through its manufacturing and wholesale distribution operations, the Group is engaged in the design, manufacturing, wholesale distribution and marketing of proprietary brands and designer lines of mid- to premium-priced prescription frames and sunglasses, as well as of performance optics products.

Through its retail operations, as of December 31, 2014, the Company owned and operated 6,471 retail locations worldwide and franchised an additional 613 locations principally through its subsidiaries Luxottica Retail North America, Inc., Sunglass Hut Trading, LLC, OPSM Group Limited, Oakley, Inc. ("Oakley") and Multiópticas Internacional S.L.

In line with prior years, the retail division's fiscal year is a 52- or 53-week period ending on the Saturday nearest December 31. The accompanying consolidated financial statements include the operations of all retail divisions for the 52-week periods for fiscal years 2013 and 2012. For fiscal year 2014, the accompanying financial statements include the operations of the North American, South African and European retail divisions for the 53-week period.

The use of a calendar fiscal year by these entities would not have had a material impact on the consolidated financial statements.

The Company is controlled by Delfin S.à r.l., a company subject to Luxembourg law.

These consolidated financial statements were authorized to be issued by the Board of Directors of the Company at its meeting on March 2, 2015.

**BASIS OF PREPARATION**

The consolidated financial statements as of December 31, 2014 have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as of the date of approval of these consolidated financial statements by the Board of Directors of the Company.

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

The principles and standards utilized in preparing these consolidated financial statements have been consistently applied through all periods presented.

These consolidated financial statements are composed of a consolidated statement of income, a consolidated statement of comprehensive income, a consolidated statement of financial position, a



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consolidated statement of cash flows, a consolidated statement of changes in equity and related notes to the Consolidated Financial Statements.

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

The Company presents its consolidated statement of income using the function of expense method. The Company presents current and non-current assets and current and non-current liabilities as separate classifications in its consolidated statements of financial position. This presentation of the consolidated statement of income and of the consolidated statement of financial position is believed to provide the most relevant information. The consolidated statement of cash flows was prepared and presented utilizing the indirect method.

The financial statements were prepared using the historical cost convention, with the exception of certain financial assets and liabilities for which measurement at fair value is required.

The consolidated financial statements have been prepared on a going concern basis. Management believes that there are no financial or other indicators presenting material uncertainties that may cast significant doubt upon the Group's ability to meet its obligations in the foreseeable future and in particular in the next 12 months.

**1. CONSOLIDATION PRINCIPLES, COMPOSITION OF THE GROUP AND SIGNIFICANT ACCOUNTING POLICIES**

**CONSOLIDATION PRINCIPLES**

*Subsidiaries*

Subsidiaries are any entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Power is generally presumed with an ownership of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is measured as the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree at either fair value or the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the

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**1. CONSOLIDATION PRINCIPLES, COMPOSITION OF THE GROUP AND SIGNIFICANT ACCOUNTING POLICIES  
(Continued)**

Group makes a new assessment of the net assets acquired and any residual difference is recognized directly in the consolidated statement of income.

In business combinations achieved in stages, the Group remeasures its previously held equity interest in the acquiree at its acquisition date fair value and recognizes the resulting gain or loss, if any, in operating income reflecting the Group's strategy to continue growing through acquisitions.

Inter-company transactions, balances and unrealized gains and losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The individual financial statements used in the preparation of the consolidated financial statements are prepared and approved by the administrative bodies of the individual companies.

*Transactions with non-controlling interests*

Transactions with non-controlling interests are treated as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss.

*Associates*

Associates are any entities over which the Group has significant influence but not control, generally with ownership of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost.

The Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated statement of income, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in associates are tested for impairment in case there are indicators that their recoverable amount is lower than their carrying value.

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**1. CONSOLIDATION PRINCIPLES, COMPOSITION OF THE GROUP AND SIGNIFICANT ACCOUNTING POLICIES  
(Continued)**

*Other companies*

Investments in entities in which the Group does not have either control or significant influence, generally with ownership of less than 20%, are originally recorded at cost and subsequently measured at fair value. Changes in fair value are recorded in the consolidated statement of comprehensive income.

*Translation of the financial statements of foreign companies*

The Group records transactions denominated in foreign currency in accordance with IAS 21 *The Effect of Changes in Foreign Exchange Rates*.

The results and financial position of all the Group entities (none of which have the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that consolidated statement of financial position;
- (b) income and expenses for each consolidated statement of income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (c) all resulting exchange differences are recognized in other comprehensive income.

Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

The exchange rates used in translating the results of foreign operations are reported in the *Exchange Rates Attachment* to the Notes to the Consolidated Financial Statements.

**COMPOSITION OF THE GROUP**

During 2014, the composition of the Group changed due to the acquisition of glasses.com in January 2014.

Please refer to Note 4 "Business Combinations," and Note 11 "Goodwill and Intangible Assets" for a description of the primary changes to the composition of the Group.

**SIGNIFICANT ACCOUNTING POLICIES**

*Cash and cash equivalents*

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Investments qualify as cash equivalents only when they have a maturity of three months or less from the date of the acquisition.



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**1. CONSOLIDATION PRINCIPLES, COMPOSITION OF THE GROUP AND SIGNIFICANT ACCOUNTING POLICIES  
(Continued)**

*Accounts receivable and other receivables*

Accounts receivable and other receivables are carried at amortized cost. Losses on receivables are measured as the difference between the receivables' carrying amount and the present value of estimated future cash flows discounted at the receivables' original effective interest rate computed at the time of initial recognition. The carrying amount of the receivables is reduced through an allowance for doubtful accounts. The amount of the losses on written-off accounts is recorded in the consolidated statement of income within selling expenses.

Subsequent collections of previously written-off receivables are recorded in the consolidated statement of income as a reduction of selling expenses.

*Inventories*

Inventories are stated at the lower of the cost determined by using the average annual cost method by product line, which approximates the weighted average cost, and the net realizable value. Provisions for write-downs for raw materials and finished goods which are considered obsolete or slow moving are computed taking into account their expected future utilization and their realizable value. The realizable value represents the estimated sales price, net of estimated sales and distribution costs.

*Property, plant and equipment*

Property, plant and equipment are measured at historical cost. Historical cost includes expenditures that are directly attributable to the acquisition of the items. After initial recognition, property, plant and equipment is carried at cost less accumulated depreciation and any accumulated impairment loss. The depreciable amount of the items of property, plant and equipment, measured as the difference between their cost and their residual value, is allocated on a straight-line basis over their estimated useful lives as follows:

|                         |  |
|-------------------------|--|
| Buildings               | From 10 to 40 years  |
| Machinery and equipment | From 3 to 20 years   |
| Aircraft                | From 20 to 25 years  |
| Other equipment         | From 2 to 10 years   |
| Leasehold Improvements  | The lower of useful life and the residual duration of the lease contract |

Depreciation ceases when property, plant and equipment is classified as held for sale, in compliance with IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is

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derecognized. Repair and maintenance costs are charged to the consolidated statement of income during the financial period in which they are incurred.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying item of property, plant and equipment are capitalized as part of the cost of that asset.

The net carrying amount of the qualifying items of property, plant and equipment as well as their useful lives are assessed, if necessary, at each balance sheet date. The Group would record a writedown of the net carrying amount if it is lower than the recoverable amount.

Upon disposal or when no future economic benefits are expected from the use of an item of property, plant and equipment, its carrying amount is derecognized. The gain or loss arising from derecognition is included in profit and loss.

***Finance and operating leases***

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of income on a straight-line basis over the lease term.

Leases where lessees bear substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each finance lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in "long-term debt" in the consolidated statement of financial position. The interest element of the finance cost is charged to the consolidated statement of income over the lease period. The assets acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

***Intangible assets***

(a) *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested at least annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(b) *Trademarks and other intangible assets*

Separately acquired trademarks and licenses are shown at historical cost. Trademarks, licenses and other intangible assets, including distribution networks and franchisee agreements, acquired in a business combination are recognized at fair value at the acquisition date. Trademarks and licenses have a finite useful life and are carried at cost less accumulated amortization and accumulated impairment

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losses. Amortization is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives.

Contractual customer relationships acquired in a business combination are recognized at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized over the expected life of the customer relationship.

All intangible assets are subject to impairment tests, as required by IAS 36 *Impairment of Assets*, if there are indications that the assets may be impaired.

Trademarks are amortized on a straight-line basis over periods ranging between 15 and 25 years. Distributor network, customer relation contracts and lists are amortized on a straight-line basis or on an accelerated basis (projecting diminishing cash flows) over periods ranging between 3 and 25 years. Other intangible assets are amortized on a straight-line basis over periods ranging between 3 and 7 years.

***Impairment of assets***

Intangible assets with an indefinite useful life, for example goodwill, are not subject to amortization and are tested at least annually for impairment.

All other assets within the scope of IAS 36 are tested for impairment whenever there are indicators that those assets may be impaired. If such indicators exist, the assets' net carrying amount is compared to their estimated recoverable amount. An impairment loss is recognized if the carrying amount is lower than the recoverable amount.

Tangible assets and intangible assets with a definite useful life are subject to amortization and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, tangible and intangible assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Intangible assets with a definite useful life are reviewed at each reporting date to assess whether there is an indication that an impairment loss recognized in prior periods may no longer exist or has decreased. If such an indication exists, the loss is reversed and the carrying amount of the asset is increased to its recoverable amount, which may not exceed the carrying amount that would have been determined if no impairment loss had been recorded. The reversal of an impairment loss is recorded in the consolidated statement of income.

***Financial assets***

The financial assets of the Group fall into the following categories:

- (a) *Financial assets at fair value through profit and loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term.

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Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current or non-current assets based on their maturity and are initially recognized at fair value.

Transaction costs are immediately recognized in the consolidated statement of income.

After initial recognition, financial assets at fair value through profit and loss are measured at their fair value each reporting period. Gains and losses deriving from changes in fair value are recorded in the consolidated statement of income in the period in which they occur. Dividend income from financial assets at fair value through profit or loss is recognized in the consolidated statement of income as part of other income when the Group's right to receive payments is established.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months or which are not expected to be repaid within 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables are comprised of trade and other receivables. Loans and receivables are initially measured at their fair value plus transaction costs. After initial recognition, loans and receivables are measured at amortized cost, using the effective interest method.

(c) *Financial assets available for sale*

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. Financial assets available for sale are initially measured at their fair value plus transaction costs. After initial recognition, financial assets available for sale are carried at fair value. Any changes in fair value are recognized in other comprehensive income. Dividend income from financial assets held for sale is recognized in the consolidated statement of income as part of other income when the Group's right to receive payments is established.

A regular way purchase or sale of financial assets is recognized using the settlement date.

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

The fair value of listed financial instruments is based on the quoted price on an active market. If the market for a financial asset is not active (or if it refers to non-listed securities), the Group defines the fair value by utilizing valuation techniques. These techniques include using recent arms-length market transactions between knowledgeable willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flows analysis, and pricing models based on observable market inputs, which are consistent with the instruments under valuation.

The valuation techniques are primarily based on observable market data as opposed to internal sources of information.

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At each reporting date, the Group assesses whether there is objective evidence that a financial asset is impaired. In the case of investments classified as financial assets held for sale, a prolonged or significant decline in the fair value of the investment below its cost is also considered an indicator that the asset is impaired. If any such evidence exists for an available-for-sale financial asset, the cumulative loss, measured as the difference between the cost of acquisition and the current fair value, net any impairment loss previously recognized in the consolidated statement of income, is removed from equity and recognized in the consolidated statement of income.

Any impairment loss recognized on an investment classified as an available-for-sale financial asset is not reversed.

***Derivative financial instruments***

Derivative financial instruments are accounted for in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*.

At the date the derivative contract is entered into, derivative instruments are accounted for at their fair value and, if they are not designated as hedging instruments, any changes in fair value after initial recognition are recognized as components of net income for the year. If, on the other hand, derivative instruments meet the requirements for being classified as hedging instruments, any subsequent changes in fair value are recognized according to the following criteria, as illustrated below.

The Group designates certain derivatives as instruments for hedging specific risks associated with highly probable transactions (cash flow hedges).

For each derivative financial instrument designated as a hedging instrument, the Group documents the relationship between the hedging instrument and the hedged item, as well as the risk management objectives, the hedging strategy and the methodology to measure the hedging effectiveness. The hedging effectiveness of the instruments is assessed both at the hedge inception date and on an ongoing basis. A hedging instrument is considered highly effective when both at the inception date and during the life of the instrument, any changes in fair value of the derivative instrument offset the changes in fair value or cash flows attributable to the hedged items.

If the derivative instruments are eligible for hedge accounting, the following accounting criteria are applicable:

*Fair value hedge* when a derivative financial instrument is designated as a hedge of the exposure to changes in fair value of a recognized asset or liability ("hedged item"), both the changes in fair value of the derivative instrument as well as changes in the hedged item are recorded in the consolidated statement of income. The gain or loss related to the ineffective portion of the derivative instrument is recognized as financial income/expense.

*Cash flow hedge* when a derivative financial instrument is designated as a hedge of the exposure to variability in future cash flows of recognized assets or liabilities or highly probable forecasted transactions ("cash flow hedge"), the effective portion of any gain or loss on the derivative financial instrument is recognized directly in other comprehensive income ("OCI"). The cumulative gain or loss is removed from OCI and recognized in the consolidated statement of

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(Continued)**

income at the same time as the economic effect arising from the hedged item affects income. The gain or loss related to the ineffective portion of the derivative instrument is recognized in the consolidated statement of income. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated statement of income. When a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in OCI at that time remains in equity, and is recognized when the economic effect arising from the hedged item affects income. The Group utilizes derivative financial instruments, primarily Interest Rate Swap and Currency Swap contracts, as part of its risk management policy in order to reduce its exposure to interest rate and exchange rate fluctuations. Despite the fact that certain currency swap contracts are used as an economic hedge of the exchange rate risk, these instruments do not fully meet the criteria for hedge accounting pursuant to IAS 39 and are marked to market at the end of each reporting period, with changes in fair value recognized in the consolidated statement of income.

***Accounts payable and other payables***

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less from the reporting date. If not, they are presented as non-current liabilities.

Accounts payable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

***Long-term debt***

Long-term debt is initially recorded at fair value, less directly attributable transaction costs, and subsequently measured at its amortized cost by applying the effective interest method. If there is a change in expected cash flows, the carrying amount of the long term debt is recalculated by computing the present value of estimated future cash flows at the financial instrument's original effective interest rate. Long-term debt is classified under non-current liabilities when the Group retains the unconditional right to defer the payment for at least 12 months after the balance sheet date and under current liabilities when payment is due within 12 months from the balance sheet date.

Long-term debt is removed from the statement of financial position when it is extinguished, i.e. when the obligation specified in the contract is discharged, canceled or expires.

***Current and deferred taxes***

The tax expense for the period comprises current and deferred tax.

Tax expenses are recognized in the consolidated statement of income, except to the extent that they relate to items recognized in OCI or directly in equity. In this case, tax is also recognized in OCI or directly in equity, respectively. The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with

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(Continued)**

respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. Interest and penalties associated with these positions are included in "provision for income taxes" within the consolidated statement of income.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted as of the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred tax liabilities where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

***Employee benefits***

The Group has both defined benefit and defined contribution plans.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive upon retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognized in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognized past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

Actuarial gains and losses due to changes in actuarial assumptions or to changes in the plan's conditions are recognized as incurred in the consolidated statement of comprehensive income.

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(Continued)**

Prior periods service costs are immediately recognized in the consolidated statements of income.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefits expenses when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

***Provisions for risks***

Provisions for risks are recognized when:

the Group has a present obligation, legal or constructive, as a result of a past event;

it is probable that the outflow of resources will be required; and

the amount of the obligation can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Risks that are possible are disclosed in the notes. Risks that are remote are not disclosed or provided for.

***Share-based payments***

The Company operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options). The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted.

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Company revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated statement of income, with a corresponding adjustment to equity.

***Recognition of revenues***

Revenue is recognized in accordance with IAS 18 *Revenue*. Revenue includes sales of goods (both wholesale and retail), insurance and administrative fees associated with the Group's managed vision care business, eye exams and related professional services, and sales of goods to franchisees along with other revenues from franchisees such as royalties based on sales and initial franchise fee revenues.

Wholesale division revenues are recognized from sales of products at the time title and the risks and rewards of ownership of the goods are assumed by the customer. The Group records an accrual for the



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(Continued)**

estimated amounts to be returned against revenue. This estimate is based on the Group's right of return policies and practices along with historical data and sales trends. There are no other post-shipment obligations other than the product warranty, if required by the law. Revenues received for the shipping and handling of goods are included in sales and the costs associated with shipments to customers are included in operating expenses.

Retail division revenues are recognized upon receipt of the goods by the customer at the retail location. In some countries, the Group allows retail customers to return goods for a period of time and, as such, the Group records an accrual for the estimated amounts to be returned against revenue. This accrual is based on the historical return rate as a percentage of net sales and the timing of the returns from the original transaction date, and is periodically reassessed. There are no other post-shipment obligations other than the product warranty, if required by the law. Additionally, the retail division enters into discount programs and similar relationships with third parties that have terms of twelve or more months. Revenues under these arrangements are recognized upon receipt of the products or services by the customer at the retail location. Advance payments and deposits from customers are not recorded as revenues until the product is delivered. The retail division also includes managed vision care revenues consisting of both fixed fee and fee for service managed vision care plans. For fixed fee plans, the plan sponsor pays the Group a monthly premium for each enrolled subscriber. Premium revenue is recognized as earned during the benefit coverage period. Premiums are generally billed in the month of benefit coverage. Any unearned premium revenue is deferred and recorded within other current liabilities on the consolidated statement of financial position. For fee for service plans, the plan sponsor pays the Company a fee to process its claims. Revenue is recognized as the services are rendered. For these programs, the plan sponsor is responsible for funding the cost of claims. Accruals are established for amounts due under these relationships estimated to be uncollectible.

Franchise revenues based on sales by unconsolidated franchisees (such as royalties) are accrued and recognized as earned. Initial franchise fees are recorded as revenue when all material services or conditions relating to the sale of the franchise have been substantially performed or satisfied by the Group and when the related store begins operations. Allowances are established for amounts due under these relationships when they are determined to be uncollectible.

The Group licenses to third parties the rights to certain intellectual property and other proprietary information and recognizes royalty revenues when earned.

Free frames given to customers as part of a promotional offer are recorded in cost of sales at the time they are delivered to the customer. Trade discounts and coupons tendered by customers are recorded as a reduction of revenue at the date of sale.

*Use of accounting estimates*

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions which influence the value of assets and liabilities as well as revenues and costs reported in the consolidated statement of financial position and in the consolidated statement of income, respectively or the disclosures included in the notes to the consolidated financial statements in relation to potential assets and liabilities existing as of the date the consolidated financial statements were authorized for issue.

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**Notes to the  
CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
As of DECEMBER 31, 2014**

**1. CONSOLIDATION PRINCIPLES, COMPOSITION OF THE GROUP AND SIGNIFICANT ACCOUNTING POLICIES  
(Continued)**

Estimates are based on historical experience and other factors. The resulting accounting estimates could differ from the related actual results. Estimates are periodically reviewed and the effects of each change are reflected in the consolidated statement of income in the period in which the change occurs.

The most significant accounting principles which require a higher degree of judgment from management are illustrated below.

(a) *Valuation of receivables.* Receivables from customers are adjusted by the related allowance for doubtful accounts in order to take into account their recoverable amount. The determination of the amount of write-downs requires judgment from management based on available documentation and information, as well as the solvency of the customer, and based on past experience and historical trends;

(b) *Valuation of inventories.* Inventories which are obsolete and slow moving are periodically evaluated and written down in the case that their recoverable amount is lower than their carrying amount. Write-downs are calculated on the basis of management assumptions and estimates which are derived from experience and historical results;

(c) *Valuation of deferred tax assets.* The valuation of deferred tax assets is based on forecasted results which depend upon factors that could vary over time and could have significant effects on the valuation of deferred tax assets;

(d) *Income taxes.* The Group is subject to different tax jurisdictions. The determination of tax liabilities for the Group requires the use of assumptions with respect to transactions whose fiscal consequences are not yet certain at the end of the reporting period. The Group recognizes liabilities which could result from future inspections by the fiscal authorities on the basis of an estimate of the amounts expected to be paid to the taxation authorities. If the result of the abovementioned inspections differs from that estimated by Group management, there could be significant effects on both current and deferred taxes;

(e) *Valuation of goodwill.* Goodwill is subject to an annual impairment test. This calculation requires management's judgment based on information available within the Group and the market, as well as on past experience;

(f) *Valuation of intangible assets with a definite useful life (trademarks and other intangibles).* The useful lives of these intangible assets are assessed for appropriateness on an annual basis; and

(g) *Benefit plans.* The Group participates in benefit plans in various countries. The present value of pension liabilities is determined using actuarial techniques and certain assumptions. These assumptions include the discount rate, the expected return on plan assets, the rates of future compensation increases and rates relative to mortality and resignations. Any change in the abovementioned assumptions could result in significant effects on the employee benefit liabilities.

***Earnings per share***

The Company determines earnings per share and earnings per diluted share in accordance with IAS 33 *Earnings per Share*. Basic earnings per share are calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity by the weighted average number of shares outstanding during the period. For the purpose of calculating the diluted earnings per share, the

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**1. CONSOLIDATION PRINCIPLES, COMPOSITION OF THE GROUP AND SIGNIFICANT ACCOUNTING POLICIES  
(Continued)**

Company adjusts the profit and loss attributable to ordinary equity holders, and the weighted average number of shares outstanding, for the effect of all dilutive potential ordinary shares.

***Treasury Shares***

Treasury shares are recorded as a reduction of stockholders' equity. The original cost of treasury shares, as well as gains or losses on the purchase, sale or cancellation of treasury shares, are recorded in the consolidated statement of changes in equity.

**2. NEW ACCOUNTING PRINCIPLES**

New and amended accounting standards and interpretations, if not early adopted, must be adopted in the financial statements issued after the applicable effective date.

***New standards and amendments that are effective for reporting periods beginning on or after January 1, 2014.***

***IFRIC 21 Levies.*** The interpretation published by the IASB on May 20, 2013 is applicable to periods starting from January 1, 2014. IFRIC 21 is an interpretation of *IAS 37 Provision, Contingent Liabilities and Contingent Assets*, which requires that a provision is booked if, subject to certain other conditions met, an entity has a present obligation as a consequence of a past event ("obligating event"). The interpretation clarifies that the obligating event that requires an obligation to pay taxes to be recorded is the activity that determines the tax payments, as set forth by the law. The adoption of the interpretation did not have a significant impact on the consolidated financial statements of the Group.

***Amendments to IAS 32 Financial instruments: "Presentation on offsetting financial assets and financial liabilities."*** The amendments clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The standard was published in December 2011. The adoption of the standard did not have a significant impact on the consolidated financial statements of the Group.

***Amendments to IAS 36 Impairment of assets.*** The amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposals. The amendments are effective for annual periods beginning on or after January 1, 2014. The adoption of the amendments did not have a significant impact on the consolidated financial statements of the Group.

***New standards and amendments that are effective for reporting periods beginning after January 1, 2015 and not early adopted.***

***Amendments to IAS 19 Defined Benefit Plans: Employee Contributions.*** The amendment reduces current services costs for the period by contributions paid by employees or by third parties during the period that are not related to the number of years of service, instead of allocating these contributions over the period when the services are rendered. The new provision is applicable to periods beginning on or after February 1, 2015. The Group is assessing the impact of the amendments on its consolidated financial statements.

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**Notes to the  
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As of DECEMBER 31, 2014**

**2. NEW ACCOUNTING PRINCIPLES (Continued)**

**Annual Improvements to IFRSs 2010-2012 Cycle.** The amendments adopted impact: (i) IFRS 2, clarifying the definition of "vesting condition" and introducing the definitions of conditions of service and results; (ii) IFRS 3, clarifying that obligations that correspond to contingent considerations, other than those covered by the definition of equity instrument, are measured at fair value at each balance sheet date, with changes recognized in the income statement; (iii) IFRS 8, requiring information to be disclosed regarding the judgments made by management in the aggregation of operating segments that describes how the segments have been aggregated and the economic indicators that have been evaluated in order to determine that the aggregated segments have similar economic characteristics; (iv) IAS 16 and IAS 38, clarifying the procedures for determining the gross carrying amount of assets when a revaluation is determined as a result of the revaluation model; and (v) IAS 24, establishing the disclosures to be provided when there is a related party entity that provides key management personnel services to the reporting entity. The new provisions are applicable to periods beginning on or after July 1, 2014. The Group is assessing the impact of the amendments on its consolidated financial statements.

**Annual Improvements to IFRSs 2011-2013 Cycle.** The amendments adopted impact: (i) IFRS 3, clarifying that IFRS 3 is not applicable to detect the accounting effects related to the formation of a joint venture or joint arrangement (as defined by IFRS 11) in the financial statements of the joint venture or joint arrangement; (ii) IFRS 13, clarifying that the provisions contained in IFRS 13 whereby it is possible to measure fair value of a group of financial assets and liabilities on a net basis apply to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9; and (iii) IAS 40, clarifying that, to determine when buying an investment property constitutes a business combination, reference must be made to the provisions of IFRS 3. The new provisions are applicable to periods beginning on or after January 1, 2015. The Group is assessing the impact of the amendments on its consolidated financial statements.

**IFRS 9 Financial instruments.** This standard was issued in July 2014. The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 *Financial instruments: recognition and measurement*. IFRS 9 introduces new requirements for classifying and measuring financial assets. The new standard reduces to three the number of categories of financial assets pursuant to IAS 39 and requires that all financial assets be: (i) classified on the basis of the model which a company has adopted in order to manage its financial activities and on the basis of the cash flows from financing activities; (ii) initially measured at fair value plus any transaction costs in the case of financial assets not measured at fair value through profit and loss; and (iii) subsequently measured at their fair value or at the amortized cost. IFRS 9 also provides that embedded derivatives which fall within the scope of IFRS 9 must no longer be separated from the primary contract which contains them and states that a company may decide to directly record within the consolidated statement of comprehensive income any changes in the fair value of investments which fall within the scope of IFRS 9. The new model introduced by IFRS 9 eliminates the threshold for the recognition of expected credit losses, so that it is no longer necessary for a trigger event to have occurred before credit losses are recognized, and requires an entity to recognize expected credit losses at all times and to update the amount of expected credit losses at each reporting date to reflect changes in the credit risk of the financial instrument. IFRS 9 contains a three-stage approach to account for credit losses. Each stage dictates how an entity measures impairment losses. IFRS 9 aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and

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**Notes to the  
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As of DECEMBER 31, 2014**

**2. NEW ACCOUNTING PRINCIPLES (Continued)**

non-financial risk exposures. The new standard enables an entity to use information produced internally as a basis for hedge accounting. The standard is not applicable until January 1, 2018, but is available for early adoption. The Group has not early adopted and is assessing the full impact of adopting IFRS 9.

**IFRS 15 Revenue from contracts with customers.** This standard was issued on May 28, 2014. The new standard will be effective for the first interim period within the annual reporting periods beginning on or after January 1, 2017. This standard replaces IAS 18 *Revenues*, IAS 11 *Construction Contracts*, IFRIC 13 *Customers Loyalty Programs*, IFRIC 15 *Agreements for Constructions of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC 31 *Revenue Barter Transactions Involving Advertising Services*. Revenue is recognized when the customer obtains control over goods or services and, therefore, when it has the ability to direct the use of and obtain the benefit from them. If an entity agrees to provide goods or services for consideration that varies upon certain future events occurring or not occurring, an estimate of this variable consideration is included in the transaction price only if highly probable. The consideration in multiple element transactions is allocated based on the price an entity would charge a customer on a stand-alone basis for each good or service. Entities sometimes incur costs, such as sales commissions, to obtain or fulfill a contract. Contract costs that meet certain criteria are capitalized as an asset and amortized as revenue is recognized. The standard also specifies that an entity should adjust the transaction price for the time value of money in case the contract includes a significant financing component. The Group is currently evaluating the impact that the application of the new standard will have on its consolidated financial statements.

**Amendments to IAS 16 and 38 Clarification of Acceptable Methods of Depreciation and Amortization.** The amendments clarify the use of the "revenue based methods" to calculate the depreciation of a building. The amendments are applicable starting January 1, 2016. The Group is currently evaluating the impact of the amendments on its consolidated financial statements.

**Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations.** The amendments advise on how to account for acquisitions of interests in joint operations. The amendments are applicable starting January 1, 2016. The Group is currently evaluating the impact of the amendments on its consolidated financial statements.

**Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.** These amendments clarify the accounting treatment in relation to profits or losses arising from transactions with joint ventures or associates accounted for using the equity method. The amendments are applicable to periods beginning on or after January 1, 2016. The Group is evaluating the impact of the amendments on its consolidated financial statements.

**Annual Improvements to IFRSs 2012-2014 Cycle.** The provisions modify IFRS 5, IFRS 7, IAS 19 and IAS 34. The amendments are applicable to periods beginning on or after January 1, 2016. The Group is evaluating the impact of these amendments on its consolidated financial statements.

**Amendments to IAS 1 Disclosure Initiative.** The amendments concern the materiality, the aggregation of items, the structure of the notes, the information about the accounting policies and the presentation of other comprehensive income arising from the measurement of equity method investments. The amendments are applicable to periods beginning on or after January 1, 2016. The Group is evaluating the impact of these amendments on its consolidated financial statements.

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**Notes to the  
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**2. NEW ACCOUNTING PRINCIPLES (Continued)**

*Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception.* The amendments provide clarification of the application of the exception to consolidation of investment entities. The amendments are applicable to periods beginning on or after January 1, 2016. The Group is evaluating the impact of these amendments on its consolidated financial statements.

**3. FINANCIAL RISKS**

The assets of the Group are exposed to different types of financial risk: market risk (which includes exchange rate risks, interest rate risk relative to fair value variability and cash flow uncertainty), credit risk and liquidity risk. The risk management strategy of the Group aims to stabilize the results of the Group by minimizing the potential effects due to volatility in financial markets. The Group uses derivative financial instruments, principally interest rate and currency swap agreements, as part of its risk management strategy.

Financial risk management is centralized within the Treasury department which identifies, evaluates and implements financial risk hedging activities, in compliance with the Financial Risk Management Policy guidelines approved by the Board of Directors, and in accordance with the Group operational units. The Policy defines the guidelines for any kind of risk, such as the exchange rate risk, the interest rate risk, credit risk and the utilization of derivative and non-derivative instruments. The Policy also specifies the management activities, the permitted instruments, the limits and proxies for responsibilities.

*(a) Exchange rate risk*

The Group operates at the international level and is therefore exposed to exchange rate risk related to the various currencies with which the Group operates. The Group only manages transaction risk. The transaction exchange rate risk derives from commercial and financial transactions in currencies other than the functional currency of the Group, i.e., the Euro.

The primary exchange rate to which the Group is exposed is the Euro/USD exchange rate.

The exchange rate risk management policy defined by the Group's management states that transaction exchange rate risk must be hedged for a percentage between 50% and 100% by trading forward currency contracts or permitted option structures with third parties.

This exchange rate risk management policy is applied to all subsidiaries, including companies which have been recently acquired.

If the Euro/USD exchange rate increases by 10% as compared to the actual 2014 and 2013 average exchange rates and all other variables remain constant, the impact on income before taxes would have been a decrease of Euro 69.9 million and Euro 72.8 million in 2014 and 2013, respectively. If the Euro/USD exchange rate decreases by 10% as compared to the actual 2014 and 2013 average exchange rates and all other variables remain constant, the impact on income before taxes would have been an increase of Euro 85.4 million and Euro 89.0 million in 2014 and 2013, respectively. Even if exchange rate derivative contracts are stipulated to hedge future commercial transactions as well as assets and liabilities previously recorded in the financial statements in foreign currency, these contracts, for accounting purposes, may not be accounted for as hedging instruments.

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**Notes to the  
CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
As of DECEMBER 31, 2014**

**3. FINANCIAL RISKS (Continued)**

*(b) Price risk*

The Group is generally exposed to price risk associated with investments in bond securities which are classified as assets at fair value through profit and loss. As of December 31, 2014 and 2013, the Group investment portfolio was fully divested. As a result, there was no exposure to price risk on such dates.

*(c) Credit risk*

Credit risk exists in relation to accounts receivable, cash, financial instruments and deposits in banks and other financial institutions.

c1) The credit risk related to commercial counterparties is locally managed and monitored by a group credit control department for all entities included in the Wholesale distribution segment. Credit risk which originates within the retail segment is locally managed by the companies included in the retail segment.

Losses on receivables are recorded in the financial statements if there are indicators that a specific risk exists or as soon as risks of potential insolvency arise, by determining an adequate accrual for doubtful accounts.

The allowance for doubtful accounts used for the Wholesale segment and in accordance with the credit policy of the Group is determined by assigning a rating to customers according to the following categories:

"GOOD" (active customers), for which no accrual for doubtful accounts is recorded for accounts receivable overdue for less than 90 days. Beyond 90 days overdue a specific accrual is made in accordance with the customer's credit worthiness (customers "GOOD UNDER CONTROL"); and

"RISK" (no longer active customers), for which the outstanding accounts receivable are fully provided. The following are examples of events that may fall into the definition of RISK:

- a. Significant financial difficulties of the customers;
- b. A material contract violation, such as a general breach or default in paying interest or principal;
- c. The customer declares bankruptcy or is subject to other insolvency proceedings; and
- d. All cases in which there is documented proof certifying the non-recoverability of the receivables (i.e., the inability to trace the debtor, seizures).

Furthermore, the assessment of the losses incurred in previous years is taken into consideration in order to determine the balance of the bad debt provision.

The Group does not have significant concentrations of credit risk. In any case, there are proper procedures in place to ensure that the sales of products and services are made to reliable customers on the basis of their financial position as well as past experience. Credit limits are defined according to internal and external evaluations that are based on thresholds approved by the Board of Directors. The utilization of credit limits is regularly monitored through automated controls.

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**Notes to the  
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**3. FINANCIAL RISKS (Continued)**

Moreover, the Group has entered into an agreement with an insurance company in order to cover the credit risk associated with customers of Luxottica Trading and Finance Ltd. in those countries where the Group does not have a direct presence.

c2) With regards to credit risk related to the management of financial resources and cash availabilities, the risk is managed and monitored by the Group Treasury Department through financial guidelines to ensure that all the Group subsidiaries maintain relations with primary bank counterparties. Credit limits with respect to the primary financial counterparties are based on evaluations and analyses that are implemented by the Group Treasury Department.

Within the Group there are various shared guidelines governing the relations with the bank counterparties, and all the companies of the Group comply with the "Financial Risk Policy" directives.

Usually, the bank counterparties are selected by the Group Treasury Department and cash availabilities can be deposited, over a certain limit, only with counterparties with elevated credit ratings, as defined in the Financial Risk Policy.

Operations with derivatives are limited to counterparties with solid and proven experience in the trading and execution of derivatives and with elevated credit ratings, as defined in the policy, in addition to being subordinate to the undersigning of an ISDA (International Swaps and Derivatives Association) Master Agreement. In particular, counterparty risk of derivatives is mitigated through the diversification of the counterparty banks with which the Group deals. In this way, the exposure with respect to each bank is never greater than 25% of the total notional amount of the derivatives portfolio of the Group.

During the course of the year, there were no situations in which credit limits were exceeded. Based on the information available to the Group, there were no potential losses deriving from the inability of the abovementioned counterparties to meet their contractual obligations.

*(d) Liquidity risk*

The management of the liquidity risk which originates from the normal operations of the Group involves the maintenance of an adequate level of cash availabilities as well as financial availabilities through an adequate amount of committed credit lines.

With regards to the policies and actions that are used to mitigate liquidity risks, the Group takes adequate actions in order to meet its obligations. In particular, the Group:

utilizes debt instruments or other credit lines in order to meet liquidity requirements;

utilizes different sources of financing and, as of December 31, 2014, had unused lines of credit of approximately Euro 1,098.1 million (of which Euro 500.0 million are committed lines);

is not subject to significant concentrations of liquidity risk, both from the perspective of financial assets as well as in terms of financing sources;

utilizes different sources of bank financing but also a liquidity reserve in order to promptly meet any cash requirements;

implements systems to concentrate and manage the cash liquidity (Cash Pooling) in order to more efficiently manage the Group financial flows, thereby avoiding the dispersal of liquid funds and minimizing financial charges; and





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**Notes to the  
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As of DECEMBER 31, 2014**

**3. FINANCIAL RISKS (Continued)**

monitors, through the Treasury Department, forecasts on the utilization of liquidity reserves of the Group based on expected cash flows.

The following tables include a summary, by maturity date, of assets and liabilities at December 31, 2014 and December 31, 2013. The reported balances are contractual and undiscounted figures. With regards to forward foreign currency contracts, the tables relating to assets report the flows relative to only receivables. These amounts will be counterbalanced by the payables, as reported in the tables relating to liabilities.

| (Amounts in thousands of Euro) | Less than<br>1 year | From 1<br>to<br>3 years | From 3<br>to<br>5 years | Beyond<br>5 years |
|--------------------------------|---------------------|-------------------------|-------------------------|-------------------|
| <b>As of December 31, 2014</b> |                     |                         |                         |                   |
| Cash and cash equivalents      | 1,453,587           |                         |                         |                   |
| Derivatives receivable         | 1,008               |                         |                         |                   |
| Accounts receivable            | 754,306             |                         |                         |                   |
| Other current assets           | 89,882              |                         |                         |                   |

| (Amounts in thousands of Euro) | Less<br>than<br>1 year | From 1<br>to<br>3 years | From 3<br>to<br>5 years | Beyond<br>5 years |
|--------------------------------|------------------------|-------------------------|-------------------------|-------------------|
| <b>As of December 31, 2013</b> |                        |                         |                         |                   |
| Cash and cash equivalents      | 617,995                |                         |                         |                   |
| Derivatives receivable         | 6,039                  |                         |                         |                   |
| Accounts receivable            | 680,296                |                         |                         |                   |
| Other current assets           | 84,546                 |                         |                         |                   |

| (Amounts in thousands of Euro)                      | Less<br>than<br>1 year | From 1 to<br>3 years | From 3<br>to<br>5 years | Beyond<br>5 years |
|---|------------------------|----------------------|-------------------------|-------------------|
| <b>As of December 31, 2014</b>                      |                        |                      |                         |                   |
| Debt owed to banks and other financial institutions | 626,788                | 115,027              | 683,884                 | 889,504           |
| Derivatives payable                                 | 4,376                  |                      |                         |                   |
| Accounts payable                                    | 744,272                |                      |                         |                   |
| Other current liabilities                           | 572,962                |                      |                         |                   |

| (Amounts in thousands of Euro)                      | Less<br>than<br>1 year | From 1 to<br>3 years | From 3<br>to<br>5 years | Beyond<br>5 years |
|---|------------------------|----------------------|-------------------------|-------------------|
| <b>As of December 31, 2013</b>                      |                        |                      |                         |                   |
| Debt owed to banks and other financial institutions | 334,964                | 613,565              | 191,511                 | 894,470           |
| Derivatives payable                                 | 1,471                  |                      |                         |                   |
| Accounts payable                                    | 681,151                |                      |                         |                   |
| Other current liabilities                           | 473,411                |                      |                         |                   |

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**Notes to the  
CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
As of DECEMBER 31, 2014**

**3. FINANCIAL RISKS (Continued)***(e) Interest rate risk*

The interest rate risk to which the Group is exposed primarily originates from long-term debt. Such debt accrues interest at both fixed and floating rates.

With regard to the risk arising from fixed-rate debt, the Group does not apply specific hedging policies since it does not deem the risk to be material.

Floating-rate debt exposes the Group to a risk from the volatility of the interest rates (cash flow risk). In relation to this risk, and for the purposes of the related hedging, the Group utilizes derivative contracts, specifically Interest Rate Swap (IRS) agreements, which exchange the floating rate for a fixed rate, thereby reducing the risk from interest rate volatility.

The risk policy of the Group requires the maintenance of a percentage of fixed-rate debt that is greater than 25% and less than 75% of total debt. This percentage is managed by entering into fixed rate debt agreements or by utilizing IRS agreements, when required.

On the basis of various scenarios, the Group calculates the impact of rate changes on the consolidated statement of income. For each scenario, the same interest rate change is utilized for all currencies. The various scenarios only include those liabilities at floating rates that are not hedged with fixed interest rate swaps. On the basis of these scenarios, the impact as of December 31, 2014 and net of tax effect of an increase/decrease of 100 basis points on net income, in a situation with all other variables unchanged, would have been a maximum decrease of Euro 2.0 million (Euro 3.0 million as of December 31, 2013) or a maximum increase of Euro 2.0 million (Euro 3.0 million as of December 31, 2013).

All IRS agreements expired as of May 29, 2013.

| <b>As of December 31, 2014</b>         | <b>Plus 100 basis points</b> |                | <b>Minus 100 basis points</b> |                |
|--|------------------------------|----------------|-------------------------------|----------------|
| <b>(Amounts in millions of Euro)</b>   | <b>Net</b>                   |                | <b>Net</b>                    |                |
|  | <b>income</b>                | <b>Reserve</b> | <b>income</b>                 | <b>Reserve</b> |
| Liabilities                            | (2.0)                        |                | 2.0                           |                |
| Hedging derivatives (cash flow hedges) |                              |                |                               |                |

| <b>As of December 31, 2013</b>         | <b>Plus 100 basis points</b> |                | <b>Minus 100 basis points</b> |                |
|--|------------------------------|----------------|-------------------------------|----------------|
| <b>(Amounts in millions of Euro)</b>   | <b>Net</b>                   |                | <b>Net</b>                    |                |
|  | <b>income</b>                | <b>Reserve</b> | <b>income</b>                 | <b>Reserve</b> |
| Liabilities                            | (3.0)                        |                | 3.0                           |                |
| Hedging derivatives (cash flow hedges) |                              |                |                               |                |

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**Notes to the  
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As of DECEMBER 31, 2014**

**3. FINANCIAL RISKS (Continued)**

For the purposes of fully disclosing information about financial risks, a reconciliation between classes of financial assets and liabilities and the types of financial assets and liabilities identified on the basis of IFRS 7 requirements is reported below (in thousands of Euro):

|                                   | <b>Financial<br/>assets<br/>at fair<br/>value<br/>through<br/>profit<br/>and loss</b> | <b>Loans and<br/>receivables</b> | <b>Investments<br/>held<br/>until<br/>maturity</b> | <b>Financial<br/>assets<br/>at<br/>fair<br/>value<br/>held<br/>available<br/>for<br/>sale</b> | <b>Financial<br/>liabilities<br/>at<br/>fair<br/>value<br/>through<br/>profit<br/>and loss<br/>Hedging<br/>derivatives</b> | <b>Total</b> | <b>Note(*)</b> |
|-----------------------------------|---|----------------------------------|--|---|--|--------------|----------------|
| <b>December 31, 2014</b>          |   |                                  |  |   |  |              |                |
| Cash and cash equivalents         |   |                                  | 1,453,587  |   |  | 1,453,587    | 6              |
| Accounts receivable               |   | 754,306                          |  |   |  | 754,306      | 7              |
| Other current assets              | 1,008   | 89,882                           |  |   |  | 90,890       | 9              |
| Other non-current assets          |   | 83,739                           |  |   |  | 83,739       | 13             |
| Short-term borrowings             |   | 151,303                          |  |   |  | 151,303      | 15             |
| Current portion of long-term debt |   | 626,788                          |  |   |  | 626,788      | 16             |
| Accounts payable                  |   | 744,272                          |  |   |  | 744,272      | 17             |
| Other current liabilities         |   | 572,962                          |  |   | 4,376  | 577,338      | 20             |
| Long-term debt                    |   | 1,688,415                        |  |   |  | 1,688,415    | 21             |
| Other non-current liabilities     |   | 83,770                           |  |   |  | 83,770       | 24             |

|                           | <b>Financial<br/>assets<br/>at fair<br/>value<br/>through<br/>profit<br/>and loss</b> | <b>Loans and<br/>receivables</b> | <b>Investments<br/>held<br/>until<br/>maturity</b> | <b>Financial<br/>assets<br/>at<br/>fair<br/>value<br/>held<br/>available<br/>for<br/>sale</b> | <b>Financial<br/>liabilities<br/>at<br/>fair<br/>value<br/>through<br/>profit<br/>and loss<br/>Hedging<br/>derivatives</b> | <b>Total</b> | <b>Note(*)</b> |
|---------------------------|---|----------------------------------|--|---|--|--------------|----------------|
| <b>December 31, 2013</b>  |   |                                  |  |   |  |              |                |
| Cash and cash equivalents |   | 617,995                          |  |   |  | 617,995      | 6              |

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|                                   |           |        |           |    |
|-----------------------------------|-----------|--------|-----------|----|
| Accounts receivable               | 680,296   |        | 680,296   | 7  |
| Other current assets              | 6,039     | 84,546 | 90,586    | 9  |
| Other non-current assets          | 57,390    |        | 57,390    | 13 |
| Short-term borrowings             | 44,921    |        | 44,921    | 15 |
| Current portion of long-term debt | 318,100   |        | 318,100   | 16 |
| Accounts payable                  | 681,151   |        | 681,151   | 17 |
| Other current liabilities         | 473,411   | 1,471  | 474,882   | 20 |
| Long-term debt                    | 1,716,410 |        | 1,716,410 | 21 |
| Other non-current liabilities     | 71,688    |        | 71,688    | 24 |

\*

The numbers reported above refer to the paragraphs within these notes to the consolidated financial statements in which the financial assets and liabilities are further explained.

(f) *Default risk: negative pledges and financial covenants*

The financing agreements of the Group (see Note 21) require compliance with negative pledges and financial covenants, as set forth in the respective agreements, with the exception of the Group's bond issues dated November 10, 2010, March 19, 2012 and February 10, 2014, which require compliance only with negative pledges.

With regards to negative pledges, in general, the clauses prohibit the Company and its subsidiaries from granting any liens or security interests on any of their assets in favor of third parties without the consent of the lenders over a threshold equal to 20% of the Group consolidated stockholders' equity. In addition, the sale of assets of the Company and its subsidiaries is limited to a maximum threshold of 10% of consolidated assets.

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**3. FINANCIAL RISKS (Continued)**

Default with respect to the abovementioned clauses and following a grace period during which the default can be remedied would be considered a material breach of the contractual obligations pursuant to the financing agreements of the Group.

Financial covenants require the Group to comply with specific levels of financial ratios. The most significant covenants establish a threshold for the ratio of net debt of the Group to EBITDA (Earnings before interest, taxes, depreciation and amortization) as well as EBITDA to financial charges and priority debt to share equity. The covenants are reported in the following table:

|   |      |
|---|------|
| Net Financial Position/Pro forma EBITDA | <3.5 |
| EBITDA/financial charges                | >5   |
| Priority Debt/Share Equity              | <20% |

In the case of a failure to comply with the abovementioned ratios, the Group may be called upon to pay the outstanding debt if it does not correct such default within the period indicated in the loan agreement.

Compliance with these covenants is monitored by the Group at the end of each quarter and, as of December 31, 2014, the Group was fully in compliance with these covenants. The Group also analyzes the trend of these covenants in order to monitor its compliance and, as of today, the analysis indicates that the ratios of the Group are below the thresholds which would result in default.

*(g) Fair value*

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

IFRS 13 refer to valuation hierarchy techniques that are based on three levels:

Level 1: Inputs are quoted prices in an active market for identical assets or liabilities;

Level 2: Inputs used in the valuations, other than the prices listed in Level 1, are observable for each financial asset or liability, both directly (prices) and indirectly (derived from prices); and

Level 3: Unobservable inputs used when observable inputs are not available in situations where there is little, if any, market activity for the asset or liability.

In order to select the appropriate valuation techniques to utilize, the Group complies with the following hierarchy:

- a) Utilization of quoted prices in an active market for identical assets or liabilities (Comparable Approach);
- b) Utilization of valuation techniques that are primarily based on observable market prices; and
- c) Utilization of valuation techniques that are primarily based on non-observable market prices.

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The Group determined the fair value of the derivatives existing on December 31, 2014 through valuation techniques which are commonly used for instruments similar to those traded by the Group. The models applied to value the instruments are based on a calculation obtained from the Bloomberg

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As of DECEMBER 31, 2014**

**3. FINANCIAL RISKS (Continued)**

information service. The input data used in these models are based on observable market prices (the Euro and USD interest rate curves as well as official exchange rates on the date of valuation) obtained from Bloomberg.

The following table summarizes the financial assets and liabilities of the Group valued at fair value (in thousands of Euro):

| Description                | Classification<br>within<br>the<br>Consolidated<br>Statement of<br>Financial<br>Position | December 31,<br>2014 | Fair Value<br>Measurements at<br>Reporting Date<br>Using: |         |         |
|----------------------------|--|----------------------|---|---------|---------|
|                            |  |                      | Level 1   | Level 2 | Level 3 |
| Foreign Exchange Contracts | Other current assets   | 1,008                |   | 1,008   |         |
| Foreign Exchange Contracts | Other current liabilities  | 4,376                |   | 4,376   |         |

| Description                | Classification<br>within<br>the<br>Consolidated<br>Statement of<br>Financial<br>Position | December 31,<br>2013 | Fair Value<br>Measurements at<br>Reporting Date<br>Using: |         |         |
|----------------------------|--|----------------------|---|---------|---------|
|                            |  |                      | Level 1   | Level 2 | Level 3 |
| Foreign Exchange Contracts | Other current assets   | 6,039                |   | 6,039   |         |
| Foreign Exchange Contracts | Other current liabilities  | 1,471                |   | 1,471   |         |

As of December 31, 2014 and 2013, the Group did not have any Level 3 fair value measurements.

The Group maintains policies and procedures with the aim of valuing the fair value of assets and liabilities using valuation techniques based on observable market data.

The Group portfolio of foreign exchange derivatives includes only forward foreign exchange contracts on the most traded currency pairs with maturity less than one year. The fair value of the portfolio is valued using internal models that use observable market inputs including Yield Curves and Spot and Forward prices.

**4. BUSINESS COMBINATIONS**

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On January 31, 2014, the Company completed the acquisition of glasses.com. The consideration for the acquisition was USD 40 million (approximately Euro 30.1 million). The difference between the consideration paid and the net assets acquired was provisionally recorded as goodwill of Euro 12.6 million and intangible assets of Euro 10.0 million. Net sales of glasses.com from the acquisition date were Euro 7.3 million.

On an unaudited pro forma basis, had the acquisition occurred at the beginning of the year, net sales contributed by glasses.com would have been Euro 8.2 million.

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**Notes to the  
CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
As of DECEMBER 31, 2014**

**4. BUSINESS COMBINATIONS (Continued)**

The goodwill is tax deductible and primarily reflects the synergies that the Group estimates it will derive from the acquisition. Acquisition-related costs were approximately Euro 0.3 million and were expensed as incurred.

At December 31, 2014, the valuation was concluded. The following table summarizes the consideration paid and the fair value of the assets acquired and liabilities assumed at the acquisition date for glasses.com (in thousands of Euro):

|   |               |
|---|---------------|
| Consideration   | 30,058        |
| <b>Total consideration</b>  | <b>30,058</b> |
| <b>Recognized amount of identifiable assets and liabilities assumed</b> |               |
| Inventory   | 3,158         |
| Other current receivables   | 295           |
| Fixed assets  | 5,334         |
| Intangible assets   | 9,962         |
| Other current liabilities   | (1,304)       |
| <b>Total net identifiable assets</b>                                    | <b>17,444</b> |
| Goodwill  | 12,614        |
| <b>Total</b>  | <b>30,058</b> |

During 2014, the Group completed other minor acquisitions in the retail segment in Spain, Macao and Australia for total consideration of Euro 11.0 million. The difference between the consideration paid and the net assets acquired was recorded as goodwill, determined based on the future expected economic benefits.

On January 23, 2013, the Company completed the acquisition of Alain Mikli, a French luxury and contemporary eyewear company. The consideration for the acquisition was Euro 85.2 million. The purchase price paid in 2013, including the assumption of approximately Euro 15.0 million of Alain Mikli's debt, totaled Euro 91.0 million, excluding advance payments made in 2012 and receivables from Alain Mikli. Net sales generated by Alain Mikli International in 2012 were approximately Euro 55.5 million. The acquisition furthers the Group's strategy of continually strengthening of its brand portfolio.

The valuation process to calculate the fair value of the acquired Alain Mikli net assets was concluded as of December 31, 2013.

The difference between the consideration paid and the net assets acquired was recorded as goodwill and intangible assets of Euro 58.7 million and Euro 33.5 million, respectively. The goodwill is not tax-deductible and primarily reflects the synergies that the Group estimates it will derive from the acquisition.

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As of DECEMBER 31, 2014**

**4. BUSINESS COMBINATIONS (Continued)**

The following table summarizes the consideration paid, the fair value of assets acquired and liabilities assumed at the acquisition date (in thousands of Euro):

|                                    |               |
|------------------------------------|---------------|
| Consideration                      | 85,179        |
| Cash and cash equivalents acquired | (3,771)       |
| Debt acquired                      | 18,304        |
| <b>Total consideration</b>         | <b>99,712</b> |

|   |               |
|---|---------------|
| <b>Recognized amount of net identifiable assets</b> |               |
| Accounts receivable net                             | 9,975         |
| Inventory   | 11,397        |
| Other current receivables                           | 4,156         |
| Fixed assets  | 3,470         |
| Trademarks and other intangible assets              | 33,800        |
| Investments   | 113           |
| Other long-term receivables                         | 6,642         |
| Accounts payable                                    | (10,708)      |
| Other current liabilities                           | (5,590)       |
| Income tax payable                                  | (231)         |
| Deferred tax liabilities                            | (9,014)       |
| Other long-term liabilities                         | (2,996)       |
| <b>Total net identifiable assets</b>                | <b>41,012</b> |

|              |               |
|--------------|---------------|
| Goodwill     | 58,700        |
| <b>Total</b> | <b>99,712</b> |

Transaction-related costs of approximately Euro 1.2 million were expensed as incurred.

On April 25, 2013, Sunglass Hut Mexico ("SGH Mexico"), a subsidiary of the Company, acquired the sun business of Grupo Devlyn S.A.P.I. de C.V. ("Devlyn"). As a result of the acquisition, the shareholders of Devlyn received a minority stake in SGH Mexico of 20% and a put option to sell the shares to the Company, while the Company was granted a call option on the minority stake. The exercise price of the options was estimated based on the expected EBITDA, net sales and net financial position at the end of the lock-up period identified in the contract. The acquisition of the Company's interest in Devlyn was accounted for as a business combination in accordance with IFRS 3. In particular, the Group recorded provisional goodwill of approximately Euro 6.0 million and a liability for the present value of the put option of approximately Euro 9.5 million. The valuation of the net assets acquired will be completed within the twelve-month period subsequent to the acquisition. The transaction furthers the Group's strategy of increasing its presence in Latin America.



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**5. SEGMENT INFORMATION**

In accordance with IFRS 8 *Operating segments*, the Group operates in two industry segments: (1) Manufacturing and Wholesale Distribution ("Wholesale") and (2) Retail Distribution ("Retail").

The criteria applied to identify the reporting segments are consistent with the way the Group is managed. In particular, the disclosures are consistent with the information periodically analyzed by the Group's Chief Executive Officers, in their roles as Chief Operating Decision Makers, to make decisions about resources to be allocated to the segments and assess their performance.

Total assets for each reporting segment are no longer disclosed as they are not regularly reported to the highest authority in the Group's decision-making process.

| <b>(Amounts in thousands of Euro)</b>    | <b>Manufacturing<br/>and<br/>Wholesale<br/>Distribution</b> | <b>Retail<br/>Distribution</b> | <b>Inter-segment<br/>transactions<br/>and corporate<br/>adjustments(c)</b> | <b>Consolidated</b> |
|--|---|--------------------------------|--|---------------------|
| <b>2014</b>                              |   |                                |  |                     |
| Net sales <sup>(a)</sup>                 | 3,193,757   | 4,458,560                      |  | 7,652,317           |
| Income from operations <sup>(b)</sup>    | 724,539   | 636,282                        | (203,208)  | 1,157,613           |
| Interest income                          |   |                                |  | 11,672              |
| Interest expense                         |   |                                |  | (109,659)           |
| Other-net                                |   |                                |  | 455                 |
| Income before provision for income taxes |   |                                |  | 1,060,080           |
| Provision for income taxes               |   |                                |  | (414,066)           |
| Net income                               |   |                                |  | 646,014             |
| <i>Of which attributable to:</i>         |   |                                |  |                     |
| Luxottica stockholders                   |   |                                |  | 642,596             |
| Non-controlling interests                |   |                                |  | 3,417               |
| Capital expenditures                     | 175,573   | 243,360                        |  | 418,933             |
| Depreciation and amortization            | 123,268   | 181,625                        | 79,103   | 383,996             |
| <b>2013</b>                              |   |                                |  |                     |
| Net sales <sup>(a)</sup>                 | 2,991,297   | 4,321,314                      |  | 7,312,611           |
| Income from operations <sup>(b)</sup>    | 649,108   | 585,516                        | (178,951)  | 1,055,673           |
| Interest income                          |   |                                |  | 10,072              |
| Interest expense                         |   |                                |  | (102,132)           |
| Other-net                                |   |                                |  | (7,247)             |
| Income before provision for income taxes |   |                                |  | 956,366             |
| Provision for income taxes               |   |                                |  | (407,505)           |
| Net income                               |   |                                |  | 548,861             |
| <i>Of which attributable to:</i>         |   |                                |  |                     |
| Luxottica stockholders                   |   |                                |  | 544,696             |
| Non-controlling interests                |   |                                |  | 4,165               |
| Capital expenditures                     | 157,165   | 212,547                        |  | 369,711             |
| Depreciation and amortization            | 108,993   | 172,804                        | 84,834   | 366,631             |

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**Notes to the  
CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
As of DECEMBER 31, 2014**

**5. SEGMENT INFORMATION (Continued)**

| (Amounts in thousands of Euro)           | Manufacturing<br>and<br>Wholesale<br>Distribution | Retail<br>Distribution | Inter-segment<br>transactions<br>and corporate<br>adjustments(c) | Consolidated           |
|--|---|------------------------|--|------------------------|
| <b>2012</b>                              |   |                        |  |                        |
| Net sales <sup>(a)</sup>                 | 2,773,073   | 4,313,069              |  | 7,086,142              |
| Income from operations <sup>(b)</sup>    | 604,494   | 552,691                | (187,046)  | 970,139                |
| Interest income                          |   |                        |  | 18,910                 |
| Interest expense                         |   |                        |  | (138,140)              |
| Other-net                                |   |                        |  | (6,463)                |
| Income before provision for income taxes |   |                        |  | 844,447                |
| Provision for income taxes               |   |                        |  | (305,891)              |
| Net income                               |   |                        |  | 538,556                |
| <i>Of which attributable to:</i>         |   |                        |  |                        |
| Luxottica stockholders                   |   |                        |  | 534,375                |
| Non-controlling interests                |   |                        |  | 4,181                  |
| Capital expenditures                     | 148,001   | 224,890                |  | 372,891 <sup>(d)</sup> |
| Depreciation and amortization            | 100,956   | 170,988                | 86,337   | 358,281                |

(a) Net sales of both the Manufacturing and Wholesale Distribution segment and the Retail Distribution segment include sales to third-party customers only.

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

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

(d) Capital expenditures in 2012 include capital leases of the retail division of Euro 7.9 million. Capital expenditures excluding such capital leases were Euro 365.0 million.

*Information by geographic area*

The geographic segments include Europe, North America (which includes the United States of America, Canada and Caribbean islands), Asia-Pacific (which includes Australia, New Zealand, China, Hong Kong, Singapore and Japan), Latam (which includes South and Central America) and Other (which includes all other geographic locations, including the Middle East). Sales are attributed to

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As of DECEMBER 31, 2014**

**5. SEGMENT INFORMATION (Continued)**

geographic segments based on the customer's location, whereas long-lived assets, net are the result of the combination of legal entities located in the same geographic area.

| <b>Years ended<br/>December 31<br/>(Amounts in thousands<br/>of Euro)</b> | <b>Europe(1)</b> | <b>North<br/>America(2)</b> | <b>Asia-<br/>Pacific(3)</b> | <b>Latam</b> | <b>Other</b> | <b>Consolidated</b> |
|---|------------------|-----------------------------|-----------------------------|--------------|--------------|---------------------|
| <b>2014</b>   |                  |                             |                             |              |              |                     |
| Net sales   | 1,507,101        | 4,286,770                   | 1,049,907                   | 506,010      | 302,529      | 7,652,317           |
| Long-lived assets (at year end)   | 362,472          | 635,076                     | 267,057                     | 50,277       | 2,735        | 1,317,617           |
| <b>2013</b>   |                  |                             |                             |              |              |                     |
| Net sales   | 1,442,789        | 4,123,783                   | 1,004,546                   | 470,239      | 271,253      | 7,312,611           |
| Long-lived assets (at year end)   | 335,979          | 578,462                     | 223,806                     | 42,796       | 2,193        | 1,183,236           |
| <b>2012</b>   |                  |                             |                             |              |              |                     |
| Net sales   | 1,317,299        | 4,122,889                   | 985,031                     | 433,641      | 227,282      | 7,086,142           |
| Long-lived assets (at year end)   | 333,183          | 605,140                     | 208,828                     | 42,222       | 3,021        | 1,192,394           |

- (1) Long-lived assets located in Italy represented 25%, 26% and 26% of the Group's total fixed assets as of December 31, 2014, 2013 and 2012, respectively. Net sales recorded in Italy were Euro 0.2 billion in 2014 and Euro 0.3 billion in each of 2013 and 2012.
- (2) Long-lived assets, located in the United States represented 45%, 45% and 47% of the Group's total fixed assets as of December 31, 2014, 2013 and 2012, respectively. Net sales recorded in the United States were Euro 3.9 billion, Euro 3.8 billion and Euro 3.8 billion in 2014, 2013 and 2012, respectively.
- (3) Long-lived assets located in China represented 14%, 12% and 10% of the Group's total fixed assets as of December 31, 2014, 2013 and 2012, respectively.

**INFORMATION ON THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****CURRENT ASSETS****6. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents are comprised of the following items (amounts in thousands of Euro):

|                                   | <b>As of December 31</b> |             |
|-----------------------------------|--------------------------|-------------|
|                                   | <b>2014</b>              | <b>2013</b> |
| Cash at bank                      | 1,441,145                | 607,499     |
| Checks                            | 9,611                    | 7,821       |
| Cash and cash equivalents on hand | 2,831                    | 2,676       |



|              |                  |                |
|--------------|------------------|----------------|
| <b>Total</b> | <b>1,453,587</b> | <b>617,995</b> |
|--------------|------------------|----------------|

The increase is mainly due to the issuance of Euro 500 million of bonds in the first half of 2014. See Note 21 and the consolidated statements of cash flows for further details.

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**7. ACCOUNTS RECEIVABLE**

Accounts receivable consist exclusively of trade receivables and are recognized net of allowances to adjust their carrying amount to the estimated realizable value. Accounts receivable are due within 12 months (amounts in thousands of Euro):

|                                  | <b>As of December 31,</b> |                |
|----------------------------------|---------------------------|----------------|
|                                  | <b>2014</b>               | <b>2013</b>    |
| Accounts receivable              | 793,210                   | 715,527        |
| Allowance for doubtful accounts  | (38,904)                  | (35,231)       |
| <b>Total accounts receivable</b> | <b>754,306</b>            | <b>680,296</b> |

The following table shows the allowance for doubtful accounts roll-forward (amounts in thousands of Euro):

|                                  | <b>2014</b>   | <b>2013</b>   | <b>2012</b>   |
|----------------------------------|---------------|---------------|---------------|
| Balance as of January 1          | 35,231        | 35,098        | 35,959        |
| Increases                        | 3,891         | 5,534         | 3,941         |
| Decreases                        | (5,313)       | (4,313)       | (4,212)       |
| Translation difference and other | 5,095         | (1,088)       | (590)         |
| <b>Balance as of December 31</b> | <b>38,904</b> | <b>35,231</b> | <b>35,098</b> |

The book value of the accounts receivable approximates their fair value.

As of December 31, 2014, the gross amount of accounts receivable was equal to Euro 793.2 million (Euro 715.5 million as of December 31, 2013), including an amount of Euro 46.0 million covered by insurance and other guarantees (5.8% of gross receivables). The bad debt fund as of December 31, 2014 amounted to Euro 38.9 million (Euro 35.2 million as of December 31, 2013).

Write-downs of accounts receivable are determined in accordance with the Group credit policy described in Note 3 "Financial Risks."

Accruals and reversals of the allowance for doubtful accounts are recorded within selling expenses in the consolidated statement of income.

The maximum exposure to credit risk, as of the end of the reporting date, was represented by the fair value of accounts receivable which approximates their carrying amount.

The Group believes that its exposure to credit risk does not call for other guarantees or credit enhancements.

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**7. ACCOUNTS RECEIVABLE (Continued)**

The table below summarizes the quantitative information required by IFRS 7 based on the categories of receivables pursuant to Group policies:

| <b>December 31, 2014</b><br><b>(Amounts in thousands of Euro)</b>     | <b>Gross</b>       | <b>Allowance</b> | <b>Maximum</b>  | <b>Amount</b>     | <b>Overdue</b>     | <b>Overdue</b>     |
|---|--------------------|------------------|-----------------|-------------------|--------------------|--------------------|
|   | <b>receivables</b> | <b>for</b>       | <b>exposure</b> | <b>of</b>         | <b>accounts</b>    | <b>accounts</b>    |
|   |                    | <b>doubtful</b>  | <b>to</b>       | <b>accounts</b>   | <b>receivable</b>  | <b>receivable</b>  |
|   |                    | <b>accounts</b>  | <b>credit</b>   | <b>receivable</b> | <b>not</b>         | <b>not</b>         |
|   |                    |                  | <b>risk</b>     | <b>but</b>        | <b>included</b>    | <b>included</b>    |
|   |                    |                  |                 | <b>not</b>        | <b>in the</b>      | <b>in the</b>      |
|   |                    |                  |                 | <b>included</b>   | <b>allowance</b>   | <b>allowance</b>   |
|   |                    |                  |                 | <b>in the</b>     | <b>for</b>         | <b>for</b>         |
|   |                    |                  |                 | <b>allowance</b>  | <b>doubtful</b>    | <b>doubtful</b>    |
|   |                    |                  |                 | <b>for</b>        | <b>accounts</b>    | <b>accounts</b>    |
|   |                    |                  |                 | <b>doubtful</b>   | <b>0 - 30 days</b> | <b>0 - 30 days</b> |
|   |                    |                  |                 | <b>accounts</b>   | <b>overdue</b>     | <b>overdue</b>     |
|   |                    |                  |                 | <b>&gt;</b>       |                    |                    |
|   |                    |                  |                 | <b>30 days</b>    |                    |                    |
|   |                    |                  |                 | <b>accounts</b>   |                    |                    |
|   |                    |                  |                 | <b>&gt;</b>       |                    |                    |
|   |                    |                  |                 | <b>30 days</b>    |                    |                    |
|   |                    |                  |                 | <b>overdue</b>    |                    |                    |
|   |                    |                  |                 | <b>overdue</b>    |                    |                    |
| Receivables of the Wholesale segment classified as GOOD               | 587,109            | (5,516)          | 581,593         | 43,537            | 29,519             | 14,018             |
| Receivables of the Wholesale segment classified as GOOD UNDER CONTROL | 11,902             | (1,590)          | 10,312          | 1,820             | 319                | 1,501              |
| Receivables of the Wholesale segment classified as RISK               | 28,797             | (26,016)         | 2,781           | 1,650             | 117                | 1,533              |
| Receivables of the Retail segment                                     | 165,402            | (5,782)          | 159,620         | 16,082            | 11,586             | 4,497              |
| <b>Total</b>  | <b>793,210</b>     | <b>(38,904)</b>  | <b>754,306</b>  | <b>63,089</b>     | <b>41,541</b>      | <b>21,549</b>      |

| <b>December 31, 2013</b><br><b>(Amounts in thousands of Euro)</b> | <b>Gross</b>       | <b>Allowance</b> | <b>Maximum</b>  | <b>Amount</b>     | <b>Overdue</b>     | <b>Overdue</b>      |
|---|--------------------|------------------|-----------------|-------------------|--------------------|---------------------|
|   | <b>receivables</b> | <b>for</b>       | <b>exposure</b> | <b>of</b>         | <b>accounts</b>    | <b>accounts</b>     |
|   |                    | <b>doubtful</b>  | <b>to</b>       | <b>accounts</b>   | <b>receivable</b>  | <b>receivable</b>   |
|   |                    | <b>accounts</b>  | <b>credit</b>   | <b>receivable</b> | <b>not</b>         | <b>not</b>          |
|   |                    |                  | <b>risk</b>     | <b>but</b>        | <b>included</b>    | <b>included</b>     |
|   |                    |                  |                 | <b>not</b>        | <b>in the</b>      | <b>in the</b>       |
|   |                    |                  |                 | <b>included</b>   | <b>allowance</b>   | <b>allowance</b>    |
|   |                    |                  |                 | <b>in the</b>     | <b>for</b>         | <b>for</b>          |
|   |                    |                  |                 | <b>allowance</b>  | <b>doubtful</b>    | <b>doubtful</b>     |
|   |                    |                  |                 | <b>for</b>        | <b>accounts</b>    | <b>accounts</b>     |
|   |                    |                  |                 | <b>doubtful</b>   | <b>0 - 30 days</b> | <b>&gt; 30 days</b> |
|   |                    |                  |                 | <b>accounts</b>   |                    |                     |
|   |                    |                  |                 | <b>&gt;</b>       |                    |                     |
|   |                    |                  |                 | <b>30 days</b>    |                    |                     |
|   |                    |                  |                 | <b>overdue</b>    |                    |                     |
|   |                    |                  |                 | <b>overdue</b>    |                    |                     |

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|   |                |                 |                | <b>doubtful<br/>accounts</b> | <b>overdue</b> | <b>overdue</b> |
|---|----------------|-----------------|----------------|------------------------------|----------------|----------------|
| Receivables of the Wholesale segment classified as GOOD               | 543,789        | (6,134)         | 537,655        | 41,298                       | 31,060         | 10,237         |
| Receivables of the Wholesale segment classified as GOOD UNDER CONTROL | 15,176         | (2,224)         | 12,951         | 21,046                       | 5,752          | 15,294         |
| Receivables of the Wholesale segment classified as RISK               | 28,530         | (23,200)        | 5,330          | 4,599                        | 255            | 4,343          |
| Receivables of the Retail segment                                     | 128,033        | (3,673)         | 124,360        | 14,173                       | 5,590          | 8,586          |
| <b>Total</b>  | <b>715,527</b> | <b>(35,231)</b> | <b>680,296</b> | <b>81,116</b>                | <b>42,657</b>  | <b>38,460</b>  |

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**Notes to the  
CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
As of DECEMBER 31, 2014**

**7. ACCOUNTS RECEIVABLE (Continued)**

As of December 31, 2014, the amount of overdue receivables which were not included in the bad debt fund was equal to 8.0% of gross receivables (11.3% as of December 31, 2013) and 8.4% of receivables net of the bad debt fund (11.9% as of December 31, 2013). The Group does not expect any additional losses over amounts already provided for.

**8. INVENTORIES**

Inventories are comprised of the following items (amounts in thousands of Euro):

|                                       | <b>As of December 31</b> |                |
|---------------------------------------|--------------------------|----------------|
|                                       | <b>2014</b>              | <b>2013</b>    |
| Raw materials                         | 186,593                  | 163,809        |
| Work in process                       | 47,674                   | 36,462         |
| Finished goods                        | 627,300                  | 617,942        |
| Less: inventory obsolescence reserves | (133,163)                | (119,263)      |
| <b>Total</b>                          | <b>728,404</b>           | <b>698,950</b> |

The movements in the allowance for inventories reserve are as follows:

| <b>(Amounts in thousands of Euro)</b> | <b>Balance at<br/>beginning<br/>of period</b> | <b>Provision</b> | <b>Other(1)</b> | <b>Utilization</b> | <b>Balance<br/>at<br/>end of<br/>period</b> |
|---------------------------------------|---|------------------|-----------------|--------------------|---|
| 2012                                  | 95,954  | 67,894           | (4,285)         | (43,938)           | 115,625                                     |
| 2013                                  | 115,625                                       | 75,242           | (355)           | (71,249)           | 119,263                                     |
| 2014                                  | 119,263                                       | 80,142           | 3,042           | (69,284)           | 133,163                                     |

(1) Other includes translation differences for the period.

**9. OTHER ASSETS**

Other assets comprise the following items:

| <b>(Amounts in thousands of Euro)</b> | <b>As of December 31</b> |             |
|---------------------------------------|--------------------------|-------------|
|                                       | <b>2014</b>              | <b>2013</b> |

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|                               |                |                |
|-------------------------------|----------------|----------------|
| Sales taxes receivable        | 40,494         | 47,105         |
| Prepaid expenses              | 1,915          | 1,418          |
| Other assets                  | 48,479         | 42,063         |
| <b>Total financial assets</b> | <b>90,888</b>  | <b>90,586</b>  |
| Income tax receivable         | 50,356         | 46,554         |
| Advances to suppliers         | 14,343         | 19,546         |
| Prepaid expenses              | 44,771         | 51,469         |
| Other assets                  | 31,039         | 30,606         |
| <b>Total other assets</b>     | <b>140,509</b> | <b>148,175</b> |
| <br>                          |                |                |
| <b>Total other assets</b>     | <b>231,397</b> | <b>238,761</b> |

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**Notes to the  
CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
As of DECEMBER 31, 2014**

**9. OTHER ASSETS (Continued)**

Other financial assets include receivables from foreign currency derivatives amounting to Euro 1.0 million as of December 31, 2014 (Euro 6.0 million as of December 31, 2013), as well as other financial assets of the North America retail division totaling Euro 12.6 million as of December 31, 2014 (Euro 12.1 million as of December 31, 2013).

Other assets include the short-term portion of advance payments made to certain designers for future contracted minimum royalties totaling Euro 31.0 million as of December 31, 2014 (Euro 30.6 million as of December 31, 2013).

The net book value of financial assets is approximately equal to their fair value and this value also corresponds to the maximum exposure of the credit risk. The Group has no guarantees or other instruments to manage credit risk.

**NON-CURRENT ASSETS****10. PROPERTY, PLANT AND EQUIPMENT**

Changes in items of property, plant and equipment are reported below:

| (Amounts in thousands of Euro)               | Land and buildings, including leasehold improvements | Machinery and equipment | Aircraft      | Other equipment | Total            |
|--|--|-------------------------|---------------|-----------------|------------------|
| As of January 1, 2013                        |  |                         |               |                 |                  |
| Historical cost                              | 913,679  | 1,074,258               | 38,087        | 615,957         | 2,641,981        |
| Accumulated depreciation                     | (438,046)  | (668,561)               | (10,337)      | (332,644)       | (1,449,588)      |
| <b>Total as of January 1, 2013</b>           | <b>475,633</b>                                       | <b>405,697</b>          | <b>27,750</b> | <b>283,313</b>  | <b>1,192,394</b> |
| Increases                                    | 49,600   | 105,885                 | 58            | 118,570         | 274,114          |
| Decreases/write-downs                        | (4,235)  | (4,337)                 |               | (6,707)         | (15,279)         |
| Business combinations                        | 2,367  | 85                      |               | 857             | 3,309            |
| Translation difference and other             | (7,751)  | 12,423                  |               | (63,217)        | (58,545)         |
| Depreciation expense                         | (59,603)   | (93,856)                | (1,555)       | (57,742)        | (212,757)        |
| <b>Total balance as of December 31, 2013</b> | <b>456,011</b>                                       | <b>425,898</b>          | <b>26,252</b> | <b>275,075</b>  | <b>1,183,236</b> |
| Of which:                                    |  |                         |               |                 |                  |
| Historical cost                              | 910,968  | 1,107,816               | 38,145        | 612,555         | 2,669,485        |
| Accumulated depreciation                     | (454,957)  | (681,918)               | (11,894)      | (337,480)       | (1,486,249)      |
| <b>Total as of December 31, 2013</b>         | <b>456,011</b>                                       | <b>425,898</b>          | <b>26,252</b> | <b>275,075</b>  | <b>1,183,236</b> |
| Increases                                    | 59,160   | 101,646                 | 7,851         | 112,120         | 280,778          |
| Decreases/write-downs                        | (3,908)  | (4,508)                 | (2,893)       | (4,164)         | (15,473)         |
| Business combinations                        |  | 4,698                   |               | 1,026           | 5,724            |
| Translation difference and other             | 45,674   | 61,162                  | 3,807         | (22,745)        | 87,898           |

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|  |                |                |               |                |                  |
|--|----------------|----------------|---------------|----------------|------------------|
| Depreciation expense                             | (60,625)       | (101,540)      | (1,763)       | (60,619)       | (224,547)        |
| <b>Total balance as of December 31,<br/>2014</b> | <b>496,313</b> | <b>487,359</b> | <b>33,253</b> | <b>300,693</b> | <b>1,317,617</b> |
| Of which:  |                |                |               |                |                  |
| Historical cost                                  | 1,032,956      | 1,303,833      | 46,300        | 700,746        | 3,083,835        |
| Accumulated depreciation                         | (536,643)      | (816,474)      | (13,047)      | (400,053)      | (1,766,218)      |
| <b>Total balance as of December 31,<br/>2014</b> | <b>496,313</b> | <b>487,359</b> | <b>33,253</b> | <b>300,693</b> | <b>1,317,617</b> |

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**Notes to the  
CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
As of DECEMBER 31, 2014**

**10. PROPERTY, PLANT AND EQUIPMENT (Continued)**

The 2014 and 2013 increases in property, plant and equipment due to business combinations were mainly due to the acquisition of glasses.com and Alain Mikli, respectively. Please refer to Note 4 "Business Combinations" for further details on the glasses.com acquisition.

Of the total depreciation expense of Euro 224.5 million (Euro 212.8 million and Euro 213.0 million in 2013 and 2012, respectively), Euro 81.3 million (Euro 72.3 million and Euro 69.5 million in 2013 and 2012, respectively) is included in cost of sales, Euro 111.3 million (Euro 110.1 million and Euro 114.8 million in 2013 and 2012, respectively) is included in selling expenses, Euro 7.9 million (Euro 5.3 million and Euro 3.9 million in 2013 and 2012, respectively) is included in advertising expenses and Euro 24.0 million (Euro 25.0 million and Euro 24.8 million in 2013 and 2012, respectively) is included in general and administrative expenses.

Capital expenditures in 2014 and 2013 mainly relate to technology upgrades associated with manufacturing capacity, enhancements to IT infrastructure, opening of new stores and the remodeling of older stores.

Other equipment includes Euro 62.6 million for assets under construction as of December 31, 2014 (Euro 70.9 million as of December 31, 2013) mainly relating to investments in manufacturing facilities in Italy and China and to the opening and renovation of North America retail stores.

Leasehold improvements totaled Euro 169.2 million and Euro 149.5 million as of December 31, 2014 and December 31, 2013, respectively.

**11. GOODWILL AND INTANGIBLE ASSETS**

Changes in goodwill and intangible assets as of December 31, 2013 and 2014, were as follows:

| (Amounts in thousands<br>of Euro)      | Goodwill         | Trade<br>names<br>and<br>trademarks | Customer<br>relations,<br>and lists | Franchise<br>contracts and agreements | Other          | Total            |
|--|------------------|-------------------------------------|-------------------------------------|---------------------------------------|----------------|------------------|
| <b>As of January 1, 2013</b>           |                  |                                     |                                     |                                       |                |                  |
| Historical cost                        | 3,148,770        | 1,563,447                           | 247,730                             | 21,752                                | 547,254        | 5,528,953        |
| Accumulated amortization               |                  | (713,608)                           | (83,553)                            | (8,433)                               | (228,902)      | (1,034,496)      |
| <b>Total</b>                           | <b>3,148,770</b> | <b>849,839</b>                      | <b>164,177</b>                      | <b>13,319</b>                         | <b>318,352</b> | <b>4,494,457</b> |
| <b>Increases</b>                       |                  |                                     |                                     |                                       |                |                  |
|  |                  | 41                                  |                                     |                                       | 100,741        | 100,783          |
| <b>Decreases</b>                       |                  |                                     |                                     |                                       |                |                  |
|  |                  |                                     |                                     |                                       | (3,470)        | (3,470)          |
| Business combinations                  | 67,328           | 23,806                              |                                     |                                       | 4,107          | 95,241           |
| Translation difference and other       | (170,882)        | (44,110)                            | (11,064)                            | (536)                                 | (169)          | (226,761)        |
| Impairment and amortization expense    |                  | (68,683)                            | (14,640)                            | (1,081)                               | (69,494)       | (153,897)        |
| <b>Balance as of December 31, 2013</b> | <b>3,045,216</b> | <b>760,894</b>                      | <b>138,473</b>                      | <b>11,702</b>                         | <b>350,068</b> | <b>4,306,353</b> |



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**Notes to the  
CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
As of DECEMBER 31, 2014**

**11. GOODWILL AND INTANGIBLE ASSETS (Continued)**

| (Amounts in thousands of Euro)         | Goodwill         | Trade names and trademarks | Customer relations, and contracts and lists | Franchise agreements | Other          | Total            |
|--|------------------|----------------------------|---|----------------------|----------------|------------------|
| Historical cost                        | 3,045,216        | 1,490,809                  | 231,621                                     | 20,811               | 624,468        | 5,412,925        |
| Accumulated amortization               |                  | (729,915)                  | (93,148)                                    | (9,109)              | (274,400)      | (1,106,572)      |
| <b>Total as of December 31, 2013</b>   | <b>3,045,216</b> | <b>760,894</b>             | <b>138,473</b>                              | <b>11,702</b>        | <b>350,068</b> | <b>4,306,353</b> |
| Increases                              |                  | 215                        |   |                      | 138,332        | 138,547          |
| Decreases                              |                  |                            |   |                      | (862)          | (862)            |
| Business combinations/disposals        | 22,482           | 5,222                      |   |                      | 7,910          | 35,614           |
| Translation difference and other       | 283,565          | 72,315                     | 15,102                                      | 1,489                | 43,090         | 415,560          |
| Amortization expense                   |                  | (64,957)                   | (13,938)                                    | (1,080)              | (79,474)       | (159,449)        |
| <b>Balance as of December 31, 2014</b> | <b>3,351,263</b> | <b>773,688</b>             | <b>139,638</b>                              | <b>12,110</b>        | <b>459,064</b> | <b>4,735,764</b> |
| Historical cost                        | 3,351,263        | 1,628,250                  | 258,145                                     | 23,639               | 829,944        | 6,091,241        |
| Accumulated amortization               |                  | (854,562)                  | (118,507)                                   | (11,529)             | (370,880)      | (1,355,477)      |
| <b>Balance as of December 31, 2014</b> | <b>3,351,263</b> | <b>773,688</b>             | <b>139,638</b>                              | <b>12,110</b>        | <b>459,064</b> | <b>4,735,764</b> |

The 2014 and 2013 increases in goodwill and intangible assets due to business combinations were mainly due to the acquisition of glasses.com (Euro 22.6 million) and Alain Mikli (Euro 92.2 million). Please refer to Note 4 "Business Combinations" for further details.

Of the total amortization expense of intangible assets of Euro 159.4 million (Euro 153.9 million and Euro 145.3 million in 2013 and 2012, respectively), Euro 141.7 million (Euro 140.5 million and Euro 132.8 million in 2013 and 2012, respectively) is included in general and administrative expenses, Euro 13.0 million (Euro 8.5 million and Euro 6.3 million in 2013 and 2012, respectively) is included in selling expenses and Euro 4.7 million (Euro 4.9 million and Euro 6.2 million in 2013 and 2012, respectively) is included in cost of sales.

Other intangible assets includes internally generated assets of Euro 69.3 million (Euro 61.4 million as of December 31, 2013). The increase in intangible assets is mainly due to the implementation of a new IT infrastructure, which started in 2008.

**Impairment of goodwill**

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Pursuant to IAS 36 *Impairment of Assets*, the Group has identified the following four cash-generating units ("CGUs") *Wholesale, Retail North America, Retail Asia-Pacific* and *Retail Other*. The CGUs reflect the distribution model adopted by the Group. The CGUs are periodically assessed based on the organizational changes that are made in the Group. There were no changes to the CGUs for fiscal years 2014 and 2013.

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**11. GOODWILL AND INTANGIBLE ASSETS (Continued)**

The value of goodwill allocated to each CGU is reported in the following table (amounts in thousands of Euro):

|                      | <b>2014</b>      | <b>2013</b>      |
|----------------------|------------------|------------------|
| Wholesale            | 1,314,176        | 1,201,605        |
| Retail North America | 1,494,066        | 1,332,758        |
| Retail Asia-Pacific  | 351,163          | 324,988          |
| Retail Other         | 191,857          | 185,865          |
| <b>Total</b>         | <b>3,351,263</b> | <b>3,045,216</b> |

The increase in goodwill is mainly due to the strengthening of the main currencies in which the Group operates (Euro 283.6 million) and the acquisition of glasses.com for Euro 12.6 million.

The information required by paragraph 134 of IAS 36 is provided below only for the Wholesale and Retail North America CGUs, since the value of goodwill allocated to these two units is a significant component of the Group's total goodwill.

The recoverable amount of each CGU has been verified by comparing its net assets carrying amount to its value in use.

The main assumptions for determining the value in use are reported below and refer to Wholesale and Retail North America CGUs:

Growth rate: 2.3% for Wholesale and 2.0% for Retail North America

Discount rate: 7.52% for Wholesale and 6.58% for Retail North America

The above long-term average growth rate does not exceed the rate which is estimated for the products, industries and countries in which the Group operates.

The discount rate has been determined on the basis of market information on the cost of money and the specific risk of the industry (Weighted Average Cost of Capital, WACC). In particular, the Group used a methodology to determine the discount rate which was in line with that utilized in the previous year, considering the rates of return on long-term government bonds and the average capital structure of a group of comparable companies.

The recoverable amount of CGUs has been determined by utilizing post-tax cash flow forecasts based on the Group's 2015-2017 three-year plan, on the basis of the results attained in previous years as well as management expectations split by geographical area regarding future trends in the eyewear market for both the Wholesale and Retail distribution segments. At the end of the three-year projected cash flow period, a terminal value was estimated in order to reflect the value of the CGU in future years. The terminal values were calculated as a perpetuity at the same growth rate as described above and represent the present value, in the last year of the forecast, of all future perpetual cash flows. The impairment test performed as of the balance sheet date resulted in a recoverable value greater than the carrying amount (net operating assets) of the abovementioned cash-generating units. In percentage terms, the surplus of the recoverable amount of the CGU over the carrying amount was equal to 406% and 157% of the carrying amount of the Wholesale and Retail North America CGUs, respectively. A



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**11. GOODWILL AND INTANGIBLE ASSETS (Continued)**

reduction in the recoverable amount of the CGU to a value that equals its carrying amount would require either of the following: (i) an increase in the discount rate to approximately 26.9% for Wholesale and 13.7% for Retail North America; or (ii) the utilization of a negative growth rate for Wholesale and zero for Retail North America.

In addition, reasonable changes to the abovementioned assumptions used to determine the recoverable amount (i.e., growth rate changes of +/- 0.5 percent and discount rate changes of +/- 0.5 percent) would not significantly affect the impairment test results.

**12. INVESTMENTS**

Investments amounted to Euro 61.2 million (Euro 58.1 million as of December 31, 2013). The balance mainly related to the investment in Eyebiz Laboratories Pty Limited (a joint venture formed in 2010 between Luxottica and Essilor International that provides most of the Australian lab needs) for Euro 5.4 million (Euro 4.7 million as of December 31, 2013) and the acquisition of the 36.33% equity stake in Salmoiraghi & Viganò. On September 10, 2014, the Group's total shareholding in Salmoiraghi & Viganò increased to 36.8% following an adjustment to the initial equity investment. The following tables provide a roll-forward of the Group's investment from the acquisition date as well as the assets, liabilities and net sales of Salmoiraghi & Viganò (amounts in thousands of Euro):

|                                |        |
|--------------------------------|--------|
| As of January 1, 2014          | 42,567 |
| Addition                       |        |
| Share of profit from associate | 16     |
| As of December 31, 2014        | 42,583 |

**As of  
December 31,  
2014**

|                   |         |
|-------------------|---------|
| Total assets      | 181,415 |
| Total liabilities | 145,811 |
| Net sales         | 171,065 |
| Share of profit   | 16      |
| Percentage held   | 36.80%  |

The investment was analyzed under the applicable impairment test as of December 31, 2014 and it was determined that no loss is to be recorded in the consolidated financial statements as of December 31, 2014.

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**13. OTHER NON-CURRENT ASSETS**

| <b>(Amounts in thousands of Euro)</b> | <b>As of December 31</b> |                |
|---------------------------------------|--------------------------|----------------|
|                                       | <b>2014</b>              | <b>2013</b>    |
| Other financial assets                | 83,739                   | 57,390         |
| Other assets                          | 40,109                   | 69,193         |
| <b>Total other non-current assets</b> | <b>123,848</b>           | <b>126,583</b> |

Other financial assets primarily include security deposits totaling Euro 33.7 million (Euro 28.7 million as of December 31, 2013).

The carrying value of financial assets approximates their fair value and this value also corresponds to the Group's maximum exposure to credit risk. The Group does not have guarantees or other instruments for managing credit risk.

Other assets primarily include advance payments made to certain licensees for future contractual minimum royalties totaling Euro 40.1 million (Euro 69.2 million as of December 31, 2013).

**14. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES**

The balance of deferred tax assets and liabilities as of December 31, 2014 and December 31, 2013 is as follows:

| <b>(Amounts in thousands of Euro)</b> | <b>As of December 31,</b> | <b>As of December 31,</b> |
|---------------------------------------|---------------------------|---------------------------|
|                                       | <b>2014</b>               | <b>2013</b>               |
| Deferred tax assets                   | 188,199                   | 172,623                   |
| Deferred tax liabilities              | 266,896                   | 268,078                   |
| <b>Deferred tax liabilities (net)</b> | <b>78,697</b>             | <b>95,455</b>             |

The analysis of deferred tax assets and deferred tax liabilities, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

| <b>Deferred tax assets<br/>(Amounts in thousands of Euro)</b> | <b>As of December 31</b> |             |
|---|--------------------------|-------------|
|   | <b>2014</b>              | <b>2013</b> |
| Deferred tax assets to be recovered within 12 months          | 199,085                  | 163,907     |
| Deferred tax assets to be recovered after 12 months           | 235,301                  | 190,813     |



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|   |               |               |
|---|---------------|---------------|
|   | 434,386       | 354,720       |
| Deferred tax liabilities to be recovered within 12 months | 17,253        | 10,610        |
| Deferred tax liabilities to be recovered after 12 months  | 495,830       | 439,565       |
|   | 513,083       | 450,175       |
| <b>Deferred tax liabilities (net)</b>                     | <b>78,697</b> | <b>95,455</b> |

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**Notes to the  
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As of DECEMBER 31, 2014**

**14. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES (Continued)**

The gross movement in the deferred income tax accounts is as follows:

| (Amounts in thousands of Euro)               | 2014          | 2013          |
|--|---------------|---------------|
| <b>As of January 1</b>                       | <b>95,455</b> | <b>58,144</b> |
| Exchange rate difference and other movements | 29,345        | 8,491         |
| Business combinations                        | 535           | 9,009         |
| Income statements                            | (10,901)      | (13,174)      |
| Tax charge/(credit) directly to equity       | (35,737)      | 32,985        |
| <b>At December 31</b>                        | <b>78,697</b> | <b>95,455</b> |

The movement of deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

| Deferred tax assets<br>(Amounts in thousands of Euro) | As of<br>January 1,<br>2013 | Exchange<br>rate<br>difference<br>and<br>other<br>movements | Business<br>combinations | Income<br>statements | Tax<br>charged/(credited)<br>to equity | As of<br>December 31,<br>2013 |
|---|-----------------------------|---|--------------------------|----------------------|--|-------------------------------|
| Inventories   | 103,056                     | (5,486)   | (16)                     | 4,345                |  | 101,899                       |
| Self-insurance reserves                               | 11,343                      | (431)   |                          | 907                  |  | 11,819                        |
| Net operating loss<br>carry-forwards                  | 6,459                       | 481   | 387                      | 8,368                |  | 15,695                        |
| Rights of return                                      | 16,082                      | 1,714   | 1                        | (1,404)              |  | 16,394                        |
| Deferred tax on derivatives                           | 38                          | 1   |                          | 83                   | (121)                                  | -                             |
| Employee-related reserves                             | 104,408                     | (10,608)  |                          | (5,875)              | (33,893)                               | 54,032                        |
| Occupancy reserves                                    | 18,366                      | (1,730)   | (169)                    | 1,240                |  | 17,707                        |
| Trade names   | 82,425                      | (8,700)   | 2,248                    | (5,033)              |  | 70,939                        |
| Fixed assets  | 14,229                      | (3,318)   | 179                      | (292)                |  | 10,798                        |
| Other   | 43,759                      | 3,421   | (87)                     | 8,344                |  | 55,437                        |
| <b>Total</b>  | <b>400,163</b>              | <b>(24,656)</b>   | <b>2,543</b>             | <b>10,682</b>        | <b>(34,014)</b>                        | <b>354,720</b>                |

| <b>Deferred tax liabilities<br/>(Amounts in<br/>thousands of Euro)</b> | <b>As of<br/>January 1,<br/>2013</b> | <b>Exchange<br/>rate<br/>difference<br/>and<br/>other<br/>movements</b> | <b>Business<br/>combination</b> | <b>Income<br/>statements</b> | <b>Tax<br/>charged/(credited)<br/>to equity</b> | <b>As of<br/>December 31,<br/>2013</b> |
|--|--------------------------------------|---|---------------------------------|------------------------------|---|--|
| Dividends  | 5,563                                |   |                                 | 1,819                        |   | 7,383                                  |
| Trade names  | 233,957                              | (17,321)  | 11,529                          | (20,284)                     |   | 207,881                                |
| Fixed assets   | 55,491                               | (9,181)   | 41                              | 5,548                        |   | 51,899                                 |
| Other intangibles  | 151,842                              | 2,214   |                                 | 4,781                        | (6)   | 158,830                                |
| Other  | 11,454                               | 8,125   | (18)                            | 5,645                        | (1,023)   | 24,181                                 |
| <b>Total</b>   | <b>458,307</b>                       | <b>(16,163)</b>   | <b>11,552</b>                   | <b>(2,491)</b>               | <b>(1,029)</b>                                  | <b>450,175</b>                         |

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**Notes to the  
CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
As of DECEMBER 31, 2014**

**14. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES (Continued)**

| <b>Deferred tax assets<br/>(Amounts in thousands<br/>of Euro)</b> | <b>As of<br/>January 1,<br/>2014</b> | <b>Exchange<br/>rate<br/>difference<br/>and<br/>other<br/>movements</b> | <b>Business<br/>combinations</b> | <b>Income<br/>statements</b> | <b>Tax<br/>charged/(credited)<br/>to equity</b> | <b>As of<br/>December 31,<br/>2014</b> |
|---|--------------------------------------|---|----------------------------------|------------------------------|---|--|
| Inventories   | 101,899                              | 13,337  | 893                              | 8,991                        |   | 125,120                                |
| Self-insurance reserves   | 11,819                               | 1,547   |                                  | (485)                        |   | 12,881                                 |
| Net operating loss<br>carry-forwards                              | 15,695                               | 144   | 4,559                            | 7,681                        |   | 28,079                                 |
| Rights of return  | 16,394                               | 1,524   |                                  | 3,532                        |   | 21,450                                 |
| Deferred tax on derivatives                                       |                                      |   |                                  |                              |   |  |
| Employee-related reserves   | 54,032                               | (3,064)   | 141                              | (3,033)                      | 34,282  | 82,358                                 |
| Occupancy reserves  | 17,707                               | (1,720)   |                                  | 547                          |   | 16,534                                 |
| Trade names   | 70,939                               | 420   | 56                               | (3,987)                      |   | 67,429                                 |
| Fixed assets  | 10,798                               | (223)   | 7                                | 218                          |   | 10,799                                 |
| Other   | 55,437                               | 5,019   | (4,521)                          | 13,801                       |   | 69,736                                 |
| <b>Total</b>  | <b>354,720</b>                       | <b>16,984</b>   | <b>1,135</b>                     | <b>27,265</b>                | <b>34,282</b>                                   | <b>434,386</b>                         |

| <b>Deferred tax liabilities<br/>(Amounts in<br/>thousands of Euro)</b> | <b>As of<br/>January 1,<br/>2014</b> | <b>Exchange<br/>rate<br/>difference<br/>and<br/>other<br/>movements</b> | <b>Business<br/>combinations</b> | <b>Income<br/>statements</b> | <b>Tax<br/>charged/(credited)<br/>to equity</b> | <b>As of<br/>December 31,<br/>2014</b> |
|--|--------------------------------------|---|----------------------------------|------------------------------|---|--|
| Dividends  | 7,383                                |   |                                  | 5,517                        |   | 12,899                                 |
| Trade names  | 207,881                              | 21,554  | 1,597                            | (14,858)                     |   | 216,175                                |
| Fixed assets   | 51,899                               | 6,086   |                                  | 9,359                        |   | 67,344                                 |
| Other intangibles  | 158,830                              | 23,485  | (1)                              | 5,832                        |   | 188,147                                |
| Other  | 24,181                               | (4,796)   | 74                               | 10,514                       | (1,455)   | 28,518                                 |
| <b>Total</b>   | <b>450,175</b>                       | <b>46,329</b>   | <b>1,670</b>                     | <b>16,364</b>                | <b>(1,455)</b>                                  | <b>513,083</b>                         |

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future profit is probable. The Group did not recognize deferred income tax assets of Euro 37.6 million in respect of losses amounting to Euro 129.8 million that can be carried forward against future taxable income. Additional losses of certain subsidiaries

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**Notes to the  
CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
As of DECEMBER 31, 2014**

**14. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES (Continued)**

amounting to Euro 20.6 million can be indefinitely carried forward. The breakdown of the net operating losses by expiration date is as follows:

**Year ending December 31:  
(Amounts in thousands of Euro)**

|                  |                |
|------------------|----------------|
| 2015             | 25,536         |
| 2016             | 23,424         |
| 2017             | 28,027         |
| 2018             | 18,559         |
| 2019             | 15,132         |
| Subsequent years | 19,100         |
| <b>Total</b>     | <b>129,778</b> |

The Group does not provide for an accrual for income taxes on undistributed earnings of its non-Italian operations to the related Italian parent company of Euro 2.9 billion and Euro 2.5 billion in 2014 and 2013, respectively, that are intended to be permanently invested. In connection with the 2014 earnings of certain subsidiaries, the Group has provided for an accrual for income taxes related to dividends from earnings to be paid in 2015.

**CURRENT LIABILITIES****15. SHORT-TERM BORROWINGS**

Short-term borrowings at December 31, 2014 and 2013, reflect current account overdrafts with various banks as well as uncommitted short-term lines of credit with different financial institutions. The interest rates on these credit lines are floating. The credit lines may be used, if necessary, to obtain letters of credit.

As of December 31, 2014 and 2013, the Company had unused short-term lines of credit of approximately Euro 598.1 million and Euro 742.6 million, respectively.

The Company and its wholly-owned Italian subsidiaries Luxottica S.r.l. and Luxottica Italia S.r.l. maintain unsecured lines of credit with primary banks for an aggregate maximum credit of Euro 225.3 million. These lines of credit are renewable annually, can be cancelled at short notice and have no commitment fees. At December 31, 2014, these credit lines were utilized in the amount of Euro 5.4 million.

Luxottica U.S. Holdings Corp. ("U.S. Holdings") maintains unsecured lines of credit with three separate banks for an aggregate maximum credit of Euro 107.1 million (USD 130 million). These lines of credit are renewable annually, can be cancelled at short notice and have no commitment fees. At December 31, 2014, Euro 5.3 million was utilized under these credit lines. There was Euro 40.7 million in aggregate face amount of standby letters of credit outstanding related to guarantees on these lines of credit.

The blended average interest rate on these lines of credit is approximately LIBOR plus a spread that may range from 0% to 0.20%, depending on the line of credit.

The book value of short-term borrowings is approximately equal to their fair value.



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**16. CURRENT PORTION OF LONG-TERM DEBT**

This item consists of the current portion of loans granted to the Company, as further described below in Note 21 "Long-term Debt."

**17. ACCOUNTS PAYABLE**

Accounts payable were Euro 744.3 million as of December 31, 2014 (Euro 681.2 million as of December 31, 2013).

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

**18. INCOME TAXES PAYABLE**

The balance is detailed below:

| (Amounts in thousands of Euro)    | As of December 31 |              |
|-----------------------------------|-------------------|--------------|
|                                   | 2014              | 2013         |
| Current year income taxes payable | 77,806            | 44,072       |
| Income taxes advance payment      | (35,203)          | (34,595)     |
| <b>Total</b>                      | <b>42,603</b>     | <b>9,477</b> |

**19. SHORT-TERM PROVISIONS FOR RISKS AND OTHER CHARGES**

The balance is detailed below:

| (Amounts in thousands of Euro)                     | Legal risk   | Self-insurance | Tax provision  | Other risks   | Returns       | Total          |
|--|--------------|----------------|----------------|---------------|---------------|----------------|
| <b>Balance as of December 31, 2012</b>             | <b>578</b>   | <b>4,769</b>   | <b>12,150</b>  | <b>12,477</b> | <b>36,057</b> | <b>66,032</b>  |
| Increases  | 923          | 7,969          | 42,258         | 12,842        | 20,552        | 84,544         |
| Decreases  | (909)        | (6,823)        | (11,089)       | (10,711)      | (20,582)      | (50,114)       |
| Business combinations                              |              |                |                |               | 1,848         | 1,848          |
| Foreign translation difference and other movements | 405          | (381)          | 20,609         | 164           | 580           | 21,377         |
| <b>Balance as of December 31, 2013</b>             | <b>997</b>   | <b>5,535</b>   | <b>63,928</b>  | <b>14,772</b> | <b>38,455</b> | <b>123,688</b> |
| Increases  | 1,902        | 6,821          | 36,537         | 25,589        | 17,152        | 88,001         |
| Decreases  | (945)        | (6,606)        | (2,768)        | (12,470)      | (12,487)      | (35,276)       |
| Business combinations                              |              |                |                |               |               |                |
| Foreign translation difference and other movements | (43)         | 624            | 6,379          | 334           | 4,012         | 11,306         |
| <b>Balance as of December 31, 2014</b>             | <b>1,911</b> | <b>6,375</b>   | <b>104,076</b> | <b>28,225</b> | <b>47,132</b> | <b>187,719</b> |



The Company is self-insured for certain losses relating to workers' compensation, general liability, auto liability, and employee medical benefits for claims filed and for claims incurred but not reported. The Company's liability is estimated using historical claims experience and industry averages; however, the final cost of the claims may not be known for over five years.

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**Notes to the  
CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
As of DECEMBER 31, 2014**

**19. SHORT-TERM PROVISIONS FOR RISKS AND OTHER CHARGES (Continued)**

Legal risk includes provisions for various litigated matters that have occurred in the ordinary course of business.

The tax provision mainly comprises the accruals made in previous years related to a tax audit of Luxottica S.r.l. for fiscal years 2008 through 2011. This provision increased in 2014 by approximately Euro 30.3 million.

**20. OTHER LIABILITIES**

The balance is detailed below:

| (Amounts in thousands of Euro)         | As of December 31 |                |
|--|-------------------|----------------|
|  | 2014              | 2013           |
| Premiums and discounts                 | 9,989             | 2,674          |
| Leasing rental                         | 19,405            | 16,535         |
| Insurance                              | 10,147            | 10,008         |
| Sales taxes payable                    | 40,237            | 37,838         |
| Salaries payable                       | 291,175           | 228,856        |
| Due to social security authorities     | 41,106            | 33,640         |
| Sales commissions payable              | 7,079             | 9,008          |
| Royalties payable                      | 2,298             | 3,742          |
| Derivative financial liabilities       | 4,376             | 1,729          |
| Other liabilities                      | 151,526           | 130,852        |
| <b>Total financial liabilities</b>     | <b>577,338</b>    | <b>474,882</b> |
| Deferred income                        | 52,722            | 42,888         |
| Other liabilities                      | 5,995             | 5,280          |
| <b>Total liabilities</b>               | <b>58,717</b>     | <b>48,168</b>  |
| <b>Total other current liabilities</b> | <b>636,055</b>    | <b>523,050</b> |

The increase in salaries payable is mainly due to the timing in payment of salaries to store personnel in the North American retail division.

**NON-CURRENT LIABILITIES****21. LONG-TERM DEBT**

Long-term debt was Euro 2,315.2 million and Euro 2,034.5 million as of December 31, 2014 and 2013.

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Notes to the  
**CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
As of DECEMBER 31, 2014

**21. LONG-TERM DEBT (Continued)**

The roll-forward of long-term debt as of December 31, 2014 and 2013, is as follows:

|  | Luxottica<br>Group S.p.A.<br>credit<br>agreement<br>with<br>various<br>financial<br>institutions | Senior<br>unsecured<br>guaranteed<br>notes | Credit<br>agreement<br>with<br>various<br>financial<br>institutions | Credit<br>agreement<br>with<br>various<br>financial<br>institutions<br>acquisition | Other<br>loans<br>with<br>banks<br>and other<br>third<br>parties,<br>interest<br>at<br>various<br>rates,<br>payable<br>in<br>installments<br>through<br>2014 | Total     |
|--|--|--|---|--|--|-----------|
| <b>Balance as of January 1, 2014</b>   | 298,478  | 1,683,970                                  |   |  | 52,061   | 2,034,510 |
| Proceeds from new and existing loans   |  | 494,655                                    |   |  | 5,398  | 500,053   |
| Repayments                             | (300,000)  |  |   |  | (18,500)   | (318,500) |
| Loans assumed in business combinations |  |  |   |  |  |           |
| Amortization of fees and interests     | 1,521  | 14,521                                     |   |  |  | 16,043    |
| Translation difference                 |  | 78,025                                     |   |  | 5,072  | 83,098    |
| <b>Balance as of December 31, 2014</b> |  | 2,271,171                                  |   |  | 44,032   | 2,315,203 |

| Luxottica<br>Group S.p.A.<br>credit<br>agreement<br>with<br>various<br>institutions | Senior<br>unsecured<br>guaranteed<br>notes | Credit<br>agreement<br>with<br>various<br>financial<br>institutions | Credit<br>agreement<br>with<br>various<br>financial<br>institutions | Other<br>loans<br>with<br>banks<br>and<br>other | Total |
|---|--|---|---|---|-------|
|---|--|---|---|---|-------|

|  | <b>financial<br/>institutions</b> |                  |               | <b>for<br/>Oakley<br/>acquisition</b> | <b>third<br/>parties,<br/>interest<br/>at<br/>various<br/>rates,<br/>payable<br/>in<br/>installments<br/>through<br/>2014</b> |                  |
|--|-----------------------------------|------------------|---------------|---------------------------------------|---|------------------|
| <b>Balance as of January 1, 2013</b>       | <b>367,743</b>                    | <b>1,723,225</b> | <b>45,664</b> | <b>174,922</b>                        | <b>50,624</b>   | <b>2,362,178</b> |
| Proceeds from new and existing loans       |                                   |                  |               |                                       | 5,254   | 5,254            |
| Repayments                                 | (70,000)                          | (15,063)         | (45,500)      | (173,918)                             | (22,587)  | (327,068)        |
| Loans assumed in business combinations     |                                   |                  |               |                                       | 16,073  | 16,073           |
| Amortization of fees and interests         | 735                               | 1,877            | 124           | 96                                    | 4,419   | 7,251            |
| Translation difference                     |                                   | (26,068)         | (288)         | (1,100)                               | (1,722)   | (29,179)         |
| <b>Balance as of<br/>December 31, 2013</b> | <b>298,478</b>                    | <b>1,683,970</b> |               |                                       | <b>52,061</b>   | <b>2,034,510</b> |

The Group uses debt financing to raise financial resources for long-term business operations and to finance acquisitions. The Group continues to seek debt refinancing at favorable market rates and actively monitors the debt capital markets in order to take action to issue debt, when appropriate. The Group's debt agreements contain certain covenants, including covenants that limit its ability to incur additional indebtedness (for more details see Note 3(f) Default risk: negative pledges and financial covenants). As of December 31, 2014, the Group was in compliance with these financial covenants.

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**Notes to the  
CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
As of DECEMBER 31, 2014**

**21. LONG-TERM DEBT (Continued)**

The table below summarizes the Group's long-term debt as of December 31, 2014.

| Type  | Series | Issuer/Borrower        | Issue Date         | CCY | Amount      | Outstanding amount at the reporting date | Coupon / Pricing      | Interest rate as of December 31, 2014 | Maturity           |
|---|--------|------------------------|--------------------|-----|-------------|--|-----------------------|---------------------------------------|--------------------|
| Private Placement Bond (Listed Luxembourg Stock Exchange) | B      | Luxottica US Holdings  | July 1, 2008       | USD | 127,000,000 | 127,000,000                              | 6.420%                | 6.420%                                | July 1, 2015       |
| Private Placement Bond (Listed Luxembourg Stock Exchange) |        | Luxottica Group S.p.A. | November 10, 2010  | EUR | 500,000,000 | 500,000,000                              | 4.000%                | 4.000%                                | November 10, 2015  |
| Private Placement Bond (Listed Luxembourg Stock Exchange) | D      | Luxottica US Holdings  | January 29, 2010   | USD | 50,000,000  | 50,000,000                               | 5.190%                | 5.190%                                | January 29, 2017   |
| Private Placement Bond (Listed Luxembourg Stock Exchange) | G      | Luxottica Group S.p.A. | September 30, 2010 | EUR | 50,000,000  | 50,000,000                               | 3.750%                | 3.750%                                | September 30, 2017 |
| Private Placement Bond (Listed Luxembourg Stock Exchange) | C      | Luxottica US Holdings  | July 1, 2008       | USD | 128,000,000 | 128,000,000                              | 6.770%                | 6.770%                                | July 1, 2015       |
| Private Placement Bond (Listed Luxembourg Stock Exchange) | F      | Luxottica US Holdings  | January 29, 2010   | USD | 75,000,000  | 75,000,000                               | 5.390%                | 5.390%                                | January 29, 2019   |
| Private Placement Bond (Listed Luxembourg Stock Exchange) |        | Luxottica Group S.p.A. | March 19, 2012     | EUR | 500,000,000 | 500,000,000                              | 3.625%                | 3.625%                                | March 19, 2019     |
| Revolving Credit Facility                                 |        | Luxottica Group S.p.A. | April 17, 2012     | EUR | 500,000,000 |  | Euribor + 1.30%/2.25% |                                       | April 10, 2019     |
| Private Placement Bond (Listed Luxembourg Stock Exchange) | E      | Luxottica US Holdings  | January 29, 2010   | USD | 50,000,000  | 50,000,000                               | 5.750%                | 5.750%                                | January 29, 2020   |
| Private Placement Bond (Listed Luxembourg Stock Exchange) | H      | Luxottica Group S.p.A. | September 30, 2010 | EUR | 50,000,000  | 50,000,000                               | 4.250%                | 4.250%                                | September 30, 2020 |
| Private Placement Bond (Listed Luxembourg Stock Exchange) | I      | Luxottica US Holdings  | December 15, 2011  | USD | 350,000,000 | 350,000,000                              | 4.350%                | 4.350%                                | December 15, 2021  |
| Private Placement Bond (Listed Luxembourg Stock Exchange) |        | Luxottica Group S.p.A. | February 10, 2014  | EUR | 500,000,000 | 500,000,000                              | 2.625%                | 2.625%                                | February 10, 2024  |

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(exchange)

The floating rate measures under "Coupon/Pricing" are based on the corresponding Euribor (Libor for USD loans) plus a margin in the range, indicated in the table, based on the "Net Debt/EBITDA" ratio, as defined in the applicable debt agreement.

On March 19, 2012, the Group completed an offering in Europe to institutional investors of Euro 500 million of senior unsecured guaranteed notes due March 19, 2019. The Notes are listed on the Luxembourg Stock Exchange under ISIN XS0758640279. Interest on the Notes accrues at 3.625% per annum. The Notes are guaranteed on a senior unsecured basis by U.S. Holdings and Luxottica S.r.l. When issued, the Notes were assigned a "BBB+" credit rating by Standard & Poor's Ratings Services ("Standard & Poor's") and, on January 20, 2014, the Notes were upgraded to an "A-" credit rating by Standard & Poor's.

On April 17, 2012, the Group and U.S. Holdings entered into a multicurrency (Euro/USD) revolving credit facility with a group of banks providing for loans in the aggregate principal amount of Euro 500 million (or the equivalent in U.S. dollars) guaranteed by Luxottica Group, Luxottica S.r.l. and U.S. Holdings. The agent for this credit facility is Unicredit AG Milan Branch and the other lending banks are Bank of America Securities Limited, Citigroup Global Markets Limited, Crédit Agricole Corporate and Investment Bank Milan Branch, Banco Santander S.A., The Royal Bank of Scotland PLC and Unicredit S.p.A. The facility matures on April 10, 2019 and as of December 31, 2014 was undrawn.

On April 29, 2013, the Group's Board of Directors authorized a Euro 2 billion "Euro Medium Term Note Programme" pursuant to which Luxottica Group S.p.A. may from time to time offer notes to investors in certain jurisdictions (excluding the United States, Canada, Japan and Australia). The notes issued under this program are listed on the Luxembourg Stock Exchange.

On February 10, 2014, the Group completed an offering in Europe to institutional investors of Euro 500 million of senior unsecured guaranteed notes due February 10, 2024 under the Group's Euro Medium Term Note Programme. The Notes are listed on the Luxembourg Stock Exchange under ISIN XS1030851791. Interest on the Notes accrues at 2.625% per annum. The Notes were assigned an "A-" credit rating by Standard & Poor's.

On August 29, 2014, the Group repaid the Mediobanca Term Loan in the amount of Euro 300 million three months prior to the maturity of the loan, scheduled for November 30, 2014.

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**Notes to the  
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**21. LONG-TERM DEBT (Continued)**

On February 27, 2015, the Group terminated its Euro 500 million multicurrency (Euro/U.S. dollars) revolving credit facility with a stated maturity of April 10, 2019. As of December 31, 2014 and the date of termination, the facility was undrawn.

The fair value of long-term debt as of December 31, 2014 was equal to Euro 2,518.5 million (Euro 2,144.9 million as of December 31, 2013), of which Euro 653.6 million is short-term. The fair value of the debt equals the present value of future cash flows, calculated by utilizing the market rate currently available for similar debt and adjusted in order to take into account the Group's current credit rating. The above fair value does not include capital lease obligations of Euro 25.2 million.

On December 31, 2014, the Group had unused uncommitted lines (revolving) of Euro 500 million.

Long-term debt, including capital lease obligations, as of December 31, 2014 matures as follows:

**Year ended December 31,  
(Amounts in thousands of Euro)**

|  |                  |
|--|------------------|
| 2015   | 626,788          |
| 2016   | 21,842           |
| 2017   | 91,189           |
| 2018   | 105,428          |
| 2019 and subsequent years                                      | 1,441,236        |
| Effect deriving from the adoption of the amortized cost method | 28,720           |
| <b>Total</b>   | <b>2,315,203</b> |

Long-term debt includes finance lease liabilities of Euro 25.2 million (Euro 25.6 million as of December 31, 2013).

**(Amounts in thousands of Euro)**

|   | <b>2014</b>   | <b>2013</b>   |
|---|---------------|---------------|
| <b>Gross finance lease liabilities:</b>             |               |               |
| no later than 1 year                                | 5,666         | 4,967         |
| later than 1 year and no later than 5 years         | 17,147        | 15,109        |
| later than 5 years                                  | 15,303        | 10,082        |
|   | <b>38,116</b> | <b>30,158</b> |
| Future finance charges on finance lease liabilities | 12,948        | 4,568         |
| <b>Present values of finance lease liabilities</b>  | <b>25,168</b> | <b>25,590</b> |

The present value of finance lease liabilities is as follows:

**(Amounts in thousands of Euro)**

**2014      2013**

|   |               |               |
|---|---------------|---------------|
| no later than 1 year                        | 4,157         | 3,799         |
| later than 1 year and no later than 5 years | 13,594        | 12,338        |
| later than 5 years                          | 7,417         | 9,453         |
|   | <b>25,168</b> | <b>25,590</b> |

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**Notes to the  
CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
As of DECEMBER 31, 2014**

**22. EMPLOYEE BENEFITS**

Employee benefits amounted to Euro 138.5 million (Euro 76.4 million as of December 31, 2013). The balance mainly included liabilities for termination indemnities of Euro 51.2 million (Euro 46.8 million as of December 31, 2013) and liabilities for employee benefits of the U.S. subsidiaries of the Group of Euro 87.3 million (Euro 29.6 million as of December 31, 2013). The increase is mainly due to the reduction in the discount rates used to calculate the liability.

Liabilities for termination indemnities mainly include post-employment benefits of the Italian companies' employees (hereinafter "TFR"), which at December 31, 2014 amounted to Euro 41.8 million (Euro 38.1 million as of December 31, 2013).

Effective January 1, 2007, the TFR system was reformed, and under the new law, employees are given the ability to choose where the TFR compensation is invested, whereas such compensation otherwise would be directed to the National Social Security Institute for Pension Funds. As a result, contributions under the reformed TFR system are accounted for as a defined contribution plan. The liability accrued until December 31, 2006 continues to be considered a defined benefit plan. Therefore, each year, the Group adjusts its accrual based upon headcount and inflation, excluding changes in compensation level.

This liability as of December 31, 2014 represents the estimated future payments required to settle the obligation resulting from employee service, excluding the component related to the future salary increases.

Contribution expense to pension funds was Euro 20.6 million, Euro 19.4 million and Euro 18.6 million for the years 2014, 2013 and 2012, respectively.

In application of IAS 19, the valuation of TFR liability accrued as of December 31, 2006 was based on the Projected Unit Credit Cost method. The main assumptions utilized are reported below:

|                             | <b>2014</b>  | <b>2013</b>  | <b>2012</b>  |
|-----------------------------|--|--|--|
| <b>ECONOMIC ASSUMPTIONS</b> |  |  |  |
| Discount rate               | 1.50%  | 3.15%  | 3.25%  |
| Annual TFR increase rate    | 2.81%  | 3.00%  | 3.00%  |
| Mortality tables:           | Those determined by the General Accounting Department of the Italian Government, named RG48                                | Those determined by the General Accounting Department of the Italian Government, named RG48                                | Those determined by the General Accounting Department of the Italian Government, named RG48                                |
| Retirement probability:     | Assuming the attainment of the first of the retirement requirements applicable for the Assicurazione Generale Obbligatoria | Assuming the attainment of the first of the retirement requirements applicable for the Assicurazione Generale Obbligatoria | Assuming the attainment of the first of the retirement requirements applicable for the Assicurazione Generale Obbligatoria |

(General  
Mandatory  
Insurance)

(General  
Mandatory  
Insurance)

(General  
Mandatory  
Insurance)

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**22. EMPLOYEE BENEFITS (Continued)**

The tax on revaluation of TFR increased from 11% in 2013 to 17% in 2014. The increase did not have a significant impact on the TFR liability as of December 31, 2014. Movements in liabilities during the course of the year are detailed in the following table:

| <b>(Amounts in thousands of Euro)</b>       | <b>2014</b>   | <b>2013</b>   | <b>2012</b>   |
|---|---------------|---------------|---------------|
| Liabilities at the beginning of the period  | 38,095        | 39,708        | 36,257        |
| Expenses for interests                      | 1,160         | 1,248         | 1,606         |
| Change in the revaluation rate              | (750)         |               |               |
| Actuarial loss (income)                     | 5,804         | (201)         | 4,532         |
| Benefits paid                               | (2,538)       | (2,660)       | (2,687)       |
| <b>Liabilities at the end of the period</b> | <b>41,771</b> | <b>38,095</b> | <b>39,708</b> |

**Pension funds**

**Qualified Pension Plans** U.S. Holdings sponsors a qualified noncontributory defined benefit pension plan, the Luxottica Group Pension Plan ("Lux Pension Plan"), which provides for the payment of benefits to eligible past and present employees of U.S. Holdings upon retirement. Pension benefits are gradually accrued based on length of service and annual compensation under a cash balance formula. Participants become vested in the Lux Pension Plan after three years of vesting service as defined by the Lux Pension Plan. In 2013, the Lux Pension Plan was amended so that employees hired on or after January 1, 2014 would not be eligible to participate.

**Nonqualified Pension Plans and Agreements** U.S. Holdings also maintains a nonqualified, unfunded supplemental executive retirement plan ("Lux SERP") for participants of its qualified pension plan to provide benefits in excess of amounts permitted under the provisions of prevailing tax law. The pension liability and expense associated with this plan are accrued using the same actuarial methods and assumptions as those used for the qualified pension plan. This plan's benefit provisions mirror those of the Lux Pension Plan.

U.S. Holdings also sponsors the Cole National Group, Inc. Supplemental Pension Plan. This plan is a nonqualified unfunded SERP for certain participants of the former Cole pension plan who were designated by the Board of Directors of Cole on the recommendation of Cole's chief executive officer at such time. This plan provides benefits in excess of amounts permitted under the provisions of the prevailing tax law. The pension liability and expense associated with this plan are accrued using the same actuarial methods and assumptions as those used for the qualified pension plan.

All plans operate under the U.S. regulatory framework. The plans are subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). The Luxottica Group ERISA Plans Compliance and Investment Committee controls and manages the operation and administration of the plans. The plans expose the Company to actuarial risks, such as longevity risk, currency risk, and interest rate risk. The Lux Pension Plan exposes the Company to market (investment) risk.

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**Notes to the  
CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
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**22. EMPLOYEE BENEFITS (Continued)**

The following tables provide key information pertaining to the Lux Pension Plan and SERPs (amounts in thousands of Euro).

| <b>Lux Pension Plan</b>                         | <b>Benefit Obligation</b> | <b>Plan Assets</b> | <b>Total</b>   |
|---|---------------------------|--------------------|----------------|
| <b>At January 1, 2012</b>                       | <b>483,738</b>            | <b>(355,563)</b>   | <b>128,175</b> |
| Service Cost                                    | 22,366                    | 2,958              | 25,323         |
| Interest expense/(income)                       | 24,189                    | (19,033)           | 5,156          |
| Remeasurement:                                  |                           |                    |                |
| Return on plan assets                           |                           | (33,504)           | (33,504)       |
| (Gain)/loss from financial assumption changes   | 59,781                    |                    | 59,781         |
| (Gain)/loss from demographic assumption changes | 310                       |                    | 310            |
| Experience (gains)/losses                       | (6,020)                   |                    | (6,020)        |
| Employer contributions                          |                           | (48,898)           | (48,898)       |
| Benefit payment                                 | (15,210)                  | 15,210             |                |
| Translation difference                          | 11,590                    | 9,056              | 2,534          |
| <b>At December 31, 2012</b>                     | <b>557,564</b>            | <b>(429,775)</b>   | <b>127,789</b> |

| <b>Lux Pension Plan</b>                         | <b>Benefit Obligation</b> | <b>Plan Assets</b> | <b>Total</b>   |
|---|---------------------------|--------------------|----------------|
| <b>At January 1, 2013</b>                       | <b>557,564</b>            | <b>(429,775)</b>   | <b>127,789</b> |
| Service Cost                                    | 24,896                    | 2,034              | 26,930         |
| Interest expense/(income)                       | 23,476                    | (18,822)           | 4,654          |
| Remeasurement:                                  |                           |                    |                |
| Return on plan assets                           |                           | (56,886)           | (56,886)       |
| (Gain)/loss from financial assumption changes   | (51,367)                  |                    | (51,367)       |
| (Gain)/loss from demographic assumption changes | 240                       |                    | 240            |
| Experience (gains)/losses                       | 5,086                     |                    | 5,086          |
| Employer contributions                          |                           | (38,566)           | (38,566)       |
| Benefit payment                                 | (41,479)                  | 41,479             |                |
| Translation difference                          | (22,679)                  | 21,239             | (1,439)        |
| <b>At December 31, 2013</b>                     | <b>495,737</b>            | <b>(479,297)</b>   | <b>16,440</b>  |

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**Notes to the  
CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
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**22. EMPLOYEE BENEFITS (Continued)**

| <b>Lux Pension Plan</b>                         | <b>Benefit Obligation</b> | <b>Plan Assets</b> | <b>Total</b>  |
|---|---------------------------|--------------------|---------------|
| <b>At January 1, 2014</b>                       | <b>495,737</b>            | <b>(479,297)</b>   | <b>16,440</b> |
| Service Cost                                    | 22,583                    | 2,258              | 24,841        |
| Interest expense/(income)                       | 25,628                    | (26,199)           | (571)         |
| Remeasurement:                                  |                           |                    |               |
| Return on plan assets                           |                           | (6,597)            | (6,597)       |
| (Gain)/loss from financial assumption changes   | 67,749                    |                    | 67,749        |
| (Gain)/loss from demographic assumption changes | 19,674                    |                    | 19,674        |
| Experience (gains)/losses                       | (3,851)                   |                    | (3,851)       |
| Employer contributions                          |                           | (50,351)           | (50,351)      |
| Benefit payment                                 | (21,528)                  | 21,528             |               |
| Translation difference                          | 77,761                    | (70,731)           | 7,030         |
| <b>At December 31, 2014</b>                     | <b>683,753</b>            | <b>(609,389)</b>   | <b>74,364</b> |

| <b>SERP</b>                                     | <b>Benefit Obligation</b> | <b>Plan Assets</b> | <b>Total</b>  |
|---|---------------------------|--------------------|---------------|
| <b>At January 1, 2012</b>                       | <b>12,343</b>             |                    | <b>12,343</b> |
| Service Cost                                    | 510                       |                    | 510           |
| Interest expense/(income)                       | 488                       |                    | 488           |
| Remeasurement:                                  |                           |                    |               |
| Unexpected return on plan assets                |                           |                    |               |
| (Gain)/loss from financial assumption changes   | 574                       |                    | 574           |
| (Gain)/loss from demographic assumption changes | 2                         |                    | 2             |
| Experience (gains)/losses                       | 578                       |                    | 578           |
| Employer contributions                          |                           | (3,915)            | (3,915)       |
| Benefit payment                                 | (18)                      | 18                 |               |
| Settlements                                     | (3,897)                   | 3,897              |               |
| Translation difference                          | (192)                     |                    | (192)         |
| <b>At December 31, 2012</b>                     | <b>10,388</b>             |                    | <b>10,388</b> |

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**Notes to the  
CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
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**22. EMPLOYEE BENEFITS (Continued)**

| SERP  | Benefit Obligation | Plan Assets | Total         |
|---|--------------------|-------------|---------------|
| <b>At January 1, 2013</b>                       | <b>10,388</b>      |             | <b>10,388</b> |
| Service Cost                                    | 211                |             | 211           |
| Interest expense/(income)                       | 423                |             | 423           |
| Remeasurement:                                  |                    |             |               |
| Unexpected return on plan assets                |                    |             |               |
| (Gain)/loss from financial assumption changes   | (272)              |             | (272)         |
| (Gain)/loss from demographic assumption changes | 2                  |             | 2             |
| Experience (gains)/losses                       | 619                |             | 619           |
| Employer contributions                          |                    | (2,281)     | (2,281)       |
| Benefit payment                                 | (20)               | 20          |               |
| Settlements                                     | (2,261)            | 2,261       |               |
| Translation difference                          | (401)              |             | (401)         |
| <b>At December 31, 2013</b>                     | <b>8,689</b>       |             | <b>8,689</b>  |

| SERP  | Benefit Obligation | Plan Assets | Total        |
|---|--------------------|-------------|--------------|
| <b>At January 1, 2014</b>                       | <b>8,689</b>       |             | <b>8,689</b> |
| Service Cost                                    | 535                |             | 535          |
| Interest expense/(income)                       | 409                |             | 409          |
| Loss/(gain) due to settlement                   | (6)                |             | (6)          |
| Remeasurement:                                  |                    |             |              |
| Unexpected return on plan assets                |                    |             |              |
| (Gain)/loss from financial assumption changes   | 724                |             | 724          |
| (Gain)/loss from demographic assumption changes | (19)               |             | (19)         |
| Experience (gains)/losses                       | 1,116              |             | 1,116        |
| Employer contributions                          |                    | (2,763)     | (2,763)      |
| Benefit payment                                 | (250)              | 250         |              |
| Settlements                                     | (2,513)            | 2,513       |              |
| Translation difference                          | 1,185              |             | 1,185        |
| <b>At December 31, 2014</b>                     | <b>9,870</b>       |             | <b>9,870</b> |

During 2014 and 2013, the Lux SERP settled a portion of its benefit obligations through lump-sum cash payments to certain plan participants.



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**Notes to the  
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**22. EMPLOYEE BENEFITS (Continued)**

The following tables show the main assumptions used to determine the benefit cost and the benefit obligation for the periods indicated below.

|  | <b>Pension Plan</b> |             | <b>SERPs</b> |             |
|--|---------------------|-------------|--------------|-------------|
|  | <b>2014</b>         | <b>2013</b> | <b>2014</b>  | <b>2013</b> |
| <b>Weighted-average assumptions used to determine benefit obligations:</b> |                     |             |              |             |
| Discount rate  | 4.20%               | 5.10%       | 4.20%        | 5.10%       |
| Rate of compensation increase  | 6%/4%/3%            | 6%/4%/3%    | 6%/4%/3%     | 6%/4%/3%    |
| Mortality Table  | Static 2014         | Static 2013 | Static 2014  | Static 2013 |

U.S. Holdings' discount rate is developed using a third party yield curve derived from non-callable bonds of at least an Aa rating by Moody's Investor Services or at least an AA rating by Standard & Poor's. Each bond issue is required to have at least USD 250 million par outstanding. The yield curve compares the future expected benefit payments of the Lux Pension Plan to these bond yields to determine an equivalent discount rate. U.S. Holdings uses an assumption for salary increases based on a graduated approach of historical experience. U.S. Holdings' experience shows salary increases that typically vary by age.

The sensitivity of the defined benefit obligation to changes in the significant assumptions is (amounts in thousands):

|                               | <b>Change in<br/>assumption</b> | <b>Impact on defined benefit obligation</b> |              |                                   |              |
|-------------------------------|---------------------------------|---|--------------|-----------------------------------|--------------|
|                               |                                 | <b>Increase in<br/>assumption</b>           |              | <b>Decrease in<br/>assumption</b> |              |
|                               |                                 | <b>Pension<br/>Plan</b>                     | <b>SERPs</b> | <b>Pension<br/>Plan</b>           | <b>SERPs</b> |
| Discount rate                 | 1.0%                            | (81,754)                                    | (693)        | 101,140                           | 798          |
| Rate of compensation increase | 1% for each age group           | 7,489                                       | 731          | (6,591)                           | (560)        |

The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur. When calculating the sensitivity of the defined benefit obligations to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the liabilities recognized within the statements of financial position.

**Plan Assets** The Lux Pension Plan's investment policy is to invest plan assets in a manner to ensure over a long-term investment horizon that the plan is adequately funded; maximize investment return within reasonable and prudent levels of risk; and maintain sufficient liquidity to make timely benefit and administrative expense payments. This investment policy was developed to provide the framework within which the fiduciary's investment decisions are made, establish standards to measure the investment manager's and investment consultant's performance, outline the roles and responsibilities of the various parties involved, and describe the ongoing review process. The investment policy identifies target asset allocations for the plan's assets at 40% Large Cap U.S. Equity, 10% Small Cap U.S. Equity,



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**22. EMPLOYEE BENEFITS (Continued)**

15% International Equity, and 35% Fixed Income Securities, but an allowance is provided for a range of allocations to these categories as described in the table below.

| <b>Asset Category</b>   | <b>Asset Class as a<br/>Percent of<br/>Total Assets</b> |                |
|-------------------------|---|----------------|
|                         | <b>Minimum</b>  | <b>Maximum</b> |
| Large Cap U.S. Equity   | 37%   | 43%            |
| Small Cap U.S. Equity   | 8%  | 12%            |
| International Equity    | 13%   | 17%            |
| Fixed Income Securities | 32%   | 38%            |
| Cash and Equivalents    | %   | 5%             |

The actual allocation percentages at any given time may vary from the targeted amounts due to changes in stock and bond valuations as well as timing of contributions to, and benefit payments from, the pension plan trusts. The Lux Pension Plan's investment policy intends that any divergence from the targeted allocations should be of a short duration, but the appropriate duration of the divergence will be determined by the Investment Subcommittee of the Luxottica Group ERISA Plans Compliance and Investment Committee with the advice of investment managers and/or investment consultants, taking into account current market conditions. During 2014, the Committee reviewed the Lux Pension Plan's asset allocation monthly and if the allocation was not within the above ranges, the Committee re-balanced the allocations if appropriate based on current market conditions.

Plan assets are invested in diversified portfolios consisting of an array of asset classes within the above target allocations and using a combination of active and passive strategies. Passive strategies involve investment in an exchange-traded fund that closely tracks an index fund. Active strategies employ multiple investment management firms. Risk is controlled through diversification among asset classes, managers, styles, market capitalization (equity investments) and individual securities. Certain transactions and securities are prohibited from being held in the Lux Pension Plan's trusts, such as ownership of real estate other than real estate investment trusts, commodity contracts, and American Depositary Receipts ("ADR") or common stock of the Group. Risk is further controlled both at the asset class and manager level by assigning benchmarks and excess return targets. The investment managers are monitored on an ongoing basis to evaluate performance against the established market benchmarks and return targets.

Quoted market prices are used to measure the fair value of plan assets, when available. If quoted market prices are not available, the inputs utilized by the fund manager to derive net asset value are observable and no significant adjustments to net asset value were necessary.

**Contributions** U.S. Holdings expects to contribute Euro 29.8 million to its pension plan and Euro 1.2 million to the SERP in 2015.

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**Notes to the  
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**22. EMPLOYEE BENEFITS (Continued)**

**Duration** The weighted average duration of the pension defined benefit obligations is 13.2 years while the weighted average duration of the SERPs is 8.1 years. The following table provides the undiscounted estimated future benefit payments (amounts in thousands):

| Estimated Future Benefit Payments | Pension<br>Plan | SERPs |
|-----------------------------------|-----------------|-------|
| 2015                              | 22,568          | 1,191 |
| 2016                              | 26,776          | 265   |
| 2017                              | 30,932          | 550   |
| 2018                              | 33,159          | 904   |
| 2019                              | 38,611          | 895   |
| 2020 - 2024                       | 223,846         | 4,045 |

**Other Benefits** U.S. Holdings provides certain post-employment medical, disability and life insurance benefits. The Group's accrued liability related to this obligation as of December 31, 2014 and 2013, was Euro 0.7 million and Euro 1.1 million, respectively.

U.S. Holdings sponsors the following additional benefit plans, which cover certain present and past employees of some of its US subsidiaries:

(a) U.S. Holdings provides, under individual agreements, post-employment benefits for continuation of health care benefits and life insurance coverage to former employees after employment. As of each of December 31, 2014 and 2013, the accrued liability related to these benefits was Euro 0.7 million and Euro 0.5 million.

(b) U.S. Holdings maintains the Cole National Group, Inc. Supplemental Retirement Benefit Plan, which provides supplemental retirement benefits for certain highly compensated and management employees who were previously designated by the former Board of Directors of Cole as participants. This is an unfunded noncontributory defined contribution plan. Each participant's account is credited with interest earned on the average balance during the year. This plan was frozen as to future salary credits on the effective date of the Cole acquisition in 2004. The plan liability was Euro 0.5 million and Euro 0.6 million at December 31, 2014 and 2013, respectively.

U.S. Holdings sponsors certain defined contribution plans for its United States and Puerto Rico employees. The cost of contributions incurred in 2014, 2013 and 2012 was Euro 9.5 million, Euro 6.3 million and Euro 8.4 million, respectively, and was recorded in general and administrative expenses in the consolidated statement of income. U.S. Holdings also sponsors a defined contribution plan for all U.S. Oakley associates with at least six months of service. The cost for contributions incurred in 2014, 2013 and 2012 was Euro 2.3 million, Euro 2.2 million and Euro 1.8 million, respectively.

In Australia and Hong Kong, the Group makes mandatory contributions to superannuation retirement funds. The plans provide benefits on a defined contribution basis for employees upon retirement, resignation, disablement or death. Contributions to defined contribution superannuation plans are recognized as an expense as the contributions are paid or become payable to the fund. Contributions are accrued based on legislated rates and annual compensation.

**Health Benefit Plans** U.S. Holdings partially subsidizes health care benefits for eligible retirees. Employees generally become eligible for retiree health care benefits when they retire from active service

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**22. EMPLOYEE BENEFITS (Continued)**

between the ages of 55 and 65. Benefits are discontinued at age 65. During 2009, U.S. Holdings provided for a one-time special election of early retirement to certain associates age 50 or older with 5 or more years of service. Benefits for this group are also discontinued at age 65 and the resulting special termination benefit is immaterial.

The plan liability of Euro 1.3 million and Euro 3.2 million at December 31, 2014 and 2013, respectively, is included in other non-current liabilities on the consolidated statement of financial position.

The cost of this plan in 2014, 2013 and 2012 as well as the 2015 expected contributions are immaterial.

For 2015, an 8.0% (8.5% for 2014) increase in the cost of covered health care benefits was assumed. This rate was assumed to decrease gradually to 5% for 2023 and remain at that level thereafter. The health care cost trend rate assumption could have a significant effect on the amounts reported. A 1.0% increase or decrease in the health care trend rate would not have a material impact on the consolidated financial statements. The weighted-average discount rate used in determining the accumulated postretirement benefit obligation was 4.2% at December 31, 2014 and 5.1% at December 31, 2013.

Labor costs, primarily including salaries and wages, were Euro 2.2 billion in 2014 and Euro 2.1 billion in each of 2013 and 2012.

**23. NON-CURRENT PROVISIONS FOR RISK AND OTHER CHARGES**

The balance is detailed below (amounts in thousands of Euro):

|  | <b>Legal<br/>risk</b> | <b>Self-<br/>insurance</b> | <b>Tax<br/>provision</b> | <b>Other<br/>risks</b> | <b>Total</b>   |
|--|-----------------------|----------------------------|--------------------------|------------------------|----------------|
| <b>Balance as of December 31, 2012</b>     | <b>8,741</b>          | <b>24,049</b>              | <b>60,907</b>            | <b>25,915</b>          | <b>119,612</b> |
| Increases                                  | 4,060                 | 9,014                      | 6,987                    | 436                    | 20,497         |
| Decreases                                  | (2,172)               | (8,586)                    | (265)                    |                        | (11,023)       |
| Business combinations                      | 383                   |                            |                          | 240                    | 623            |
| Translation difference and other movements | (1,069)               | (997)                      | (22,073)                 | (8,028)                | (32,165)       |
| <b>Balance as of December 31, 2013</b>     | <b>9,944</b>          | <b>23,481</b>              | <b>45,556</b>            | <b>18,563</b>          | <b>97,544</b>  |
| Increases                                  | 4,712                 | 5,287                      | 5,424                    | 1,955                  | 17,378         |
| Decreases                                  | (3,683)               | (7,323)                    | (1,493)                  | (22,575)               | (35,074)       |
| Business combinations                      |                       |                            |                          |                        |                |
| Translation difference and other movements | (218)                 | 3,102                      | (715)                    | 17,207                 | 19,376         |
| <b>Balance as of December 31, 2014</b>     | <b>10,755</b>         | <b>24,548</b>              | <b>48,771</b>            | <b>15,149</b>          | <b>99,223</b>  |

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Other risks include (i) accruals for risks related to sales agents of certain Italian companies of Euro 5.7 million (Euro 5.8 million as of December 31, 2013) and (ii) accruals for decommissioning the costs of certain subsidiaries of the Group operating in the Retail Segment of Euro 0.4 million (Euro 3.1 million as of December 31, 2013).

The Company is self-insured for certain types of losses (please refer to Note 19 "Short-term Provisions for Risks and Other Charges" for further details).

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**24. OTHER NON-CURRENT LIABILITIES**

The balance of other non-current liabilities was Euro 83.8 million and Euro 74.2 million as of December 31, 2014 and 2013, respectively.

The balance mainly includes "Other liabilities" of the North American retail divisions of Euro 41.9 million and Euro 40.3 million as of December 31, 2014 and 2013, respectively.

**25. LUXOTTICA GROUP STOCKHOLDERS' EQUITY**

**Capital Stock**

The share capital of Luxottica Group S.p.A. as of December 31, 2014 amounted to Euro 28,900,294.98 and was comprised of 481,671,583 ordinary shares with a par value of Euro 0.06 each.

The share capital of Luxottica Group S.p.A. as of December 31, 2013 amounted to Euro 28,653,640.38 and was comprised of 477,560,673 ordinary shares with a par value of Euro 0.06 each.

Following the exercise of 4,110,910 options to purchase ordinary shares granted to employees under existing stock option plans, the share capital increased by Euro 246,655 during 2014.

The total options exercised in 2014 were 4,110,910, of which 27,000 refer to the 2005 grant, 144,500 refer to the 2008 grant, 2,000,000 refer to the 2009 extraordinary grant (reassignment of the 2006 performance grant), 301,500 refer to the 2009 ordinary grant (reassignment of the 2006 and 2007 ordinary grants), 98,750 refer to the 2009 ordinary grant, 399,160 refer to the 2010 ordinary grant and 1,140,000 refer to the 2011 ordinary grant.

**Legal reserve**

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

**Additional paid-in capital**

This reserve increases with the expensing of options or excess tax benefits from the exercise of options.

**Retained earnings**

These include subsidiaries' earnings that have not been distributed as dividends and the amount of consolidated companies' equities in excess of the corresponding carrying amounts of investments. This item also includes amounts arising as a result of consolidation adjustments.

**Translation reserve**

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

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As of DECEMBER 31, 2014**

**25. LUXOTTICA GROUP STOCKHOLDERS' EQUITY (Continued)****Treasury shares**

Treasury shares were equal to Euro 73.9 million as of December 31, 2014 (Euro 83.1 million as of December 31, 2013). The decrease of Euro 9.2 million was due to grants to certain top executives of 509,500 treasury shares as a result of the Group having achieved the financial targets identified by the Board of Directors under the 2011 PSP. As a result of these equity grants, the number of Group treasury shares was reduced from 4,157,225 as of December 31, 2013 to 3,647,725 as of December 31, 2014.

**26. NON-CONTROLLING INTERESTS**

Equity attributable to non-controlling interests was Euro 7.3 million and Euro 7.1 million as of December 31, 2014 and December 31, 2013, respectively.

**27. INFORMATION ON THE CONSOLIDATED STATEMENT OF INCOME****OTHER INCOME/(EXPENSE)**

The composition of other income/(expense) is as follows (amounts in thousands of Euro):

| <b>INTEREST EXPENSE</b>             | <b>2014</b>    | <b>2013</b>      | <b>2012</b>      |
|-------------------------------------|----------------|------------------|------------------|
| Interest expense on bank overdrafts | (1,346)        | (213)            | (2,869)          |
| Interest expense on loans           | (95,409)       | (87,650)         | (121,049)        |
| Financial expense on derivatives    | (6,728)        | (7,548)          | (7,684)          |
| Other interest expense              | (6,176)        | (6,721)          | (6,539)          |
| <b>Total interest expense</b>       | <b>109,659</b> | <b>(102,132)</b> | <b>(138,140)</b> |

| <b>INTEREST INCOME</b>           | <b>2014</b>   | <b>2013</b>   | <b>2012</b>   |
|----------------------------------|---------------|---------------|---------------|
| Interest income on bank accounts | 9,103         | 6,449         | 14,928        |
| Financial income on derivatives  | 804           | 1,070         | 1,689         |
| Interest income on loans         | 1,765         | 2,553         | 2,293         |
| <b>Total interest income</b>     | <b>11,672</b> | <b>10,072</b> | <b>18,910</b> |

| <b>OTHER NET</b>  | <b>2014</b> | <b>2013</b>    | <b>2012</b>    |
|---|-------------|----------------|----------------|
| Other net from derivative financial instruments and translation differences | 711         | (7,951)        | (1,109)        |
| Other net   | (256)       | 704            | (5,354)        |
| <b>Total other net</b>  | <b>455</b>  | <b>(7,247)</b> | <b>(6,463)</b> |

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As of DECEMBER 31, 2014**

**27. INFORMATION ON THE CONSOLIDATED STATEMENT OF INCOME (Continued)****PROVISION FOR INCOME TAXES**

The income tax provision is as follows:

| <b>INCOME TAX PROVISION<br/>(Amounts in thousands of Euro)</b> | <b>2014</b>      | <b>2013</b>      | <b>2012</b>      |
|--|------------------|------------------|------------------|
| Current taxes  | (424,966)        | (420,668)        | (334,801)        |
| Deferred taxes   | 10,900           | 13,164           | 28,910           |
| <b>Total income tax provision</b>                              | <b>(414,066)</b> | <b>(407,505)</b> | <b>(305,891)</b> |

The reconciliation between the Italian statutory tax rate and the effective rate is shown below:

|   | <b>As of December 31,</b> |              |              |
|---|---------------------------|--------------|--------------|
|   | <b>2014</b>               | <b>2013</b>  | <b>2012</b>  |
| Italian statutory tax rate  | 31.4%                     | 31.4%        | 31.4%        |
| Aggregate effect of different tax rates in foreign jurisdictions  | 4.8%                      | 5.0%         | 3.3%         |
| Accrual for tax audit of Luxottica S.r.l. of Euro 30.3 million, Euro 66.7 million and Euro 10.0 million, respectively (fiscal year 2007 and subsequent periods) | 2.9%                      | 7.0%         | 1.2%         |
| Aggregate other effects   |                           | (0.8)%       | 0.4%         |
| <b>Effective rate</b>   | <b>39.1%</b>              | <b>42.6%</b> | <b>36.3%</b> |

**28. COMMITMENTS AND RISKS****Licensing agreements**

The Group has entered into licensing agreements with certain designers for the production, design and distribution of sunglasses and prescription frames.

Under these licensing agreements which typically have terms ranging from 4 to 10 years the Group is required to pay a royalty generally ranging from 6% to 14% of net sales. Certain contracts also provide for the payment of minimum annual guaranteed amounts and a mandatory marketing contribution (the latter typically amounts to between 5% and 10% of net sales). These agreements can typically be terminated early by either party for a variety of reasons, including but not limited to non-payment of royalties, failure to reach minimum sales thresholds, product alteration and, under certain conditions, a change in control of Luxottica Group S.p.A.



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As of DECEMBER 31, 2014**

**28. COMMITMENTS AND RISKS (Continued)**

Minimum payments required in each of the years subsequent to December 31, 2014 are detailed as follows (amounts in thousands of Euro):

**Year ending December 31**

|                  |                |
|------------------|----------------|
| 2015             | 114,812        |
| 2016             | 94,303         |
| 2017             | 81,617         |
| 2018             | 68,440         |
| 2019             | 51,068         |
| Subsequent years | 126,616        |
| <b>Total</b>     | <b>536,856</b> |

**Rentals, leasing and licenses**

The Group leases through its worldwide subsidiaries various retail stores, plants, warehouses and office facilities as well as certain of its data processing and automotive equipment under operating lease arrangements. These agreements expire between 2015 and 2026 and provide for renewal options under various conditions. The lease arrangements for the Group's U.S. retail locations often include escalation clauses and provisions requiring the payment of incremental rentals, in addition to any established minimums contingent upon the achievement of specified levels of sales volume. The Group also operates departments in various host stores, paying occupancy costs solely as a percentage of sales. Certain agreements which provide for operations of departments in a major retail chain in the United States contain short-term cancellation clauses.

Total rental expense for each year ended December 31 is as follows:

| (Amounts in thousands of Euro) | 2014           | 2013           | 2012           |
|--------------------------------|----------------|----------------|----------------|
| Minimum lease payments         | 377,570        | 359,479        | 360,082        |
| Additional lease payments      | 134,113        | 126,400        | 99,377         |
| Sublease payments received     | (23,029)       | (22,871)       | (25,754)       |
| <b>Total</b>                   | <b>488,654</b> | <b>463,008</b> | <b>433,705</b> |

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**Notes to the  
CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
As of DECEMBER 31, 2014**

**28. COMMITMENTS AND RISKS (Continued)**

Future rental commitments, including contracted rent payments and contingent minimums, are as follows:

**Year ending December 31  
(Amounts in thousands of Euro)**

|                  |                  |
|------------------|------------------|
| 2015             | 337,809          |
| 2016             | 277,468          |
| 2017             | 212,052          |
| 2018             | 156,742          |
| 2019             | 122,898          |
| Subsequent years | 225,820          |
| <b>Total</b>     | <b>1,332,789</b> |

**Other commitments**

The Group is committed to pay amounts in future periods for endorsement contracts, supplier purchase and other long-term commitments. Endorsement contracts are entered into with selected athletes and others who endorse Oakley products. Supplier commitments have been entered into with various suppliers in the normal course of business. Other commitments mainly include auto, machinery and equipment lease commitments.

Future minimum amounts to be paid for endorsement contracts and supplier purchase commitments are as follows:

| <b>Year ending December 31<br/>(Amounts in thousands of Euro)</b> | <b>Endorsement<br/>contracts</b> | <b>Supply<br/>commitments</b> | <b>Other<br/>commitments</b> |
|---|----------------------------------|-------------------------------|------------------------------|
| 2015  | 9,476                            | 24,159                        | 14,137                       |
| 2016  | 6,766                            | 14,647                        | 8,642                        |
| 2017  | 3,793                            | 13,989                        | 5,559                        |
| 2018  | 325                              | 9,278                         | 985                          |
| 2019  | 129                              | 9,412                         |                              |
| Subsequent years  | 293                              | 9,399                         |                              |
| <b>Total</b>  | <b>20,782</b>                    | <b>80,883</b>                 | <b>29,296</b>                |

**Guarantees**

The United States Shoe Corporation, a wholly-owned subsidiary within the Group, has guaranteed the lease payments for five stores in the United Kingdom. These lease agreements have varying termination dates through June 30, 2017. At December 31, 2014, the Group's maximum

liability amounted to Euro 1.0 million (Euro 1.7 million at December 31, 2013).

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**28. COMMITMENTS AND RISKS (Continued)**

A wholly-owned U.S. subsidiary guaranteed future minimum lease payments for lease agreements on certain stores. The lease agreements were signed directly by the franchisees as part of certain franchising agreements. Total minimum guaranteed payments under this guarantee were Euro 3.3 million (USD 4.0 million) at December 31, 2014 (Euro 1.1 million at December 31, 2013). The commitments provided for by the guarantee arise if the franchisee cannot honor its financial commitments under the lease agreements. A liability has been accrued using an expected present value calculation. Such amount is immaterial to the consolidated financial statements as of December 31, 2014 and 2013. The liability expires at various dates through October 23, 2025.

**Litigation**

**French Competition Authority Investigation**

The Company's French subsidiary Luxottica France S.A.S., together with other major competitors in the French eyewear industry, has been the subject of an anti-competition investigation conducted by the French Competition Authority relating to pricing practices in such industry. The investigation is ongoing and, to date, no formal action has yet been taken by the French Competition Authority. As a consequence, it is not possible to estimate or provide a range of potential liability that may be involved in this matter. The outcome of any such action, which the Group intends to vigorously defend, is inherently uncertain, and there can be no assurance that such action, if adversely determined, will not have a material adverse effect on our business, results of operations and financial condition.

**Other proceedings**

The Company and its subsidiaries are defendants in various other lawsuits arising in the ordinary course of business. It is the opinion of the management of the Company that it has meritorious defenses against all such outstanding claims, which the Company will vigorously pursue, and that the outcome of such claims, individually or in the aggregate, will not have a material adverse effect on the Company's consolidated financial position or results of operations.

**29. RELATED PARTY TRANSACTIONS**

**License Agreements**

The Group executed an exclusive worldwide license for the production and distribution of Brooks Brothers brand eyewear. The brand is held by Brooks Brothers Group, Inc. ("BBG"), which is owned and controlled by a director of the Company, Claudio Del Vecchio. The license expired on December 31, 2014 but was renewed until December 31, 2019. Royalties paid under this agreement to BBG were Euro 0.8 million in 2014, Euro 0.8 million in 2013 and Euro 0.7 million in 2012. Management believes that the terms of the license agreement are fair to the Company.

**Lease of the New Office Building**

On April 29, 2014, the Board of Directors of Luxottica Group authorized the Company to enter into an agreement to lease a building located in Piazzale Cadorna 3, Milan, Italy. The lease is for a period of seven years and five months and may be renewed for an additional six years. The building is owned by Beni Stabili SIIQ S.p.A., which is a related party of Delfin S.à r.l., an entity that is controlled by the

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**Notes to the  
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As of DECEMBER 31, 2014**

**29. RELATED PARTY TRANSACTIONS (Continued)**

Company's Chairman, Leonardo Del Vecchio. In accordance with the procedure on related parties adopted by the Company and CONSOB regulation n. 17221/2010 and in light of the lease value, the agreement qualifies as a minor transaction with related parties. On March 31, 2014, the Risk and Control Committee, which is composed solely of independent directors, unanimously expressed a favorable opinion regarding the Company's interest in entering into the lease as well as on the convenience and fairness of the related conditions. The Company incurred lease expenses in 2014 of Euro 2.0 million.

**Resignation of CEOs**

On September 1, 2014, Andrea Guerra left as the Group's chief executive officer. Pursuant to his termination agreement, Luxottica paid Mr. Guerra a redundancy incentive payment equal to Euro 10,000,000 in addition to severance pay linked to the consensual termination of his employment relationship. In addition, Luxottica paid Mr. Guerra Euro 592,294 in connection with a settlement and novation agreement as consideration for his waiver of any claims or rights that he may have that are connected or related to his employment and administration relationships with the Group or any other associated entity and any resolution thereof. Mr. Guerra also signed a 24-month non-competition agreement pursuant to which he is entitled to receive Euro 800,000 to be paid in equal quarterly installments starting from the date of the termination of his employment. Additionally, Mr. Guerra sold 813,500 shares of Luxottica Group S.p.A. that he previously received under incentive plans to the principal shareholder of the Company in an off-market transaction at a price of Euro 41.50 per share. On October 13, 2014, Enrico Cavatorta resigned from the Board of Directors and stepped down as the Group's chief executive officer. He resigned from his position as General Manager on October 31, 2014. Pursuant to his termination agreement, Luxottica paid Mr. Cavatorta Euro 4,000,000 in addition to severance pay linked to the consensual termination of his employment relationship. In addition, Luxottica paid Mr. Cavatorta Euro 985,355 in connection with a settlement and novation agreement as consideration for his waiver of any claims or rights that he may have that are connected or related to his employment and administration relationships with the Group or any other associated entity and any resolution thereof. No sums were awarded in connection with Mr. Cavatorta's termination from the position of director and chief executive officer of Luxottica Group S.p.A. The aggregate expenses relating to the departures of Messrs. Guerra and Cavatorta, including other minor related costs, totaled approximately Euro 20 million.

**Delfin Reimbursement Obligation**

Delfin S.à r.l., an entity controlled by the Company's Chairman, Leonardo Del Vecchio, has agreed to reimburse the Company, on a pro-rata basis, for any bonus amounts paid by the Company to Adil Mehboob-Khan should he resign on or before December 31, 2017. The reimbursement obligation equals Euro 7.0 million if Mr. Mehboob-Khan resigns in 2015, Euro 4.7 million if he resigns in 2016 and Euro 2.3 million if he resigns in 2017. Delfin's reimbursement commitment does not apply if Mr. Mehboob-Khan's employment is terminated for good cause.

**Service Revenues**

During the years ended December 31, 2014, 2013 and 2012, U.S. Holdings performed consulting and advisory services relating to risk management and insurance for Brooks Brothers Group, Inc.

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**29. RELATED PARTY TRANSACTIONS (Continued)**

Amounts received for the services provided for each of those years were Euro 0.1 million. Management believes that the compensation received for these services was fair to the Company.

**Incentive Stock Option Plans**

On September 14, 2004, the Company announced that its primary stockholder, Leonardo Del Vecchio, had allocated 2.11% of the shares of the Company equal to 9.6 million shares, owned by him through the company La Leonardo Finanziaria S.r.l. and currently owned through Delfin S.à r.l., a financial company owned by the Del Vecchio family, to a stock option plan for the senior management of the Company. The options became exercisable on June 30, 2006 following the meeting of certain economic objectives and, as such, the holders of these options became entitled to exercise such options beginning on that date until their termination in 2014. During 2014, 0.3 million options (3.1 million in 2013) from this grant were exercised. As of December 31, 2014, no options under this arrangement were outstanding.

A summary of related party transactions as of December 31, 2014, 2013 and 2012, is provided below.

| <b>Related parties<br/>As of December 31, 2014<br/>(Amounts in thousands of Euro)</b> | <b>Consolidated Statement<br/>of Income</b> |               | <b>Consolidated Statement<br/>of Financial Position</b> |                    |
|---|---|---------------|---|--------------------|
|   | <b>Revenues</b>                             | <b>Costs</b>  | <b>Assets</b>   | <b>Liabilities</b> |
| Brooks Brothers Group, Inc.   | 452   | 1,108         | 202   | 292                |
| Eyebiz Laboratories Pty Limited   | 5,642                                       | 54,834        | 10,233  | 17,144             |
| Salmoiraghi & Viganò  | 13,753                                      | 11            | 51,076  | 183                |
| Others  | 2,214                                       | 23,845        | 2,190   | 3,318              |
| <b>Total</b>  | <b>22,061</b>                               | <b>79,798</b> | <b>63,701</b>   | <b>20,937</b>      |

| <b>Related parties<br/>As of December 31, 2013<br/>(Amounts in thousands of Euro)</b> | <b>Consolidated Statement<br/>of Income</b> |               | <b>Consolidated Statement<br/>of Financial Position</b> |                    |
|---|---|---------------|---|--------------------|
|   | <b>Revenues</b>                             | <b>Costs</b>  | <b>Assets</b>   | <b>Liabilities</b> |
| Brooks Brothers Group, Inc.   | 348   | 1,000         | 68  | 254                |
| Eyebiz Laboratories Pty Limited   | 1,667                                       | 45,814        | 6,922   | 9,415              |
| Salmoiraghi & Viganò  | 13,812                                      |               | 53,245  |                    |
| Others  | 583   | 1,115         | 2,186   | 426                |
| <b>Total</b>  | <b>16,409</b>                               | <b>47,930</b> | <b>62,422</b>   | <b>10,095</b>      |



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**Notes to the  
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**29. RELATED PARTY TRANSACTIONS (Continued)**

| Related parties<br>As of December 31, 2012<br>(Amounts in thousands of Euro) | Consolidated Statement<br>of Income |               | Consolidated Statement<br>of Financial Position |              |
|--|-------------------------------------|---------------|---|--------------|
|  | Revenues                            | Costs         | Assets  | Liabilities  |
| Brooks Brothers Group, Inc.  |                                     | 802           | 13  | 40           |
| Eyebiz Laboratories Pty Limited  | 1,194                               | 44,862        | 7,898   | 9,086        |
| Others   | 650                                 | 764           | 447   | 72           |
| <b>Total</b>   | <b>1,844</b>                        | <b>46,428</b> | <b>8,358</b>                                    | <b>9,198</b> |

Total remuneration due to key managers amounted to approximately Euro 53.1 million, Euro 24.4 million and Euro 43.2 million in 2014, 2013 and 2012, respectively.

In 2014, transactions with related parties resulted in a cash outflow of approximately Euro 48.2 million.

**30. EARNINGS PER SHARE**

Basic and diluted earnings per share were calculated as the ratio of net income attributable to the stockholders of the Company for 2014, 2013 and 2012 amounting to Euro 642.6 million, Euro 544.7 million and Euro 534.4 million, respectively, to the number of outstanding shares basic and dilutive of the Company.

Basic earnings per share in 2014 were equal to Euro 1.35, compared to Euro 1.15 in each of 2013 and 2012. Diluted earnings per share in 2014 were equal to Euro 1.34 compared to Euro 1.14 in each of 2013 and 2012.

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

|   | 2014        | 2013        | 2012        |
|---|-------------|-------------|-------------|
| Weighted average shares outstanding basic   | 475,947,763 | 472,057,274 | 464,643,093 |
| Effect of dilutive stock options  | 3,299,427   | 4,215,291   | 4,930,749   |
| Weighted average shares outstanding dilutive  | 479,247,190 | 476,272,565 | 469,573,841 |
| Options not included in calculation of dilutive shares as the average value was greater than the average price during the respective period or performance measures related to the awards have not yet been met | 1,641,383   | 1,768,735   | 3,058,754   |

**31. DERIVATIVE FINANCIAL INSTRUMENTS**



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Derivatives are classified as current or non-current assets and liabilities. The fair value of derivatives is classified as a long-term asset or liability for the portion of cash flows expiring after 12 months, and as a current asset or liability for the portion expiring within 12 months.

The ineffective portion recorded in other-net within the consolidated statement of income amounted to Euro 0.0 million in each of 2014, 2013 and 2012.

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**31. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)**

The table below shows the assets and liabilities related to derivative contracts in effect as of December 31, 2014 and 2013 (amounts in thousands of Euro):

|                                     | <b>2014</b>   |                    | <b>2013</b>   |                    |
|-------------------------------------|---------------|--------------------|---------------|--------------------|
|                                     | <b>Assets</b> | <b>Liabilities</b> | <b>Assets</b> | <b>Liabilities</b> |
| Interest rate swaps cash flow hedge |               |                    |               |                    |
| Forward contracts cash flow hedge   | 1,008         | (4,376)            | 6,039         | (1,471)            |
| <b>Total</b>                        | <b>1,008</b>  | <b>(4,376)</b>     | <b>6,039</b>  | <b>(1,471)</b>     |

of which:

Non-current portion

Interest rate swaps cash flow hedge

Forward contracts cash flow hedge

**Total**

|                        |              |                |              |                |
|------------------------|--------------|----------------|--------------|----------------|
| <b>Current portion</b> | <b>1,008</b> | <b>(4,376)</b> | <b>6,039</b> | <b>(1,471)</b> |
|------------------------|--------------|----------------|--------------|----------------|

The table below shows movements in the stockholders' equity due to the reserve for cash flow hedges (amounts in thousands of Euro):

|   |                 |
|---|-----------------|
| <b>Balance as of January 1, 2012</b>  | <b>(14,018)</b> |
| Fair value adjustment of derivatives designated as cash flow hedges               | 3,163           |
| Tax effect on fair value adjustment of derivatives designated as cash flow hedges | (2,512)         |
| Amounts reclassified to the consolidated statement of income                      | 17,044          |
| Tax effect on amounts reclassified to the consolidated statement of income        | (3,995)         |
| <b>Balance as of December 31, 2012</b>  | <b>(318)</b>    |
| Fair value adjustment of derivatives designated as cash flow hedges               | (129)           |
| Tax effect on fair value adjustment of derivatives designated as cash flow hedges | 35              |
| Amounts reclassified to the consolidated statement of income                      | 567             |
| Tax effect on amounts reclassified to the consolidated statement of income        | (155)           |
| <b>Balance as of December 31, 2013</b>  |                 |

*Interest rate swaps*

As of December 31, 2013, all interest rate swap instruments have expired.

**32. SHARE-BASED PAYMENTS**

Beginning in April 1998, certain officers and other key employees of the Company and its subsidiaries were granted stock options of Luxottica Group S.p.A. under the Company's stock option plans (the "plans"). In order to strengthen the loyalty of some key employees with respect to individual targets, and in order to enhance the overall capitalization of the Company the Company's stockholders meetings approved three stock capital increases on March 10, 1998, September 20, 2001 and June 14,

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**32. SHARE-BASED PAYMENTS (Continued)**

2006, respectively, through the issuance of new common shares to be offered for subscription to employees. On the basis of these stock capital increases, the authorized share capital was equal to Euro 29,457,295.98. These options become exercisable at the end of a three-year vesting period. Certain options may contain accelerated vesting terms if there is a change in ownership (as defined in the plans).

The stockholders' meeting has delegated the Board of Directors to effectively execute, in one or more installments, the stock capital increases and to grant options to employees. The Board can also:

establish the terms and conditions for the underwriting of the new shares;

request the full payment of the shares at the time of their underwriting;

identify the employees to grant the options based on appropriate criteria; and

regulate the effect of the termination of the employment relationships with the Company or its subsidiaries and the effects of the employee death on the options granted by specific provision included in the agreements entered into with the employees.

Upon execution of the proxy received from the Stockholders' meeting, the Board of Directors has granted a total of 55,909,800 options of which, as of December 31, 2014, 31,171,583 have been exercised.

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**Notes to the  
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**32. SHARE-BASED PAYMENTS (Continued)**

In total, the Board of Directors approved the following stock option plans:

| <b>Plan</b>   | <b>Granted</b>    | <b>Exercised</b>  |
|---|-------------------|-------------------|
| 1998 Ordinary Plan  | 3,380,400         | 2,716,600         |
| 1999 Ordinary Plan  | 3,679,200         | 3,036,800         |
| 2000 Ordinary Plan  | 2,142,200         | 1,852,533         |
| 2001 Ordinary Plan  | 2,079,300         | 1,849,000         |
| 2002 Ordinary Plan  | 2,348,400         | 2,059,000         |
| 2003 Ordinary Plan  | 2,397,300         | 2,199,300         |
| 2004 Ordinary Plan  | 2,035,500         | 1,988,300         |
| 2005 Ordinary Plan  | 1,512,000         | 1,332,000         |
| 2006 Ordinary Plan(*)   | 1,725,000         | 70,000            |
| 2007 Ordinary Plan(*)   | 1,745,000         | 15,000            |
| 2008 Ordinary Plan  | 2,020,500         | 1,549,800         |
| 2009 Ordinary Plan  | 1,050,000         | 708,250           |
| 2009 Ordinary Plan: reassignment of options granted under the 2006 and 2007 Ordinary Plans to non-US beneficiaries        | 2,060,000         | 1,688,000         |
| 2009 Ordinary Plan: reassignment of options granted under the 2006 and 2007 Ordinary Plans to US beneficiaries            | 825,000           | 589,500           |
| 2002 Performance Plan   | 1,170,000         |                   |
| 2004 Performance Plan   | 1,000,000         | 1,000,000         |
| 2006 Performance Plan US beneficiaries(*)   | 3,500,000         |                   |
| 2006 Performance Plan non-US beneficiaries(*)   | 9,500,000         | 1,100,000         |
| 2009 Performance Plan: reassignment of options granted under the 2006 performance plans to non-US domiciled beneficiaries | 4,250,000         | 3,700,000         |
| 2009 Performance Plan: reassignment of options granted under the 2006 performance plans to US domiciled beneficiaries     | 1,450,000         | 1,300,000         |
| 2010 Ordinary Plan  | 1,924,500         | 1,272,500         |
| 2011 Ordinary Plan  | 2,039,000         | 1,145,000         |
| 2012 Ordinary Plan  | 2,076,500         |                   |
| <b>Total</b>  | <b>55,909,800</b> | <b>31,171,583</b> |

(\*)

The plan was reassigned in 2009.

On May 13, 2008, a Performance Shares Plan for senior managers within the Company as identified by the Board of Directors (the "Board") of the Company (the "2008 PSP") was adopted. The beneficiaries of the 2008 PSP are granted the right to receive ordinary shares, without consideration, if certain financial targets set by the Board are achieved over a specified three-year period. The 2008 PSP, which expired in 2013, had a term of five years, during which time the Board authorized the issuance of five grants to the 2008 PSP beneficiaries.

Pursuant to the PSP plan adopted in 2008, on April 28, 2011, the Board granted certain of the Group's key employees 665,000 rights to receive ordinary shares ("PSP 2011"), which can be increased by 15% up to a maximum of 764,750 units, if certain consolidated cumulative earnings per share targets are achieved over the three-year period from 2011 through 2013. As of December 31, 2014, the

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**32. SHARE-BASED PAYMENTS (Continued)**

consolidated cumulative earnings per share targets were achieved and therefore 509,500 shares were assigned to the beneficiaries.

Pursuant to the PSP plan adopted in 2008, on May 7, 2012, the Board granted certain of the Group's key employees 601,000 rights to receive ordinary shares ("PSP 2012"), which may be increased by 20% up to a maximum of 721,200 units if certain consolidated cumulative earnings per share targets are achieved over the three-year period from 2012 through 2014. As of December 31, 2014, the consolidated cumulative earnings per share targets were achieved. As of December 31, 2014, 110,400 of the maximum units granted had been forfeited.

On April 29, 2013, a Performance Shares Plan for senior managers within the Company as identified by the Board (the "2013 PSP") was adopted. The beneficiaries of the 2013 PSP are granted the right to receive ordinary shares, without consideration, if certain financial targets set by the Board are achieved over a specified three-year period.

On the same date, the Board granted certain of the Group's key employees 1,067,900 rights to receive ordinary shares, which may be increased by 20% up to a maximum of 1,281,480 units if certain consolidated cumulative earnings per share targets are achieved over the three-year period from 2013 through 2015. Management expects that the target will be met. As of December 31, 2014, 127,260 of the maximum units granted had been forfeited.

On April 29, 2014, the Board granted certain of the Group's key employees 1,004,400 rights to receive ordinary shares, which may be increased by 20% up to a maximum of 1,205,280 units if certain consolidated cumulative earnings per share targets are achieved over the three-year period from 2014 through 2016. Management expects that the target will be met. As of December 31, 2014, 44,580 of the maximum units granted had been forfeited.

The information required by IFRS 2 on stock option plans is reported below.

The fair value of the stock options was estimated on the grant date using the binomial model and following weighted average assumptions:

**PSP  
2014**

|   |         |
|---|---------|
| Share price at the grant date (in Euro) | 41.08   |
| Expected option life                    | 3 years |
| Dividend yield                          | 1.76%   |

The fair value of the units granted under the 2014 PSP was Euro 39.03 per unit.

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**Notes to the  
CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
As of DECEMBER 31, 2014**

**32. SHARE-BASED PAYMENTS (Continued)**

Movements reported in the various stock option and performance share plans in 2014 are reported below:

|   | Exercise price | Currency | No. of options outstanding as of December 31, 2013 | Granted options | Forfeited options | Exercised options | Expired options | No. of options outstanding as of December 31, 2014 |
|---|----------------|----------|--|-----------------|-------------------|-------------------|-----------------|--|
| 2005 Ordinary Plan  | 16.89          | Euro     | 27,000   |                 |                   | (27,000)          |                 |  |
| 2007 Ordinary Plan  | 24.03          | Euro     | 5,000  |                 |                   |                   |                 | 5,000  |
| 2008 Ordinary Plan  | 18.08          | Euro     | 263,700  |                 |                   | (144,500)         |                 | 119,200  |
| 2009 Ordinary plan for citizens not resident in the U.S.                        | 13.45          | Euro     | 49,500   |                 |                   | (13,500)          |                 | 36,000   |
| 2009 Ordinary plan for citizens resident in the U.S.                            | 14.99          | Euro     | 131,000  |                 |                   | (85,250)          |                 | 45,750   |
| 2009 Plan reassignment of 2006/2007 plans for citizens not resident in the U.S. | 13.45          | Euro     | 423,500  |                 |                   | (271,500)         |                 | 152,000  |
| 2009 Plan reassignment of 2006/2007 plans for citizens resident in the U.S.     | 15.03          | Euro     | 80,500   |                 |                   | (30,000)          |                 | 50,500   |
| 2009 Plan reassignment of STR 2006 plans for citizens not resident in the U.S.  | 13.45          | Euro     | 2,450,000  |                 |                   | (1,900,000)       |                 | 550,000  |
| 2009 Plan reassignment of STR 2006 plans for citizens resident in the U.S.      | 15.11          | Euro     | 150,000  |                 |                   | (100,000)         |                 | 50,000   |
| 2010 Ordinary Plan for citizens not resident in the U.S.                        | 20.72          | Euro     | 433,000  |                 |                   | (239,000)         |                 | 194,000  |
| 2010 Ordinary Plan for citizens resident in the U.S.                            | 21.23          | Euro     | 274,660  |                 |                   | (160,160)         |                 | 114,500  |
| 2011 Ordinary Plan for citizens not resident in the U.S.                        | 22.62          | Euro     | 1,220,000  |                 | (10,000)          | (870,500)         |                 | 339,500  |
| 2011 Ordinary Plan for citizens resident in the U.S.                            | 23.18          | Euro     | 517,500  |                 | (31,000)          | (269,500)         |                 | 217,000  |
| 2012 Ordinary Plan for citizens not resident in the                             | 28.32          | Euro     | 1,362,000  |                 | (44,000)          |                   |                 | 1,318,000  |

|  |       |      |                  |                  |                  |                    |
|--|-------|------|------------------|------------------|------------------|--------------------|
| U.S.   |       |      |                  |                  |                  |                    |
| 2012 Ordinary Plan for<br>citizens resident in the U.S | 26.94 | Euro | 586,000          |                  | (56,000)         | 530,000            |
| PSP 2012   |       |      | 673,200          |                  | (62,400)         | 610,800            |
| PSP 2013   |       |      | 1,259,040        |                  | (104,820)        | 1,154,220          |
| PSP 2014   |       | Euro |                  | 1,205,280        | (44,580)         | 1,160,700          |
| <b>Total</b>   |       |      | <b>9,905,600</b> | <b>1,205,800</b> | <b>(352,800)</b> | <b>(4,110,910)</b> |

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**Notes to the  
CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
As of DECEMBER 31, 2014**

**32. SHARE-BASED PAYMENTS (Continued)**

Options exercisable on December 31, 2014 are summarized in the following table:

|   | <b>Number of<br/>options<br/>exercisable as of<br/>December 31,<br/>2014</b> |
|---|--|
| 2007 Plan   | 5,000  |
| 2008 Plan   | 119,200  |
| 2009 Ordinary plan for citizens not resident in the U.S.                        | 36,000   |
| 2009 Ordinary plan for citizens resident in the U.S.                            | 45,750   |
| 2009 Plan reassignment of 2006/2007 plans for citizens not resident in the U.S. | 152,000  |
| 2009 Plan reassignment of 2006/2007 plans for citizens resident in the U.S.     | 50,500   |
| 2009 Plan reassignment of 2006 plans for citizens not resident in the U.S.      | 550,000  |
| 2009 Plan reassignment of 2006 plans for citizens resident in the U.S.          | 50,000   |
| 2010 Plan for citizens not resident in the U.S.                                 | 194,000  |
| 2010 Plan for citizens resident in the U.S.                                     | 114,500  |
| 2011 Plan for citizens not resident in the U.S.                                 | 339,500  |
| 2011 Plan for citizens resident in the U.S.                                     | 217,000  |
| <b>Total</b>  | <b>1,873,450</b>   |

The remaining contractual life of plans in effect on December 31, 2014 is highlighted in the following table:

|   | <b>Remaining<br/>contractual<br/>life in years</b> |
|---|--|
| 2006 Ordinary Plan  | 0.08   |
| 2006 Performance Plan B   | 0.57   |
| 2007 Ordinary Plan  | 1.18   |
| 2008 Ordinary Plan  | 2.20   |
| 2009 Ordinary plan for citizens not resident in the U.S.                        | 3.35   |
| 2009 Ordinary plan for citizens resident in the U.S.                            | 3.35   |
| 2009 Plan reassignment of 2006/2007 plans for citizens resident in the U.S.     | 2.25   |
| 2009 Plan reassignment of 2006/2007 plans for citizens not resident in the U.S. | 3.35   |
| 2009 Plan reassignment of 2006 plans for citizens not resident in the U.S.      | 3.35   |
| 2009 Plan reassignment of 2006 plans for citizens resident in the U.S.          | 3.45   |
| 2010 Ordinary Plan for citizens not resident in the U.S.                        | 4.33   |
| 2010 Ordinary Plan for citizens resident in the U.S.                            | 4.33   |
| 2011 Ordinary Plan for citizens not resident in the U.S.                        | 5.33   |
| 2011 Ordinary Plan for citizens resident in the U.S.                            | 5.33   |
| 2012 Ordinary Plan for citizens not resident in the U.S.                        | 6.35   |
| 2012 Ordinary Plan for citizens resident in the U.S.                            | 6.35   |

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With regards to the options exercised during the course of 2014, the weighted average share price of the shares in 2014 was equal to Euro 40.62.

The Group has recorded an expense for the ordinary stock option plans of Euro 6.1 million, Euro 9.5 million and Euro 10.8 million in 2014, 2013 and 2012, respectively. For the extraordinary plan as

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**Notes to the  
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As of DECEMBER 31, 2014**

**32. SHARE-BASED PAYMENTS (Continued)**

well as for the 2009, 2010, 2011, 2012, 2013 and 2014 PSPs, the Group recorded an expense of Euro 24.9 million, Euro 18.7 million and Euro 30.5 million in 2014, 2013 and 2012, respectively.

The stock plans outstanding as of December 31, 2014 are conditional upon satisfying the service conditions. The PSP plans are conditional upon satisfying service as well as performance conditions.

**33. DIVIDENDS**

In May 2014, the Company distributed aggregate dividends to its stockholders of Euro 308.3 million equal to Euro 0.65 per ordinary share. Dividends distributed to non-controlling interests totaled Euro 3.7 million. During 2013, the Company distributed aggregate dividends to its stockholders of Euro 273.7 million equal to Euro 0.58 per ordinary share. Dividends distributed to non-controlling interests totaled Euro 3.5 million.

**34. CAPITAL MANAGEMENT**

The Group's objectives when managing capital are to safeguard the Group's ability to continue, as a going concern, to provide returns to shareholders and benefit to other stockholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Group also monitors capital on the basis of a gearing ratio that is calculated as net financial position divided by total capital. Net financial position is calculated as total borrowings (including short-term borrowings and current and non-current portions of long-term debt) less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated statement of financial position, plus net financial position.

The table below provides the Group's gearing ratio for 2014 and 2013 as follows:

|                                    | <b>2014</b> | <b>2013</b> |
|------------------------------------|-------------|-------------|
| Total borrowings (notes 15 and 21) | 2,466.5     | 2,079.4     |
| less cash and cash equivalents     | (1,453.6)   | (618.0)     |
| Net financial position             | 1,012.9     | 1,461.4     |
| Total equity                       | 4,928.8     | 4,149.9     |
| Capital                            | 5,941.7     | 5,611.3     |
| Gearing ratio                      | 17.0%       | 26.0%       |

**35. SUBSEQUENT EVENTS**

On February 27, 2015, the Group terminated its Euro 500 million multicurrency (Euro/U.S. dollars) revolving credit facility. As of the date of termination, the facility was undrawn.

Table of Contents**Attachment 1****EXCHANGE RATES USED TO TRANSLATE FINANCIAL STATEMENTS PREPARED IN CURRENCIES OTHER THAN THE EURO**

|                             | <b>Average<br/>exchange<br/>rate<br/>for the<br/>year ended<br/>December 31,<br/>2014</b> | <b>Final<br/>exchange<br/>rate<br/>as of<br/>December 31,<br/>2014</b> | <b>Average<br/>exchange<br/>rate<br/>for the<br/>year ended<br/>December 31,<br/>2013</b> | <b>Final<br/>exchange<br/>rate<br/>as of<br/>December 31,<br/>2013</b> |
|-----------------------------|---|--|---|--|
| Argentine Peso              | 10.7718   | 10.2755  | 7.2718  | 8.9891   |
| Australian Dollar           | 1.4719  | 1.4829   | 1.3766  | 1.5423   |
| Brazilian Real              | 3.1211  | 3.2207   | 2.8662  | 3.2576   |
| Canadian Dollar             | 1.4661  | 1.4063   | 1.3679  | 1.4671   |
| Chilean Peso                | 756.9327  | 737.2970   | 657.9055  | 724.7690   |
| Chinese Renminbi            | 8.1857  | 7.5358   | 8.1630  | 8.3491   |
| Colombian Peso              | 2,652.4517  | 2,892.2600   | 2,482.2448  | 2,664.4199   |
| Croatian Kuna               | 7.6344  | 7.6580   | 7.5787  | 7.6265   |
| Great Britain Pound         | 0.8061  | 0.7789   | 0.8492  | 0.8337   |
| Hong Kong Dollar            | 10.3025   | 9.4170   | 10.2988   | 10.6933  |
| Hungarian Forint            | 308.7061  | 315.5400   | 296.9317  | 297.0400   |
| Indian Rupee                | 81.0406   | 76.7190  | 77.8649   | 85.3660  |
| Israeli Shekel              | 4.7449  | 4.7200   | 4.7938  | 4.7880   |
| Japanese Yen                | 140.3061  | 145.2300   | 129.5942  | 144.7200   |
| Malaysian Ringgit           | 4.3446  | 4.2473   | 4.1838  | 4.5221   |
| Mexican Peso                | 17.6550   | 17.8679  | 16.9551   | 18.0731  |
| Namibian Dollar             | 14.4037   | 14.0353  | 12.8251   | 14.5660  |
| New Zealand Dollar          | 1.5995  | 1.5525   | 1.6199  | 1.6762   |
| Norwegian Krona             | 8.3544  | 9.0420   | 7.8044  | 8.3630   |
| Peruvian Nuevo Sol          | 3.7678  | 3.6327   | 3.5896  | 3.8586   |
| Polish Zloty                | 4.1843  | 4.2732   | 4.1974  | 4.1543   |
| Russian Ruble               | 50.9518   | 72.3370  | 43.8514   | 45.3246  |
| Singapore Dollar            | 1.6823  | 1.6058   | 1.6613  | 1.7414   |
| South African Rand          | 14.4037   | 14.0353  | 12.8251   | 14.5660  |
| South Korean Won            | 1,398.1424  | 1,324.8000   | 1,453.6873  | 1,450.9301   |
| Swedish Krona               | 9.0985  | 9.3930   | 8.6492  | 8.8591   |
| Swiss Franc                 | 1.2146  | 1.2024   | 1.2310  | 1.2276   |
| Taiwan Dollar               | 40.2499   | 38.4133  | 39.4168   | 41.1400  |
| Thai Baht                   | 43.1469   | 39.9100  | 40.8032   | 45.1780  |
| Turkish Lira                | 2.9065  | 2.8320   | 2.5319  | 2.9605   |
| U.S. Dollar                 | 1.3285  | 1.2141   | 1.3277  | 1.3791   |
| United Arab Emirates Dirham | 4.8796  | 4.4594   | 4.8768  | 5.0654   |

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**ITEM 19. EXHIBITS**

*EXHIBITS.* The following documents are filed as exhibits herewith, unless otherwise specified and incorporated herein by reference:

| <b>Exhibit<br/>Number</b> | <b>Exhibits</b>  |
|---------------------------|--|
| 1.1                       | Articles of Association of Luxottica Group S.p.A. (incorporated herein by reference to Amendment No. 3 to Form F-1 (file No. 33-32039) filed with the U.S. Securities and Exchange Commission (the "Commission") on January 23, 1990).   |
| 1.2                       | Amended and Restated By-laws of Luxottica Group S.p.A. (incorporated herein by reference to our Annual Report on Form 20-F for the year ended December 31, 2012, as filed with the Commission on April 29, 2013).  |
| 2.1                       | Amended and Restated Deposit Agreement, dated as of March 28, 2006, among Luxottica Group S.p.A., Deutsche Bank Trust Company Americas, as Depository, and all owners and holders from time to time of American Depositary Receipts issued thereunder (incorporated herein by reference to our Registration Statement on Form F-6, as filed with the Commission on March 29, 2006).  |
| 2.2                       | Subscription Agreement, dated June 18, 1999, from Luxottica Luxembourg S.A. and Luxottica Group S.p.A., as Guarantor of the Notes, to Credit Suisse First Boston (Europe) Limited and UniCredito Italiano S.p.A., as Joint Lead Managers and Banca Commerciale Italiana, Banca d'Intermediazione Mobiliare IMI, Bayerische Hypo- und Vereinsbank AG, Caboto Holding SIM S.p.A., Merrill Lynch International and Paribas, as Managers (incorporated herein by reference to our Report on Form 6-K dated November 19, 1999, as filed with the Commission on November 23, 1999).  |
| 2.3                       | Fiscal Agency Agreement, dated June 25, 1999, between Luxottica Luxembourg S.A., Luxottica Group S.p.A., Bankers Trust Company, Bankers Trust Luxembourg S.A. and Credit Suisse First Boston (incorporated herein by reference to our Report on Form 6-K dated November 19, 1999, as filed with the Commission on November 23, 1999).  |
| 4.1                       | Luxottica Group S.p.A. 1998 Stock Option Plan (incorporated herein by reference to our Form S-8, dated October 20, 1998, as filed with the Commission on October 23, 1998).  |
| 4.2                       | Luxottica Group S.p.A. Restated 2001 Stock Option Plan, as amended (unofficial English translation incorporated herein by reference to our Annual Report on Form 20-F for the year ended December 31, 2012, as filed with the Commission on April 29, 2013).   |
| 4.3                       | Amended and Restated Facilities Agreement, dated June 3, 2004, for Luxottica Group S.p.A. and Luxottica U.S. Holdings Corp. arranged by ABN AMRO Bank N.V., Banca Intesa S.p.A., Banc of America Securities Limited, Citigroup Global Markets Limited, HSBC Bank plc, Mediobanca Banca di Credito Finanziario S.p.A., The Royal Bank of Scotland plc, Calyon S.A., Succursale di Milano, Calyon New York Branch, Capitalia S.p.A. and UniCredito Banca Mobiliare S.p.A. with UniCredito Italiano S.p.A., New York branch, and Unicredit Banca d'Impresa S.p.A., acting as Agents (incorporated herein by reference to our Annual Report on Form 20-F for the year ended December 31, 2005, as filed with the Commission on June 28, 2006). |

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| <b>Exhibit<br/>Number</b> | <b>Exhibits</b>   |
|---------------------------|---|
| 4.4                       | Amendment Agreement, dated March 10, 2006, for Luxottica Group S.p.A. and Luxottica U.S. Holdings Corp. arranged by ABN AMRO Bank N.V., Banca Intesa S.p.A., Banc of America Securities Limited, Citigroup Global Markets Limited, HSBC Bank plc, Mediobanca Banca di Credito Finanziario S.p.A., The Royal Bank of Scotland plc, Calyon S.A., Succursale di Milano, Calyon New York Branch, Capitalia S.p.A. and UniCredit Banca Mobiliare S.p.A. with UniCredito Italiano S.p.A., New York branch, and Unicredit Banca d'Impresa S.p.A., acting as Agents (incorporated herein by reference to our Annual Report on Form 20-F for the year ended December 31, 2005, as filed with the Commission on June 28, 2006). |
| 4.5                       | Amendment No. 2 to Agreement and Plan of Merger, dated as of July 14, 2004, by and between Luxottica Group S.p.A., Colorado Acquisition Corp. and Cole National Corporation (incorporated herein by reference to our Report on Form 6-K, dated July 14, 2004, as filed with the Commission on July 16, 2004).   |
| 4.6                       | Luxottica Group S.p.A. 2006 Stock Option Plan, as amended (incorporated herein by reference to our Annual Report on Form 20-F for the year ended December 31, 2012, as filed with the Commission on April 29, 2013).  |
| 4.7                       | Agreement and Plan of Merger, dated as of June 20, 2007, by and among Luxottica Group S.p.A., Norma Acquisition Corp. and Oakley, Inc. (incorporated herein by reference to our Report on Form 6-K, as filed with the Commission on June 25, 2007).   |
| 4.8                       | Luxottica Group S.p.A. 2008 Performance Shares Plan (unofficial English translation incorporated herein by reference to our Annual Report on Form 20-F for the year ended December 31, 2007, as filed with the Commission on June 26, 2008).  |
| 4.9                       | Form of Note Purchase Agreement, dated as of June 30, 2008, by and between Luxottica U.S. Holdings Corp. and each of the Purchasers listed in Schedule A attached thereto (incorporated herein by reference to our Report on Form 6-K, as filed with the Commission on July 11, 2008).  |
| 4.10                      | Form of Parent Guarantee, dated as of July 1, 2008, granted by Luxottica Group S.p.A. (incorporated herein by reference to our Report on Form 6-K, as filed with the Commission on July 11, 2008).  |
| 4.11                      | Form of Subsidiary Guarantee, dated as of July 1, 2008, granted by Luxottica S.r.l. (incorporated herein by reference to our Report on Form 6-K, as filed with the Commission on July 11, 2008).  |
| 4.12                      | Form of Note Purchase Agreement, dated as of January 29, 2010, by and between Luxottica U.S. Holdings Corp. and each of the Purchasers listed in Schedule A attached thereto (incorporated herein by reference to our Report on Form 6-K, as filed with the Commission on February 11, 2010).   |
| 4.13                      | Form of Parent Guarantee, dated as of January 29, 2010, granted by Luxottica Group S.p.A. (incorporated herein by reference to our Report on Form 6-K, as filed with the Commission on February 11, 2010).  |
| 4.14                      | Form of Subsidiary Guarantee, dated as of January 29, 2010, granted by Luxottica S.r.l. (incorporated herein by reference to our Report on Form 6-K, as filed with the Commission on February 11, 2010).  |

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**Exhibit  
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**Exhibits**

- 4.15 Note Purchase Agreement, dated as of September 30, 2010, by and between Luxottica Group S.p.A., and each of the Purchasers listed in Schedule A attached thereto (incorporated herein by reference to our Report on Form 6-K, as filed with the Commission on November 1, 2010).
- 4.16 Subsidiary Guarantee, dated as of September 30, 2010, granted by Luxottica S.r.l. and Luxottica U.S. Holdings Corp. (incorporated herein by reference to our Report on Form 6-K, as filed with the Commission on November 1, 2010).
- 4.17 Subscription Agreement, dated November 9, 2010, by and among Luxottica Group S.p.A., as Issuer, Luxottica U.S. Holdings Corp. and Luxottica S.r.l., as Guarantors, and BNP Paribas, Banca IMI S.p.A., Deutsche Bank AG, London Branch and Mediobanca Banca di Credito Finanziario S.p.A., as Joint Lead Managers (incorporated herein by reference to our Report on Form 6-K, as filed with the Commission on November 23, 2010).
- 4.18 Trust Deed, dated as of November 10, 2010, by and among Luxottica Group S.p.A., as Issuer, Luxottica U.S. Holdings Corp. and Luxottica S.r.l., as Original Guarantors, and BNP Paribas Trust Corporation UK Limited, as Trustee (incorporated herein by reference to our Report on Form 6-K, as filed with the Commission on November 23, 2010).
- 4.19 Paying Agency Agreement, dated as of November 10, 2010, by and among Luxottica Group S.p.A., as Issuer, Luxottica U.S. Holdings Corp. and Luxottica S.r.l., as Guarantors, BNP Paribas Trust Corporation UK Ltd, as Trustee, and BNP Paribas Securities Services, Luxembourg Branch, as Principal Paying Agent (incorporated herein by reference to our Report on Form 6-K, as filed with the Commission on November 23, 2010).
- 4.20 Form of Note Purchase Agreement, dated as of December 15, 2011, by and between Luxottica U.S. Holdings Corp. and each of the Purchasers listed in Schedule A attached thereto (incorporated herein by reference to our Report on Form 6-K, as filed with the Commission on December 23, 2011).
- 4.21 Form of Parent Guarantee, dated as of December 15, 2011, granted by Luxottica Group S.p.A. (incorporated herein by reference to our Report on Form 6-K, as filed with the Commission on December 23, 2011).
- 4.22 Form of Subsidiary Guarantee, dated as of December 15, 2011, granted by Luxottica S.r.l. (incorporated herein by reference to our Report on Form 6-K, as filed with the Commission on December 23, 2011).
- 4.23 Subscription Agreement, dated March 15, 2012, by and among Luxottica Group S.p.A., as Issuer, Luxottica U.S. Holdings Corp. and Luxottica S.r.l., as Guarantors, and Citigroup Global Markets Limited, Crédit Agricole Corporate and Investment Bank, Merrill Lynch International, The Royal Bank of Scotland plc and Unicredit Bank AG, as Joint Lead Managers (incorporated herein by reference to our Report on Form 6-K, as filed with the Commission on April 12, 2012).
- 4.24 Trust Deed, dated March 19, 2012, by and among Luxottica Group S.p.A., as Issuer, Luxottica U.S. Holdings Corp. and Luxottica S.r.l., as Original Guarantors, and BNP Paribas Trust Corporation UK Limited, as Trustee (incorporated herein by reference to our Report on Form 6-K, as filed with the Commission on April 12, 2012).

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**Exhibits**

- 4.25 Paying Agency Agreement, dated March 19, 2012, by and among Luxottica Group S.p.A., as Issuer, Luxottica U.S. Holdings Corp. and Luxottica S.r.l., as Guarantors, BNP Paribas Trust Corporation UK Limited, as Trustee, and BNP Paribas Securities Services, Luxembourg Branch, as Principal Paying Agent (incorporated herein by reference to our Report on Form 6-K, as filed with the Commission on April 12, 2012).
- 4.26 Multicurrency Revolving Facility Agreement, dated April 17, 2012, by and among Luxottica Group S.p.A. and Luxottica U.S. Holdings Corp., as Borrowers, Banco Santander S.A., Banc of America Securities Limited, Citigroup Global Markets Limited, Crédit Agricole Corporate and Investment Bank Milan Branch, The Royal Bank of Scotland plc and Unicredit S.p.A., as Mandated Lead Arrangers and Bookrunners, Unicredit Bank AG, Milan Branch, as Agent, and Citigroup Global Markets Limited, as Documentation Agent (incorporated herein by reference to our Report on Form 6-K, as filed with the Commission on April 25, 2012).
- 4.27 Luxottica Group S.p.A. Performance Shares Plan 2013-2017 (incorporated herein by reference to our Annual Report on Form 20-F for the year ended December 31, 2012, as filed with the Commission on April 29, 2013).
- 4.28 Subscription Agreement, dated February 6, 2014, by and among Luxottica Group S.p.A., Luxottica U.S. Holdings Corp., Luxottica S.r.l. and Banca IMI S.p.A., BNP Paribas, Crédit Agricole Corporate and Investment Bank, Deutsche Bank AG, London Branch, and UniCredit Bank AG, as Joint Lead Managers (incorporated herein by reference to our Report on Form 6-K, as filed with the Commission on March 6, 2014).
- 4.29 Trust Deed, dated May 10, 2013, by and among Luxottica Group S.p.A., as Issuer, Luxottica U.S. Holdings Corp. and Luxottica S.r.l., as Original Guarantors, and BNP Paribas Trust Corporation UK Limited, as Trustee (incorporated herein by reference to our Report on Form 6-K, as filed with the Commission on March 6, 2014).
- 4.30 Agency Agreement, dated May 10, 2013, by and among Luxottica Group S.p.A., as Issuer, Luxottica U.S. Holdings Corp. and Luxottica S.r.l., as Guarantors, BNP Paribas Securities Services, Luxembourg Branch, as Paying Agent, and BNP Paribas Trust Corporation UK Limited, as Trustee (incorporated herein by reference to our Report on Form 6-K, as filed with the Commission on March 6, 2014).
- 4.31 Programme Agreement, dated May 10, 2013, by and among Luxottica Group S.p.A., as Issuer, Luxottica U.S. Holdings Corp. and Luxottica S.r.l., as Guarantors, and Banca IMI S.p.A., BNP Paribas, Citigroup Global Markets Limited, Crédit Agricole Corporate and Investment Bank, Deutsche Bank AG, London Branch, J.P. Morgan Securities plc, Mediobanca Banca di Credito Finanziario S.p.A., Merrill Lynch International, The Royal Bank of Scotland plc and UniCredit Bank AG, as Initial Dealers (incorporated herein by reference to our Report on Form 6-K, as filed with the Commission on March 6, 2014).
- 4.32 Amendment and Restatement Agreement, dated March 5, 2014, by and among Luxottica Group S.p.A. and Luxottica U.S. Holdings Corp., as Borrowers, Banco Santander S.A., Bank of America Merrill Lynch International Limited, Citigroup Global Markets Limited, Crédit Agricole Corporate and Investment Bank Milan Branch, The Royal Bank of Scotland plc and Unicredit S.p.A., as Mandated Lead Arrangers and Bookrunners, Unicredit Bank AG, Milan Branch, as Agent, and Citigroup Global Markets Limited, as Documentation Agent (incorporated herein by reference to our Report on Form 6-K, as filed with the Commission on March 14, 2014).



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| <b>Exhibit<br/>Number</b> | <b>Exhibits</b>  |
|---------------------------|--|
| 4.33                      | First Supplemental Trust Deed, dated May 9, 2014, by and among Luxottica Group S.p.A., as Issuer, Luxottica U.S. Holdings Corp. and Luxottica S.r.l., as Original Guarantors, and BNP Paribas Trust Corporation UK Limited, as Trustee (filed herewith).   |
| 4.34                      | Amended and Restated Agency Agreement, dated May 9, 2014, by and among Luxottica Group S.p.A., as Issuer, Luxottica U.S. Holdings Corp. and Luxottica S.r.l., as Guarantors, BNP Paribas Securities Services, Luxembourg Branch, as Paying Agent, and BNP Paribas Trust Corporation UK Limited, as Trustee (filed herewith).   |
| 4.35                      | Amended and Restated Programme Agreement, dated May 9, 2014, by and among Luxottica Group S.p.A., as Issuer, Luxottica U.S. Holdings Corp. and Luxottica S.r.l., as Guarantors, and Banca IMI S.p.A., BNP Paribas, Citigroup Global Markets Limited, Crédit Agricole Corporate and Investment Bank, Deutsche Bank AG, London Branch, J.P. Morgan Securities plc, Mediobanca Banca di Credito Finanziario S.p.A., Merrill Lynch International, The Royal Bank of Scotland plc and UniCredit Bank AG, as Initial Dealers (filed herewith). |
| 8.1                       | List of Subsidiaries (filed herewith).   |
| 12.1                      | Certificate of Principal Executive Officer Pursuant to §302 of the Sarbanes-Oxley Act of 2002 (filed herewith).  |
| 12.2                      | Certificate of Principal Executive Officer Pursuant to §302 of the Sarbanes-Oxley Act of 2002 (filed herewith).  |
| 12.3                      | Certificate of Principal Financial Officer Pursuant to §302 of the Sarbanes-Oxley Act of 2002 (filed herewith).  |
| 13.1                      | Certificate of Principal Executive Officer Pursuant to §906 of the Sarbanes-Oxley Act of 2002 (filed herewith).  |
| 13.2                      | Certificate of Principal Executive Officer Pursuant to §906 of the Sarbanes Oxley Act of 2002 (filed herewith).  |
| 13.3                      | Certificate of Principal Financial Officer Pursuant to §906 of the Sarbanes-Oxley Act of 2002 (filed herewith).  |
| 15.1                      | Consent of PricewaterhouseCoopers S.p.A. (filed herewith).   |

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SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

LUXOTTICA GROUP S.p.A.  
(Registrant)

By:           /s/ ADIL MEHBOOB-KHAN          

Adil Mehboob-Khan  
Chief Executive Officer for Markets

By:           /s/ MASSIMO VIAN          

Massimo Vian  
Chief Executive Officer for  
Product and Operations

Dated: April 24, 2015

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