

**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, 2016
- 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.

(Exact name of Registrant as specified in its charter)

(Translation of Registrant's name into English)

REPUBLIC OF ITALY

(Jurisdiction of incorporation or organization)

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

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

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

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

476,976,945

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, a non-accelerated filer, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act.

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

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 our business objectives 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”). In addition, such forward-looking statements include, but are not limited to, statements regarding the proposed business combination between Essilor International (“Essilor”) and Luxottica (including the benefits, results, effects and timing of a transaction) and all statements regarding Luxottica’s (and Essilor’s and Luxottica’s combined) expected future financial position, results of operations, cash flows, dividends, financing plans, business strategy, budgets, capital expenditures, competitive positions, growth opportunities, plans and objectives of management. Statements used herein concerning the business outlook or future economic performance, anticipated profitability, revenues, expenses, dividends or other financial items, and product or services line growth of Luxottica (and the combined businesses of Essilor and Luxottica), together with all other statements that are not historical facts, are forward-looking statements. 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, 2016, 2015 and 2014, and the selected consolidated balance sheet data as of December 31, 2016 and 2015, are derived from the audited Consolidated Financial Statements included in Item 18. The selected consolidated income statement data for the years ended December 31, 2013 and 2012, and the selected consolidated balance sheet data as of December 31, 2014, 2013 and 2012, are derived from audited consolidated financial statements which are not included in this Form 20-F. In 2016, 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]

(Amounts in thousands of Euro except share data)	2016	2015 ⁽¹⁾	2014 ⁽²⁾	2013	2012
STATEMENT OF INCOME DATA:					
Net Sales	9,085,707	8,836,578	7,652,317	7,312,611	7,086,142
Cost of Sales	(3,153,264)	(2,835,426)	(2,574,685)	(2,524,006)	(2,435,993)
Gross Profit	5,932,443	6,001,152	5,077,632	4,788,605	4,650,148
OPERATING EXPENSE					
Selling and Advertising	(3,626,962)	(3,537,224)	(3,013,399)	(2,866,307)	(2,840,649)
General and Administrative	(960,214)	(1,087,484)	(906,620)	(866,624)	(839,360)
Total	(4,587,176)	(4,624,708)	(3,920,019)	(3,732,931)	(3,680,009)
Income from Operations	1,345,267	1,376,445	1,157,613	1,055,673	970,139
OTHER INCOME (EXPENSE)					
Interest Income	15,469	11,190	11,672	10,072	18,910
Interest Expense	(81,528)	(106,439)	(109,659)	(102,132)	(138,140)
Other—Net	39,486	(3,281)	455	(7,247)	(6,463)
Other Expenses—Net	(26,573)	(98,530)	(97,533)	(99,307)	(125,693)
Income Before Provision for Income Taxes	1,318,693	1,277,914	1,060,080	956,366	844,447
Provision for Income Taxes	(466,373)	(471,042)	(414,066)	(407,505)	(305,891)
Net Income	852,321	806,873	646,014	548,861	538,556
Of which attributable to:					
Luxottica Group Stockholders	850,524	804,119	642,596	544,696	534,375
Non-controlling Interests	1,797	2,753	3,417	4,165	4,181
Weighted Average Shares Outstanding (thousands)					
—Basic	479,226	479,554	475,948	472,057	464,643
—Diluted	480,026	482,073	479,247	476,273	469,574
Basic Earnings per Share ⁽³⁾	1.77	1.68	1.35	1.15	1.15
Diluted Earnings per Share ⁽³⁾	1.77	1.67	1.34	1.14	1.14

- (1) In 2015, the majority of the retail subsidiaries of the Group that did not previously report on a calendar-year basis changed their reporting calendars in order to align with those of Luxottica Group S.p.A. and other subsidiaries that report on a calendar-year basis.
- (2) Fiscal year 2014 for certain entities within the retail distribution segment included 53 weeks, compared to 52 weeks in each of fiscal years 2012 and 2013.
- (3) 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.

(Amounts in thousands of Euro except share data)	As of December 31,				
	2016	2015	2014	2013	2012
BALANCE SHEET DATA:					
Working Capital ⁽¹⁾	811,450	922,209	778,955	535,616	621,882
Total Assets	10,299,787	9,649,148	9,594,297	8,082,905	8,442,160
Total Debt ⁽²⁾	2,043,857	1,870,436	2,466,506	2,079,430	2,452,463
Stockholders' Equity	5,778,423	5,412,524	4,921,479	4,142,828	3,981,372
Capital Stock	29,051	29,019	28,900	28,653	28,394
Total Number of Ordinary Shares (thousands)	484,176	483,653	481,672	477,561	473,238

(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 362.9 million, Euro 155.3 million, Euro 778.1 million, Euro 363.0 million and Euro 400.4 million for the years ended December 31, 2016, 2015, 2014, 2013 and 2012, 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, 2016, our stockholders approved the distribution of a cash dividend in the amount of Euro 0.89 per ordinary share and ADR. The total amount of the dividend paid to stockholders on May 24, 2016 was Euro 427.7 million. On March 1, 2017, the Board of Directors of the Company proposed to the ordinary meeting of stockholders to be convened on April 28, 2017 the distribution of a cash dividend in the amount of Euro 0.92 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 per Ordinary Share ⁽¹⁾⁽²⁾⁽³⁾	Translated into U.S. \$ per Ordinary Share ⁽⁴⁾
	(Euro)	(U.S. \$)
2012	0.490	0.615
2013	0.580	0.750
2014	0.650	0.888
2015 ⁽⁵⁾	1.440	1.598
2016	0.890 ⁽⁶⁾	0.993

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

(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) In 2015, the dividend consisted of an ordinary dividend of Euro 0.72 per ordinary share and an extraordinary dividend of Euro 0.72 per ordinary share.
- (6) The dividend of Euro 0.89 per ordinary share was proposed by our Board of Directors on March 1, 2016 and was voted upon and approved by our stockholders at the ordinary meeting of stockholders held on April 29, 2016.

EXCHANGE RATE INFORMATION

The following tables set forth, for 2012 through 2016, 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:

Year Ended December 31,	Low	High	Average ⁽¹⁾	End of Period
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
2015	1.0552	1.2043	1.1046	1.0887
2016	1.0364	1.1569	1.1032	1.0541

- (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.

Month	Low	High
October 2016	1.0872	1.1236
November 2016	1.0548	1.1095
December 2016	1.0364	1.0762
January 2017	1.0385	1.0755
February 2017	1.0513	1.0808
March 2017	1.0514	1.0889

On April 24, 2017, the BCE Rate was U.S. \$1.0848 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.

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.

COMBINATION WITH ESSILOR

On January 15, 2017, Luxottica’s controlling shareholder, Delfin S.à r.l. (“Delfin”), and Essilor entered into a combination agreement, pursuant to which Delfin and Essilor have agreed to a strategic combination

of Luxottica's and Essilor's respective businesses (the "Combination"). As part of the transaction, Delfin has agreed to contribute its entire equity stake in Luxottica to Essilor in exchange for newly-issued Essilor shares (the "Contribution"), and Essilor (to be renamed "EssilorLuxottica" after completion of the contemplated Contribution) will subsequently make an offer to acquire all of the remaining issued and outstanding shares of Luxottica in accordance with Italian law (the "Offer"). In addition, as part of the transaction, Essilor is expected to implement a "hive-down" or similar contribution of substantially all its activities to a wholly-owned subsidiary to be renamed "Essilor International," following which Essilor will become a holding company for the combined business under the new name "EssilorLuxottica." Immediately following the transaction, Delfin is expected to own between 31% and 38% of the outstanding shares of EssilorLuxottica on a fully diluted basis (depending on the acceptance rate of the Offer) and be the largest shareholder of the combined company. The voting rights of each shareholder of EssilorLuxottica will be capped at 31%, subject to a formula, and any double voting rights in respect of the Essilor shares will be cancelled. Completion of the transaction is subject to Essilor's Works Councils' information and consultation procedure in accordance with French law (which was successfully completed on March 6, 2017) and the satisfaction of certain other conditions, including (i) written confirmation from the *Autorité des marchés financiers* (the "AMF") that the transaction will not require Delfin to make a mandatory tender offer for Essilor's shares (which was received on April 12, 2017), (ii) completion of the hive-down, (iii) clearances (including as a result of the expiration of the relevant waiting period) from competition authorities in the European Union, the United States, China, Brazil and Canada and (iv) the requisite approvals from Essilor's shareholders.

The combination agreement will terminate automatically if (i) Essilor has failed to convene its general shareholders' meeting to approve, among other things, the Contribution (which meeting is to be held no later than May 30, 2017), (ii) Essilor's general shareholders' meeting has failed to approve, among other things, the Contribution or (iii) Essilor's special meeting of shareholders (to be held no later than May 30, 2017) has failed to approve the cancellation of double voting rights in respect of the Essilor shares. Either Delfin or Essilor may elect to terminate the combination agreement if (i) the conditions precedent (other than those relating to obtaining the requisite approval of Essilor's shareholders) have not been waived or satisfied and the Contribution has not been completed by June 30, 2018 or (ii) any of the necessary competition authority approvals has been denied (and such denial has become final, binding and non-appealable) or an order permanently preventing the consummation of the transaction or the satisfaction of any conditions precedent has become final, binding and non-appealable.

Upon consummation of the Combination, Luxottica's Executive Chairman, Leonardo Del Vecchio, is intended to serve as Executive Chairman and CEO of EssilorLuxottica. Essilor's Chairman and CEO, Hubert Sagnières, is intended to serve as Executive Vice-Chairman and Deputy CEO of EssilorLuxottica with equal powers as the Executive Chairman and CEO. Leonardo Del Vecchio and Hubert Sagnières are also intended to keep their positions of Executive Chairman of Luxottica and Chairman and CEO of Essilor International, respectively. The EssilorLuxottica Board of Directors will consist of sixteen members: eight members nominated by Essilor (comprising Hubert Sagnières, two Essilor employee representatives, one representative of Valoptec Association, an organization whose members are employee-shareholders of Essilor, and four independent members from the current Board of Directors of Essilor) and eight members nominated by Delfin (comprising Leonardo Del Vecchio, three Delfin representatives and four independent members designated by Delfin after consultation with Essilor (unless those directors are chosen from among the current Luxottica board members, in which case no consultation is required)). Essilor International, after completion of the hive-down described above, and Luxottica will each maintain its Board of Directors.

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 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;

- 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.

Recent political changes in certain countries in which we do significant business have resulted in global regulatory uncertainty with respect to international trade and could materially adversely affect our business, financial condition and results of operations by increasing costs and slowing distribution processes.

On June 23, 2016, the United Kingdom held a referendum in which voters approved an exit from the European Union, commonly referred to as “Brexit.” Following the referendum, on March 29, 2017, the British government triggered Article 50 of the European Treaty issuing notice of the United Kingdom’s intent to withdraw from the European Union. The process of negotiating the terms of the United Kingdom’s future relationship with the European Union has now begun and is expected to take two years to complete. Although it is unknown what those terms will be, it is possible that there will be greater restrictions on imports and exports between the United Kingdom and European Union countries and increased regulatory complexities. These changes may adversely affect our operations and financial results.

In addition, in the United States, the new leadership has expressed a desire to reevaluate and potentially modify existing trade agreements, such as the North American Free Trade Agreement, to restrict free trade, including significant increases in tariffs on goods imported into the United States. Any future changes in U.S. political, regulatory or economic conditions or in laws or policies governing foreign trade, manufacturing, development and investment in the territories and countries where we currently develop and sell products could adversely affect our business.

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 the Combination with Essilor

The completion of the Combination is subject to a number of conditions precedent, any of which may prevent or delay the Combination if not satisfied or waived.

The closing of the Contribution, and by extension the Combination, is subject to a number of conditions precedent. There can be no guarantee that these conditions will be satisfied or waived in a timely fashion or at all. Any failure or delay in respect thereof could prevent or delay the completion of the Combination, which could reduce the synergies and benefits that Luxottica and Essilor expect to obtain from the Combination.

The integration of the operations of Essilor and Luxottica may not be successful and may disrupt operations or generate expenses.

The anticipated benefits of the contemplated Combination will depend in part on the successful integration of the activities of Essilor and Luxottica. The Combination will involve the integration of two complex groups of considerable size that currently pursue a wide range of activities and operate independently. The companies could encounter significant difficulties in implementing an integration plan, some of which may be unforeseen or beyond the control of Essilor and Luxottica, including:

- Challenges related to inconsistencies between the standards, controls, procedures and rules, business culture and organization of Essilor and Luxottica, and the need to integrate and harmonize different operational systems and procedures specific to the two companies, such as the financial and accounting systems and other computer systems; and
- The existence of any minority shareholders in Luxottica following the transaction could make the implementation of certain integration steps more burdensome, complex or costly.

In addition, the process of integration will be complex and time-consuming, and management of both companies will have to devote significant time and resources to the effort. These efforts could divert management's focus and resources from other strategic opportunities and from day-to-day operational matters during the integration process. Integration efforts may also generate significant costs, which could adversely affect the combined company's financial position and results of operations. Any failure to integrate the companies as expected could have an adverse impact on the operations, financial condition and profitability of the combined company.

The Combination may not achieve some or all of the anticipated synergies.

There can be no guarantee that the revenue or cost synergies anticipated to result from the Combination will be achieved in the expected time frame or at all, as the eventual achievement and extent of the anticipated synergies depends on a variety of factors and assumptions, many of which are beyond the control of Essilor and Luxottica. The ability to achieve the anticipated synergies could be adversely affected by the materialization of one or more of the risks relating to the business of Luxottica described in this Form 20-F. Furthermore, the costs incurred to achieve these synergies could be higher than anticipated or there may be additional unanticipated costs that exceed the expected synergies, which may result in reduced shareholder value. Failure to successfully achieve the anticipated synergies or increased costs incurred in connection therewith could materially and adversely affect the activities, results of operations, financial condition and prospects of the combined company.

Uncertainty related to the proposed Combination may negatively affect Luxottica's relationships with strategic partners, suppliers, clients and employees.

During the interim period between the announcement of the contemplated Combination and its closing, it will be subject to significant uncertainty, which may adversely affect the companies' respective relationships with certain customers, strategic partners and employees. Certain strategic partners, suppliers and customers may choose to delay making operational or strategic decisions until there is greater certainty of the results of the Combination. In addition, certain of the customers of Essilor are distributors that compete with Luxottica's retail operations. The Combination may lead such customers to choose to engage with different suppliers or distributors, or negatively affect Essilor's or Luxottica's relationship with such customers. Any such adverse effects on the companies' relationships could have an adverse effect on the revenue, earnings and cash flows from operating activities of operations of Essilor and Luxottica (and, following the contemplated Contribution, EssilorLuxottica) and on the market value of their respective shares.

Luxottica and EssilorLuxottica, the combined company, may not be able to retain key management and personnel or implement the intended governance structure.

The success of EssilorLuxottica will in large part depend on its capacity to retain the management and key personnel of Essilor and Luxottica and their subsidiaries. The inability of EssilorLuxottica to attract and retain such key staff, including as a result of any uncertainties or difficulties related to the integration of the two companies, could prevent it from achieving its overall objectives. In addition, the combination agreement sets forth a proposed governance structure for EssilorLuxottica, but the implementation of this structure as proposed may not be successful or may adversely affect the management of the combined company, including as a result of the EssilorLuxottica Executive Chairman not having a casting vote and having equal powers with the EssilorLuxottica Executive Vice-Chairman, which could cause delays or difficulties in the event of strategic or operational disagreements. Any inability to retain management and key personnel, or to successfully implement the envisaged governance and management structure, could have a material impact on its business, results of operations, financial position, and prospects.

The Combination may trigger change of control provisions in certain of Luxottica's financing and operating agreements.

The Combination could potentially trigger certain change of control provisions (including requirements to obtain approval from a counterparty or, in the case of certain financing documents, that Luxottica redeem securities from investors), which could result in a range of adverse consequences, including termination of the contracts, rendering amounts owed by Luxottica immediately payable or requiring amendments to the contracts. Luxottica may be unable to obtain the required consent of a counterparty or may be required to renegotiate contracts on terms that are less favorable to Luxottica in connection with obtaining such consent.

Failure to complete the Combination could negatively impact the stock price and the future business and financial results of Luxottica.

If the Combination is not completed, the ongoing business of Luxottica may be adversely affected, including as a result of the following:

- Luxottica has incurred and may continue to incur significant costs and fees associated with the proposed Combination;
- Luxottica may experience negative reactions from the financial markets, including a negative impact on its stock price;
- Luxottica may experience negative reactions from its customers, regulators and employees; and

- prior to termination, Luxottica's management may have devoted substantial time to matters relating to the Combination, which could otherwise have been devoted to day-to-day operations and other opportunities that may have been beneficial to Luxottica as a standalone company.

In addition, Luxottica could be subject to litigation related to any failure to complete the Combination, which may adversely affect Luxottica's business, financial condition, financial results and stock price.

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.

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 our business objectives 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.

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, Bulgari, Tiffany & Co., Versace, Burberry, Ralph Lauren, DKNY, Paul Smith, Brooks Brothers, Tory Burch, Coach, Armani, Michael Kors, Valentino 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, 2016 and 2015, 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 addition, in 2016, the European Union's new rules and regulations regarding privacy concerns were published with an effective date for compliance commencing in May 2018. These regulations will impose fines and penalties for non-compliance that are calculated as a percentage of net sales. In certain circumstances, even if no fine or penalty is imposed for our failure to comply with an applicable law or regulation, 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 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, including our retail licensed brands and other host relationships, 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, including Sears Optical and Target Optical and other host relationships including our relationship with Macy's, Galeries Lafayette and LE BHV MARAIS department stores. Our leases and licenses with Sears Optical are terminable upon short notice. If our relationship with Sears Optical, Target Optical, Macy's, Galeries Lafayette or LE BHV MARAIS 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.

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, security failure or breach 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, legal defense and settlement costs, 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.

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 62.52% 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 March 31, 2017, Mr. Leonardo Del Vecchio, the Chairman of our Board of Directors, through the company Delfin S.à r.l., has voting rights over 302,846,957 ordinary shares, or 62.52% 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, such as the Combination.

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 2014, we announced the introduction of a 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. In 2016, our Board of Directors approved the assignment of executive responsibility for Markets, a role formerly held by Mr. Adil Mehboob-Khan, to Mr. Leonardo Del Vecchio, the Company's Chairman of the Board and majority shareholder, as Executive Chairman. Mr. Massimo Vian continues in his role of CEO for Product and Operations. If this governance 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, 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.

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 and China. We also maintain manufacturing facilities in 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).

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. In 2016, our total net sales reached approximately Euro 9.1 billion, net income attributable to Luxottica stockholders was Euro 851 million and headcount as of year-end was 82,282 employees. We operate in two 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 and listed on the New York Stock Exchange since 1990 and Borsa Italiana since 2000, we are a vertically integrated organization whose manufacturing of sun and prescription eyewear is backed by a wide-reaching wholesale organization and a retail distribution network, located primarily in North America, Latin America, Asia-Pacific and Western Europe.

Product design, development and manufacturing for frames take place in Luxottica’s six production facilities in Italy, three factories in China, one in Brazil and one facility in the United States, devoted to sports and performance eyewear. Luxottica also has a small plant in India serving the local market. In 2016, the Group’s worldwide production reached approximately 93 million units.

Luxottica also has produced sun and ophthalmic lenses for more than 20 years. The Company has increased its manufacturing capacity with the recent addition of three new laboratories in Europe, North America and Asia-Pacific, which are completely integrated with its logistics hubs.

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, one of the leading product design and sport performance brands globally, Vogue Eyewear, Persol, Oliver Peoples, Alain Mikli and Arnette. Licensed brands include Giorgio Armani, Bulgari, Burberry, Chanel, Coach, Dolce&Gabbana, DKNY, Michael Kors, Miu Miu, Paul Smith, Prada, Ralph Lauren, Starck Eyes, Tiffany & Co., Tory Burch, Valentino and Versace.

Our wholesale distribution network covers more than 150 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 approximately 8,000 stores worldwide as of December 31, 2016. 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, in Italy with

our Salmoiraghi & Viganò 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.

Luxottica is home to Sunglass Hut, the largest retailer of premium sunglasses with a global footprint in North America, Latin America, Asia-Pacific, South Africa, Europe and the Middle East. Additionally, Luxottica launched its new Ray-Ban retail concept in China in 2016. More than physical stores, they offer an interactive space created for consumers to embrace the unique Ray-Ban experience and culture. The Oakley brand provides a powerful wholesale and retail presence in both the performance optics and sport channels with its “O” stores, offering Oakley-branded eyewear as well as apparel, footwear, backpacks and accessories designed for athletic lifestyles. Finally, retail brands including Oliver Peoples, ILORI and The Optical Shops of Aspen give us a foothold in the luxury space.

Our distribution channels are complemented by e-commerce platforms, including the Oakley.com, Ray-Ban.com, SunglassHut.com and glasses.com websites.

In 2016, 43.7% of total sales of frames and lenses in Euros related to prescription eyewear and 56.3% related to sunglasses.

Our capital expenditures for our continuing operations were Euro 651.6 million for the year ended December 31, 2016 and Euro 106.1 million for the three-month period ended March 31, 2017. We expect 2017 aggregate capital expenditures to exceed 6-7% of the Group’s net sales. The most significant investments planned are the remodeling of existing stores, the opening of new stores, the upgrade and expansion of our manufacturing and distribution facilities, including new lens capabilities, as well as enhancement of our IT infrastructure. We expect to fund these future capital expenditures primarily through cash flow generation 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.

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 design and quality of our products and increase market share.

From the late 1980s, eyeglasses, previously perceived as mere sight-correcting instruments, began to evolve into “eyewear”. An aesthetic focus on everyday objects and designers’ interest in the emerging accessories market 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 that initial collaboration, with numerous others and with the acquisition of new brands, gradually building our current world-class brand portfolio.

Over the years, we have launched collections from names like Bulgari (1997), Chanel (1999), Prada (2003), Versace (2003), Donna Karan (2005), Dolce&Gabbana (2006), Burberry (2006), Ralph Lauren (2007), Paul Smith (2007), Tiffany & Co. (2008), Tory Burch (2009), Coach (2012), Starck Eyes (2013), Giorgio Armani (2013), Michael Kors (2015) and Valentino (2017).

Moreover, in 1999 we acquired Ray-Ban, one of the world’s best-known sunglasses brands along with its 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.

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.

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. We became the world’s first significant eyewear manufacturer to enter the retail market, 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. In 2016, Luxottica

completed the acquisition of Salmoiraghi & Viganò S.p.A. (“Salmoiraghi & Viganò”), in which Luxottica held a minority stake since 2012. Salmoiraghi & Viganò is one of the leading optical retail chains in Italy.

DESIGN AND PRODUCT DEVELOPMENT

Emphasis on product design and the continuous development of new styles are key to Luxottica’s success. During 2016, we added approximately 2,000 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.

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.

Product development is the next stage of execution. 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 very first samples obtained are assembled and undergo a series of tests required by internal quality control procedures.

After the quality certification, the sales samples are produced and subjected to a new intensive series of tests to verify the quality of the engineering and production. Finally, Luxottica determines which of its plants is best suited to manufacture the final consumer product and mass production begins. By using a launch calendar that focuses on customer and geographic demand, the Group has been able to shorten product development timelines in recent years.

Innovation

The future of eyewear and all its untapped opportunities is a source of inspiration that drives the Company to create, experiment, refine and implement new ideas, from the research of new materials and product development to manufacturing, distribution and digital platforms.

Innovative thinking set the roots of Luxottica in its early years, when the founder had a far-sighted vision to boost the growth of the Company by vertically integrating the entire value chain. Managing all stages of the production process ensures the highest levels of product quality and service. At the same time, direct distribution and sales allow the Group to have direct relationships with its consumers.

Design and technological innovation

Luxottica’s designs both reflect and influence emerging fashion trends. The Group emphasizes unique product design and the continuous development of new styles that appeal to the needs and desires of consumers.

While wearable technology is in its early stages, Luxottica has taken a leading role in exploring and developing smart eyewear through partnerships with leading technology innovators. In October 2016, Luxottica and Intel launched “Radar Pace,” Oakley branded smart glasses with a voice-activated real time coaching system to improve the workout experience and performance for runners and cyclists.

BRAND PORTFOLIO

Our portfolio is well-balanced between proprietary and licensed brands and continues to evolve.

The presence of Ray-Ban, one of the world’s leading lifestyle eyewear brands, 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 of the most well-known and prestigious names in the global fashion and luxury industries.

With our manufacturing and distribution know-how, experience in international markets and direct retail operations supported by marketing investment, we are the ideal partner for fashion houses and stylists seeking to translate their style and values into successful premium eyewear collections. We differentiate each designer’s offering to produce a broad range of models that appeal to a diverse group of consumers, lifestyles and geographic locations.

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

	Year Ended December 31,				
	2016	2015	2014	2013	2012
Designer brands	32.4%	32.4%	30.6%	31.4%	29.7%
Proprietary brands	67.6%	67.6%	69.4%	68.6%	70.3%

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:

	Year Ended December 31,				
	2016	2015	2014	2013	2012
Prescription frames and lenses	43.7%	44.2%	44.3%	46.1%	47.3%
Sunglasses	56.3%	55.8%	55.7%	53.9%	52.7%

Proprietary Brands

In 2016, proprietary brands accounted for approximately 68% of total sales of frames. Ray-Ban and Oakley eyewear, the two largest brands in our portfolio based on sales, accounted for approximately 27% and 11%, respectively, of the Group’s 2016 net sales.

Ray-Ban

Timeless style, authenticity and freedom of expression are the core values of Ray-Ban, a leader in sun and prescription eyewear for generations. Since the introduction of the iconic Aviator model created for the aviators of the United States Army, Ray-Ban has been at the forefront of cultural change, becoming a symbol of self-expression, worn by celebrities and public figures all around the world. The lifestyle brand joined the Luxottica Group in 1999 after which Ray-Ban accelerated its growth and redefined the distribution.

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, chosen by world-class athletes to compete at the highest level possible. The holder of more than 800 patents, Oakley is also known for its innovative 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.

Arnette

Founded in 1992 and acquired by Luxottica in 1999, Arnette is an active lifestyle eyewear brand that appeals to young and "forever young" consumers with an easy going style. Key traits of Arnette are functional affordable quality designed for everyday use and an authentic love for popular freestyle action sports like surf and skate.

Vogue Eyewear

Launched in 1973 under the same name as the famous fashion magazine, Vogue Eyewear was acquired by Luxottica in 1990. The brand, which reflects dominant fashion trends of the moment, offers a wide global assortment as well as local collections for the emerging markets. It has become an international contemporary fashion brand.

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 art-like quality make the brand a favorite in the world of cinema.

Oliver Peoples

Acquired by Luxottica in 2007, Oliver Peoples was founded in 1987 with its first store in West Hollywood and the introduction of a retro-inspired eyewear collection. Oliver Peoples frames are handcrafted from the finest quality materials, in colors and styles exclusive to the brand. Frames are manufactured in limited quantities and with deliberate anti-logo labeling, which appeals to refined consumers.

Alain Mikli

Acquired by Luxottica in 2013, Alain Mikli represents over 35 years of passion and know-how. In 1978, the designer Alain Mikli began to use eyewear as a means to communicate personal style and trends. These became frames to see as well as to be seen.

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. Under these license agreements, we are required to pay a royalty ranging from 5% to 14% of net sales of the related collection and a mandatory marketing contribution of between 5% and 15% of net sales of the related collection.

Prada is the most significant license in our portfolio as measured by total sales. In 2016, sales realized through the Prada, Prada Linea Rossa and Miu Miu brand names together represented approximately 4% of total Group sales.

Armani Group

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

Giorgio Armani

The Giorgio Armani brand has an incomparable and timeless sense of style. Armani's vision of the world of creative design is not just about turning heads, but about leaving a lasting impression. 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 is designed for trendy customers who love the Armani DNA. Armani's core elements are revisited in a modern take on fresh style, with innovative and 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 the lens of its young fashion-forward urban spirit. Modern bold shapes in original shades reflect contemporary design with stylish details, and with an accessible price.

Brooks Brothers

Characterized by lightweight materials and a slender line, the Brooks Brothers collections reflect the American brand's iconic style. This is an accessible product line with classic style that delivers high functionality and quality. The original license agreement was signed in 1992.

Bulgari

Under license since 1997, Bulgari, the great Italian jeweler and master of colored gemstones of international fame, represents one of the most exclusive brands in eyewear. Contemporary design, unique styles and glamorous details are combined with superior quality. This brand is positioned for the highest segment of eyewear as jewelry, with luxury Italian craftsmanship and bold style. Bulgari eyewear features precious materials such as gold, gemstones and Austrian 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.

Chanel

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

Coach

Founded in 1941 as a family-run workshop in a Manhattan loft, Coach has grown into a leading American designer and marketer of fine accessories and ready-to-wear for women and men around the world. Under license since 2012, the Coach eyewear collection perfectly expresses New York style and the authentic American heritage of the Coach brand.

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 offers modern design at an accessible price, for wardrobe staples that are the perfect mix of quality, value and style.

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

Launched in 1994 and licensed by Luxottica in 2007, the Paul Smith Spectacles brand 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. It 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 Prada collection also includes the Prada Linea Rossa line, which is inspired by the world of luxury 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, which reflects the essence of Miuccia Prada, is a brand for fashion forward women who aspire to a more avant-garde and sophisticated 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 themes—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 status 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.

Starck Eyes

Starck Eyes joined Luxottica's portfolio as part of the Alain Mikli acquisition in 2013. The unique Starck Eyes collection celebrates minimalism and innovation through an exclusive technological revolution: the heart of the product is the patented Biolink®, a screw-less hinge modeled after the human clavicle, which allows a full 360-degree movement for increased comfort and durability—biomechanics at the service of vision.

Tiffany & Co.

Founded in 1837 in New York City, Tiffany & Co. has a rich heritage filled with celebrated events, artists and milestones that live on today in legendary style. Luxottica was the first company licensed to produce Tiffany & Co.'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 that embodies the unique sense of style of its chairman, CEO and designer, Tory Burch. Launched in 2004 with her now iconic Reva ballet flats and the tunic, the brand further expanded into accessories, apparel and beauty. Known for her bohemian preppy, aesthetic, Tory Burch launched its eyewear collection with Luxottica in 2009. Her bold use of color, graphic prints and eclectic detailing are all signatures of the brand.

Valentino

Established in Rome in 1960, Maison Valentino is one of the highest expressions of couture savoir faire and the excellence that has made Italian products famous worldwide. The ateliers in Palazzo Mignanelli, the company's historic headquarters in the heart of the Eternal City, are where creativity and expertise meld in search of timeless elegance. Lightness, grace and precious delicacy are the DNA of Valentino. The Valentino eyewear collections embody the Maison's timeless elegance in a perfect balance between tradition and innovation fully respecting the iconic values of the brand. The first eyewear collection with Luxottica will be launched in 2017.

Versace

Versace is a prestigious fashion and lifestyle brand, a symbol of Italian luxury worldwide. It is designed for men and women who desire a modern and contemporary style that combines sophistication and sex appeal. The eyewear collection, under license since 2003, bears the distinctive visual details that the fashion house is known for.

MANUFACTURING

Plants and Facilities

In 2016, our manufacturing facilities located in Italy, China, India, the United States and Brazil produced a combined total of approximately 93 million prescription frames and sunglasses. Ongoing research and development and innovation has allowed us to strengthen our manufacturing processes, upgrade our capacity at each of our facilities and improve the overall quality of our products. Automation is also key in boosting the efficiency of our production.

Our manufacturing footprint includes six facilities located in Italy, the center of our luxury eyewear production, all of which combine the tradition of Italian craftsmanship with the speed and efficiency of modern automation. These factories represented 41% of our global production output in 2016. Five facilities are located in northeastern Italy, where most of the country's eyewear industry is based, and one is located near Turin.

Three manufacturing facilities in China and a small plant in India collectively represented another 46% of our total production output in 2016. From 1997 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 and, in 2006, we further increased manufacturing capacity in China through the construction of a new facility. In 2010, our Tristar facility started producing plastic sun lenses to be paired with frames manufactured in the same location. In 2013, Luxottica integrated a new state-of-the-art plant, primarily dedicated to frame details and decorations.

The Foothill Ranch facility in California represented another 10% of our total production output in 2016 and 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.

In 2012, we acquired the manufacturing facility in Campinas, Brazil, which produces both plastic and metal frames for the local market. In September 2012, we launched the first locally designed and produced Vogue Eyewear collection for Brazil, followed by select Ray-Ban, Arnette, Oakley and Armani Exchange collections. In 2016, the Campinas plant produced the remaining 3% of our total production output and approximately 50% of the eyewear sold by Luxottica in the Brazilian market.

Automation and Robotics

Luxottica has incorporated robotics, automation, computing, and big data into its manufacturing processes with a focus on value added activities. The Group is developing a higher level of automation and factory digitalization to continuously improve speed, flexibility, quality and productivity.

Products and Materials

Frames

Over the years Luxottica has progressively diversified its technology mix from the traditional metal, plastic injection and acetate slabs to include aluminum, wood, die casting and fabric inserts. Consumer needs are continuously changing, which require quick technological adaptations.

The two main product families are metal and plastic (acetate and injected), which represented almost 30% and 70%, respectively, of the Group's total frame production in 2016.

Luxottica's manufacturing process for metal frames has approximately 70 different phases, beginning with the production of basic components such as rims, temples and bridges using 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 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.

Lenses

Luxottica has gradually developed an expertise in producing its own lenses in-house. Investments in breakthrough technology and processes, rigorous testing and increasing synergies within the Group have improved the quality of Luxottica's lenses for sunglasses and eyeglasses over time.

The Lauriano plant in Italy is a benchmark for the world of Luxottica sun lenses with its multiple roles as production plant, research and experimental lab dedicated to the latest innovations, and logistics center delivering sun lenses to the rest of the Group. The Foothill Ranch facility also performs a key role in the Group's sun lens operations, manufacturing high-performance sunglasses, prescription frames and lenses and assembling most of Oakley's eyewear products. In 2016, the Group incorporated a cutting-edge color-enhancing technology crucial for the Oakley Prizm™ and the Ray-Ban Chromance lenses.

Recently, Luxottica opened three new central laboratories within its logistics hubs in Italy, the United States and China specifically for the production of ophthalmic lenses. These labs are in addition to the six existing lens manufacturing facilities that have made Luxottica a competitive player in the high-end ophthalmic lens business. Luxottica operates four central laboratories in North America, including the Oakley Foothill Ranch facility, a lab in Latin America and the Eyebiz joint venture with Essilor in Thailand, which serves the Australian market.

Logistics

Our distribution system, which serves both the retail and wholesale businesses and links them to the production facilities, is globally integrated and fed by a centralized manufacturing platform. It provides daily monitoring of global sales performance and inventory levels to meet local market demand.

There are four main distribution hubs in strategic locations serving the Group's major markets: Sedico (Italy), Atlanta (United States), Dongguan (China) and Jundiaí (Brazil). They operate as centralized facilities under a highly automated order management system, which service other Group distribution centers and, in some markets, ship 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 2016, it managed approximately 30,000 orders per day, including eyeglasses and spare parts. The Sedico facility ships approximately 240,000 units daily to customers in Europe, the Middle East, Africa, select U.S. markets and the Group's distribution centers in the rest of the world, where they are then delivered to local customers. In addition, it manages customized services, such as Ray-Ban Remix, providing direct global deliveries of these products.

The Dongguan hub was opened in 2006 and manages an average of 200,000 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.

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 manages up to 160,000 units per day.

The Jundiaí facility, opened in 2013 in Brazil, offers targeted distribution services to customers and serves the local market. This facility manages approximately 26,000 units per day.

In 2016, the Group made strategic investments to expand the current main hubs in Sedico, Dongguan and Atlanta, while reducing the total number of distribution centers globally from 18 to 13. The new hubs also include three new lens laboratories, creating integrated logistics and production hubs between lenses and frames.

In 2017, Luxottica will continue to streamline its global network by closing other distribution facilities and concentrating its activities at the four main hubs in order to directly serve the final customer with accelerated speed to market.

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 logistics services. We also rely on outside suppliers for the production of Oakley apparel, footwear and accessories.

In order to mitigate the effect of price volatility of certain raw materials used in our manufacturing process, in 2016, we continued to utilize a process to hedge the risk of price fluctuations for gold and palladium. In March 2016, 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. The

notional amount of the contract is Euro 0.6 million, while the fair value at December 31, 2016 was Euro 0.01 million. The contract expired in January 2017. 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 2016, we continued to monitor the risk management initiatives in our purchasing function to identify potential risks (impact and probability) and implemented mitigation plans 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 utilizing crystal lenses.

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 2016. Over the years, 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 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.

In 2010, Luxottica and Essilor 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 and finished lenses for Australia and New Zealand. This joint venture invested in a 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 depends on the continuous improvement of every phase of the production and distribution cycles. While 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.

Regardless of location, a single quality system is applied to product development, procurement, distribution, operational analysis and uniform and measurable performance management in the plants.

We manufacture products of the highest quality. Most of the equipment that we use is specially designed and adapted for our manufacturing processes. This facilitates a rapid response to customer demand and observance of strict quality control standards. The 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.

Luxottica manufactures high-quality sun and ophthalmic lenses. Its lenses are made from high-quality optical material, using advanced lens technology and aesthetic treatments, providing protection and visual clarity.

To assure our quality standards worldwide and the right support for quality improvement, we have four main labs in 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. Every year, we enhance the performance criteria used in our standards tests and introduce new requirements. As a result, the return rate for defective merchandise manufactured by us has remained stable at approximately 1% in 2016.

DISTRIBUTION

Luxottica's global distribution network, including retail chains and a wholesale network of third-party stores, is one of our core strengths. It extends to both developed and emerging markets, where we have made substantial investments over the last few years. Our efficient distribution network makes it possible to maintain close contact with customers while maximizing the visibility of our brand portfolio. In addition, our experience in the retail business has given us a unique understanding of consumer needs and tastes in key countries. All of this helps us to achieve tighter control over and strategic optimization of brand diffusion, for both proprietary and licensed brands. The Group continues to invest in new channels of distribution, with a current emphasis on e-commerce.

Our Principal Markets

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

(Amounts in thousands of Euro)	Year Ended December 31,		
	2016	2015 ⁽²⁾	2014
European Retail	318,106	264,504	211,818
European Wholesale	1,382,208	1,366,444	1,295,283
North America Retail	4,345,132	4,097,272	3,445,481
North America Wholesale	1,024,533	1,053,906	841,290
Asia-Pacific Retail	653,517	659,554	616,998
Asia-Pacific Wholesale	504,320	518,369	432,910
Latin America Retail ⁽¹⁾	212,566	193,798	155,583
Latin America Wholesale ⁽¹⁾	339,308	349,185	350,428
Other Retail	28,698	28,904	28,679
Other Wholesale	277,320	304,642	273,847
Total	9,085,707	8,836,578	7,652,317

(1) Latin America consists of countries in the Latin American region, primarily Brazil, Argentina, Ecuador, Mexico, Peru, Chile and Colombia.

- (2) Net sales for the year ended December 31, 2015 for European Wholesale and Other Wholesale have been revised to reflect the current year's classification. The Group considers this reclassification immaterial in prior years.

Wholesale Distribution

Our wholesale distribution network covers more than 150 countries, with approximately 50 commercial subsidiaries in major markets and approximately 100 independent distributors in other less developed markets. Wholesale customers are mostly retailers of mid to premium-priced eyewear, such as independent opticians, optical retail chains, specialty sun retailers, department stores, duty-free shops and online retailers. Certain brands, including Oakley, also are distributed to sporting goods stores and specialty sports locations.

In addition to giving wholesale customers access to some of the most popular brands and models, we provide them with pre- and post-sale services to enhance their business and maintain close contact with distributors in order to monitor sales and the quality of the points of sale.

In 2002, we introduced the STARS (Superior Turn Automatic Replenishment System) program within our wholesale segment that leverages our knowledge of local markets and brands to deliver fresh, high-turnover products to customers 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, utilizing ad hoc systems, tools and state-of-the-art planning techniques. At the end of 2016, STARS served approximately 7,500 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 serve every segment of the market with a variety of differentiation points, including the latest in designer and high-performance frames, advanced lens options, advanced eye care, everyday value and high-quality vision care health benefits. As of March 31, 2017, our retail business consisted of 6,966 corporate stores and 805 franchised locations as follows:

	North America	Asia-Pacific	China / Hong Kong	Europe	Africa and Middle East	Latin America	Total
LensCrafters	1,012	—	194	—	—	—	1,206
Pearle Vision	103	—	—	—	—	—	103
Sunglass Hut ⁽¹⁾	1,717	313	31	431	142	330	2,964
Oakley retail locations ⁽²⁾	187	45	—	11	—	—	243
Sears Optical	549	—	—	—	—	—	549
Target Optical	477	—	—	—	—	—	477
OPSM	—	303	—	—	—	—	303
Laubman & Pank	—	25	—	—	—	—	25
Ray-Ban	5	—	54	—	—	—	59
David Clulow ⁽³⁾	—	—	—	120	—	—	120
GMO ⁽⁴⁾	—	—	—	—	—	489	489
Oliver Peoples Group ⁽⁵⁾	38	8	—	2	—	—	48
Salmoiraghi & Viganò	—	—	—	380	—	—	380
Franchises ⁽⁶⁾	425	222	16	58	57	272	805
Total	4,513	916	295	1,002	199	846	7,771

(1) Includes Apex in North America

(2) Includes Oakley "O" Stores

- (3) Includes David Clulow joint venture stores
- (4) Includes Econópticas
- (5) Includes ILORI, The Optical Shop of Aspen, Oliver Peoples and Alain Mikli following a reorganization of the Group's luxury retail stores
- (6) Includes franchised locations for Pearle Vision, Sunglass Hut, Oakley "O" Stores, OPSM, Laubman & Pank, Oliver Peoples, Alain Mikli and Salmoiraghi & Viganò

Our retail stores sell not only prescription frames and sunglasses that we manufacture but also a wide range of frames, lenses and ophthalmic products manufactured by other companies. In 2016, net sales from our proprietary and licensed brands represented approximately 89% of the total net sales of frames by the retail distribution segment (approximately 89% in 2015).

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, LensCrafters is the largest optical retailer in North America in terms of sales.

Most LensCrafters stores are located in high-traffic commercial malls and shopping centers. A wide selection of premium prescription frames, sunglasses and high-quality lenses and optical products made by Luxottica and other suppliers are available in most locations. Each location has an experienced doctor, either an independent or an employed doctor of optometry, who is focused on building patient relationships. All of the stores have access to the Group's state-of-the-art lens processing network with the ability to craft, surface, finish and fit lenses.

As part of its underlying commitment to customer satisfaction and industry innovation, LensCrafters has made significant investments in technology including the AccuFit Digital Measurement™, which provides a lens fit with five times greater precision than traditional methods. LensCrafters continues its in-store digital transformation with associate iPads to enhance the customer's omnichannel experience, and a digital eye exam experience, ClarifyeSM, in a growing number of locations.

In 2006, Luxottica began to expand the LensCrafters brand in China by acquiring and then rebranding local retail chains in Beijing, Shanghai, Guangdong and Hong Kong. In 2016, Luxottica opened approximately 80 LensCrafters stores in Macy's department stores in the United States as part of the agreement announced in 2015. As of March 31, 2017, we operated a retail network of 1,206 LensCrafters stores, of which 1,012 stores are in North America and 194 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. Built around the neighborhood doctor, Pearle Vision allows local business operators to provide genuine eye care to their patients with the support and resources of the Pearle Vision brand.

As of March 31, 2017, Pearle Vision operated 103 corporate stores and had 424 franchise locations throughout North America.

Sears Optical and Target Optical

With the acquisition of Cole National in 2004, Sears Optical and Target Optical, both licensed brands operating within their host stores, became part of the Luxottica retail network. The two brands, each with their own marketing positions within Luxottica, offer consumers the convenience of taking care of their optical needs while shopping at their preferred retailers. As of March 31, 2017, Luxottica operated 549 Sears Optical and 477 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, 2017, Luxottica operated 261 corporate-owned stores and 62 franchise locations throughout Australia. OPSM also has 42 corporate-owned stores in New Zealand and seven 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, 2017, Luxottica owned 25 stores and there were 19 franchise locations throughout Australia.

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 Ópticas GMO and Econópticas retail brands. As of March 31, 2017, Luxottica operated 390 Ópticas GMO stores and 99 Econópticas stores.

David Clulow

We operate David Clulow, a premium optical retailer in the United Kingdom and Ireland. The brand emphasizes service, quality and fashion. Its targeted marketing reinforces these brand values and builds 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, 2017, David Clulow operated 41 optical locations, including one franchise location, and 80 sun stores/concessions.

Salmoiraghi & Viganò

Founded in 1974 by the merger of two brands that were started respectively by Angelo Salmoiraghi and Angelo Viganò in the mid-nineteenth century, Salmoiraghi & Viganò is an Italian premium optical retail brand. As of March 31, 2017, Salmoiraghi & Viganò operated 380 corporate stores and 47 franchise locations spread throughout Italy. Salmoiraghi & Viganò became a part of the Group at the end of 2016.

EyeMed Vision Care

EyeMed Vision Care is the second largest vision care benefits company in the United States in terms of managed care membership, servicing approximately 47 million members in large to small-sized companies as well as government entities. EyeMed members are enrolled through employer-sponsored benefits sold directly by EyeMed or bundled with benefits offered by insurance companies. EyeMed offers the largest network of eyecare providers in the United States, including a diverse range of independent practitioners and retail locations that include Luxottica optical retail locations.

Sunglass Hut

Founded in 1971 as a small kiosk in a Miami mall, Sunglass Hut has grown into one of the world's leading destinations for the most sought-after high-quality and performance sunglass brands. 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, highly engaging shopping experience.

Sunglass Hut has been expanding its presence in developed markets and emerging markets, including Brazil, Mexico, Chile, India and Southeast Asia. In 2016, Sunglass Hut became the exclusive operator of sunglass concessions in 57 Galeries Lafayette and LE BHV MARAIS department stores across France. Sunglass Hut offers a consistent and connected experience across all customer touchpoints including online, in-store, social and mobile, and utilizes in-store digital tools to access an "endless aisle" assortment 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, 2017, Sunglass Hut operated a retail network of 3,119 stores worldwide, including 2,964 corporate stores across North America, Asia-Pacific, Europe, South Africa and Latin America and 155 franchise locations in North America, India and the Middle East.

Ray-Ban Stores

In 2016, Luxottica introduced a brand-new Ray-Ban retail concept, opening approximately 50 new Ray-Ban stores in Mainland China, mainly by converting certain of its pre-existing LensCrafters locations. In the United States, the Group opened a flagship store in New York's Soho neighborhood. More than physical stores, they offer an interactive space created for consumers to embrace the unique Ray-Ban experience and culture. As of March 31, 2017, we operated 59 Ray-Ban stores worldwide.

Oakley "O" Stores

As of March 31, 2017, we operated 326 Oakley "O" Stores worldwide (including 83 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 also located in Latin America, Europe and the Asia-Pacific region.

Oliver Peoples

We operate 21 luxury retail stores under the Oliver Peoples name, which sell Oliver Peoples branded products exclusively. As of March 31, 2017, five Oliver Peoples retail locations are operated under license.

Alain Mikli

We operate 12 luxury retail stores under the Alain Mikli brand of which two are franchised. The stores are located in the most cosmopolitan cities worldwide.

The Optical Shop of Aspen

Founded in the 1970s, The Optical Shop of Aspen is known in the eyewear industry for its luxury prescription and sun eyewear and its first-class customer service. As of March 31, 2017, we operated five stores in some of the most upscale and exclusive locations throughout the United States.

ILORI

ILORI is Luxottica's luxury sun retail brand, with 12 stores in North America as of March 31, 2017, including flagship stores in SoHo, New York and Beverly Hills, California. ILORI caters to an elite clientele, offering highly-personalized service and exclusive brands and collections.

E-commerce

Luxottica offers consumers around the globe a superior online shopping experience that lives up to the same high standards as its brick and mortar locations.

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. Currently, Ray-Ban.com operates in 27 countries. Ray-Ban Remix, the online customization platform first launched in Europe in 2013, is a key driver of the brand's e-commerce expansion and its growing connection with millennials. Its success in allowing customers to personalize the style, material, lens color, engraving and other aspects of their Ray-Ban frames has led to Remix launches in the United States, Canada and China in 2014, Australia, Brazil, Japan and Hong Kong in 2015 and Mexico in 2016.

Oakley.com provides a digital window into the Oakley brand, presenting the most comprehensive assortment of Oakley products globally and an e-commerce channel across multiple markets including the United States, Canada, Australia, Japan, Brazil and 16 countries in Europe. Its online custom eyewear experience gives Oakley fans the ability to customize their favorite models from Jawbreaker to Frogskins, selecting frame color, lens tint, personalized etching and other features.

Launched in 2008, SunglassHut.com has become the digital destination for consumers looking to find the latest trends and hottest products in premium sunglasses. Over the years, the United Kingdom, Brazil, New Zealand and Mexico joined the United States, Canada and Australia in offering online shopping on its local Sunglass Hut websites.

We plan to bring our e-commerce strategy to additional markets as the business matures. For example, we formed strategic partnerships in China to open both Ray-Ban and "O" stores within Tmall, the world's largest local online mall.

Acquired in 2014, glasses.com continues to serve as an innovation lab focused on improving the eyewear e-commerce experience for consumers and patients and lending its capabilities to Luxottica's other retail brands.

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.

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 important in supporting our marketing strategy. We target the end consumer through advertising in print, billboards and digital media, as well as at the point of sale with displays, counter cards, catalogs, posters and new digital windows.

In addition, we target independent eye care professionals by advertising in trade publications, participating as a sponsor in major industry trade events and organizing our own events, where we reveal our latest collections and recommend ideal assortments.

We also develop advertising and other promotions in coordination with our licensed designer brands to promote their latest branded eyewear collections. We contribute to the designer a specified percentage of our sales of the designer's line to be devoted to its advertising and promotion.

Public relations activities play a key role in Luxottica's global marketing plan with the goal of elevating the eyewear category and raising the profile of our proprietary and licensed brands. The public relations programs target leading editors, consumer and trade media, celebrities and other influencers. In recent years, we also revamped our sponsorship strategy, particularly when it comes to the Ray-Ban and Oakley brands.

For the Oakley brand, we use less conventional marketing methods, including sports and athlete marketing, participation in grass-roots sporting events and targeted product placements. 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 advertising, trade initiatives, customer relationship management and public relations activities on behalf of our retail businesses. Objectives include driving consumer traffic to our stores, building the global reputation and visibility of our brands and cultivating customer loyalty and repeat purchases.

Each of our retail brands (Sunglass Hut for sun retail, our optical retail brands—from LensCrafters to the recent acquisition of Salmoiraghi & Viganò—and our Ray-Ban, Oakley and Oliver Peoples stores) has a differentiated brand positioning that comes to life in our marketing initiatives and in the store experience we offer to consumers.

In 2016, we launched a worldwide initiative to roll out digital signage across our retail network. As of March 31, 2017, more than 1,634 digital screens were installed and activated to display digital marketing content managed centrally by brand and audience segment. The roll-out process will proceed throughout the year with the addition of installations in Group locations as well as at wholesale locations.

A considerable share of our retail marketing budget is dedicated to direct marketing activities, such as communications with customers through programmatic advertising, digital media and mailings. Our direct marketing activities benefit from our large database of customer information and the investment the Company has made in customer relationships, marketing technologies and skills.

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 on-going anti-counterfeiting activities. Trademarks and products from market leaders are increasingly copied and the implementation of a strong anti-counterfeiting program that leverages Luxottica's global organization allows us to maintain the equity of our authorized distribution network and send a strong message to infringers that we will vigorously work to protect our intellectual property. Through a strong international investigative network, we have been able to identify key sources of counterfeit goods, assist local law enforcement in investigating these sources and, when applicable, 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 Trademark Association (INTA), the Quality Brands Protection Committee (QBPC) and the INDICAM, an organization based in Italy.

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.

Traceability through RFID

Luxottica is constantly searching for new ways to make the fight against counterfeiting more effective and counter the expansion of the parallel market that diverts goods to unauthorized sales channels. In this context, Luxottica has developed GLOW (Guaranteed Luxottica Origin Worldwide), an innovative traceability system based on RFID (Radio-Frequency Identification) technology, which allows us to verify the authenticity of products as well as the validity of resellers through a sensor (RFID tag) embedded in the frame. The device contains key information to identify unambiguously each pair of glasses, from production to sales destination.

TRADEMARKS, TRADE NAMES AND PATENTS

Our principal trademarks or trade names include Luxottica, Ray-Ban, Oliver Peoples, Oakley, Persol, Vogue Eyewear, Arnette, LensCrafters, Sunglass Hut, ILORI, Pearle Vision, OPSM, Laubman & Pank, GMO, Salmoiraghi & Viganò and their related logos. Our principal trademarks are registered worldwide. Other than Luxottica, Ray-Ban, Oakley, LensCrafters, Sunglass Hut, Pearle Vision and OPSM, we do not believe that any single trademark or trade name is material to our business or results of operations. The Oakley eyewear and Ray-Ban collections accounted for approximately 11% and 27%, respectively, of our net sales in 2016. 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, 2017, we held a portfolio of over 850 (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 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 5% 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 15% 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.

Licensor	Licensed Marks	Territory	Expiration
Giorgio Armani S.p.A.	Giorgio Armani Emporio Armani A/X Armani Exchange	Worldwide exclusive license	December 31, 2022
Brooks Brothers Group, Inc. ⁽¹⁾	Brooks Brothers	Worldwide exclusive license	December 31, 2019
Burberry Limited	Burberry Burberry Check Equestrian Knight Device	Worldwide exclusive license	December 31, 2025
Bulgari S.p.A.	Bulgari	Worldwide exclusive license	December 31, 2020

Licensor	Licensed Marks	Territory	Expiration
Chanel Group	Chanel	Argentina, Antigua, Aruba, Australia, Austria, Bahamas, Bahrain, Barbados, Belgium, Bermuda, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Croatia, Curaçao, Denmark, Dominican Republic, Ecuador, Egypt, El Salvador, Finland, France, Germany, Grand Cayman, Greece, Guatemala, Haiti, Honduras, Hong Kong, India, Indonesia, Ireland, Israel, Italy, Jamaica, Japan, Kuwait, Lebanon, Luxemburg, Malaysia, Mexico, Monaco, Morocco, Netherlands, New Zealand, Nicaragua, Norway, Panama, Paraguay, Perú, Poland, Portugal, Qatar, Russia, Sint Maarten (Dutch part), Saudi Arabia, Singapore, South Africa, South Korea, Spain, Sweden, Switzerland, Taiwan, Thailand, Trinidad, Turkey, Ukraine, United Arab Emirates, United Kingdom, United States of America, Uruguay and Venezuela.	December 31, 2018 (renewable until December 31, 2020)
Coach, Inc.	Coach Poppy Coach	Worldwide exclusive license	June 30, 2020 (renewable until June 30, 2024)
Dolce & Gabbana S.r.l.	Dolce&Gabbana	Worldwide exclusive license	December 31, 2025
Donna Karan Studio LLC	DKNY	Worldwide exclusive license	December 31, 2018
Gianni Versace S.p.A.	Gianni Versace Versace Versace Sport Versus	Worldwide exclusive license	December 31, 2022
Michael Kors Group	Michael Kors Michael Michael Kors	Worldwide exclusive license	December 31, 2024
Paul Smith Limited	Paul Smith PS Paul Smith	Worldwide exclusive license	December 31, 2018 (renewable until December 31, 2023)
Prada S.A.	Prada Miu Miu	Worldwide exclusive license	December 31, 2025
PHS General Design SA	Starck Eyes	Worldwide exclusive license	December 31, 2018 (renewable until December 31, 2023)

Licensors	Licensed Marks	Territory	Expiration
Ralph Lauren Corporation	Polo by Ralph Lauren Ralph Lauren Ralph (<i>Polo Player Design</i>) Lauren RL Ralph Ralph/Ralph Lauren <i>Polo Player Design</i>	Worldwide exclusive license	March 31, 2027
Tiffany and Company	TIFFANY & CO. Tiffany	United States of America including all possessions and territories thereof, Canada, Mexico, the United Arab Emirates, Saudi Arabia, South Korea, Hong Kong, Japan, Australia, United Kingdom, China, Taiwan, France, Germany, Italy, Bolivia, Brazil, Chile, Colombia, Ecuador, Falkland Islands, South Georgia and South Sandwich Islands, Guyana, French Guiana, Paraguay, Peru, Suriname, Uruguay, Venezuela, Austria, Holland, Spain, Belgium, Greece, Poland, Portugal, Switzerland, Turkey, Bosnia, Bulgaria, Cyprus, Kosovo, Malta, Republic of Georgia, Romania, Russian Federation, Slovenia, Ukraine, Estonia, Latvia, Lithuania, Slovakia, Hungary, Croatia, Bahrain, Lebanon, Qatar, Oman, Syria, Israel, Singapore, Azerbaijan, Kazakhstan, Pakistan, Thailand, Vietnam, China, India, Philippines, Barbados, Cayman Islands, Jamaica, Panama, Netherlands Antilles, Egypt, Morocco, Tunisia, South Africa	December 31, 2017
Tory Burch LLC	Tory Burch TT	Worldwide exclusive license	December 31, 2019 (renewable until December 31, 2024)
Valentino S.p.A.	Valentino "V" design	Worldwide exclusive license	December 31, 2026

(1) Brooks Brothers Group, Inc. is indirectly owned and controlled by a former director and a son of our Executive Chairman.

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. See Item 3—“Key Information—Risk Factors—Recent political changes in certain countries in which we do significant business have resulted in global regulatory uncertainty with respect to international trade and could materially adversely affect our business, financial condition and results of operations by increasing costs and slowing distribution processes.”

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., Kering Eyewear S.p.A., Marchon Eyewear, Inc.,

Marcolin S.p.A., the new joint venture between Marcolin S.p.A. and LVMH Moët Hennessy Louis Vuitton SE, Safilo Group S.p.A., Silhouette International Schmied AG and Maui Jim, Inc.

Several of our most significant competitors in the manufacture and distribution of eyewear are significant vendors to our retail distribution segment. 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 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, the growth of online purchases of eyewear products and the roll out of new retail models with an online and offline presence 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, sporting goods stores, pro shops 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 over 60 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 56.3% and 55.8% of our sales in 2016 and 2015, 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. Until 2015, our retail fiscal year historically had been either a 53-week year or a 52-week year, which also may have affected the comparability of our results from such prior periods. When a 53-week year occurred, we generally added the extra week to the fourth quarter. In 2015, the retail subsidiaries of the Group that did not previously report on a calendar-year basis modified their respective reporting calendars in order to align with those of Luxottica Group S.p.A. and other subsidiaries in the consolidated Group that report on a calendar-year basis.

ORGANIZATIONAL STRUCTURE

We are a holding company, and the majority of our operations are conducted through our wholly-owned subsidiaries. We operate in two 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 the geographic regions. The key financing and operating subsidiaries controlled by Luxottica Group S.p.A., including holding companies, are:

Subsidiary	Country of Organization	Percentage of Ownership
Manufacturing		
Luxottica S.r.l.	Italy	100%
Luxottica Tristar (Dongguan) Optical Co., Ltd.	China	100%
Distribution		
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%
Holding companies		
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. ⁽¹⁾	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.

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 15, 2017 is set forth below:

Location	Use	Owned/ Leased	Approximate Area in Square Feet
Milan, Italy	Corporate headquarters and Oakley store	Leased	174,875
Milan, Italy	Offices (former corporate headquarters)	Owned	115,716
Agordo, Italy ⁽¹⁾	Administrative offices and manufacturing facility	Owned	937,625
Mason (Ohio), United States	North American retail headquarters	Owned	415,776
Atlanta (Georgia), United States ⁽²⁾	North American distribution center, ophthalmic lab and office	Owned	925,007
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	Leased	35,000
Manhattan (New York), United States ⁽³⁾	Future U.S. headquarters	Owned	55,000
Foothill Ranch (California), United States ⁽⁴⁾	Manufacturing and ophthalmic laboratory	Owned	640,305
Ontario (California), United States	Distribution center	Leased	289,940
Atlanta (Georgia), United States	After sales service center	Leased	30,230
Macquarie Park, Australia	Offices	Leased	43,572
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
St. Albans (Hertfordshire), United Kingdom	Offices	Leased	15,600
Dongguan, China ⁽¹⁾⁽⁵⁾	Office, manufacturing facility, land, dormitories and distribution center	Leased	5,075,007
Shanghai, China ⁽⁶⁾	Offices	Leased	30,194
Bhiwadi, India ⁽⁷⁾	Manufacturing facility, administrative offices	Leased	343,474
Rovereto, Italy	Frame manufacturing facility	Owned	228,902
Sedico, Italy ⁽¹⁾	Distribution center	Owned	392,325
Cencenighe, Italy	Semi-finished product manufacturing facility	Owned	59,892
Lauriano, Italy	Frame and crystal lenses manufacturing facility	Owned	292,078
Pederobba, Italy ⁽¹⁾	Frame manufacturing facility	Owned	162,766
Sedico, Italy ⁽¹⁾	Frame manufacturing facility	Owned	349,106
Sedico, Italy ⁽¹⁾⁽⁸⁾	Frame and lenses manufacturing facility	Owned	236,684
Villapaiera (Feltre), Italy	Warehouse facility	Leased	92,118
Izmir, Turkey	Turkish headquarters, offices and warehouse facility	Leased	90,416
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
Istanbul, Turkey ⁽⁹⁾	Offices and showroom	Leased	12,356

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

(2) The distribution center is operational and the ophthalmic lab will commence production in April 2017.

- (3) In May 2016, the Company purchased a property located in Manhattan to serve as the future U.S. headquarters. The building is currently undergoing renovations.
- (4) Facility is comprised of two different premises. One location (103,405 square feet) is leased.
- (5) Facility consists of 2,027,928 square feet dedicated to offices, distribution and manufacturing and the rest consists of dormitories, related facilities and undeveloped land. We have leased this facility for 50 years beginning in 2004.
- (6) In July 2016, we moved all our offices to this new leased premise.
- (7) We leased such facility for 99 years beginning in 1989.
- (8) In June 2016, the Company commenced construction of a new building in Sedico, Italy, on property adjacent to the existing frame manufacturing facility. One part of the building is constructed and consists of approximately 236,684 square feet. Upon completion of construction of the remainder of the building (expected at the end of 2017), it will consist of approximately 430,441 square feet on two levels.
- (9) We have leased two floors (6,178 square feet each) of the same building. The lease for one floor expires in 2017 and the other one in 2020.

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 2017 and 2027 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 January 16, 2017, a strategic combination of Essilor’s and Luxottica’s businesses was announced. The transaction is designed to allow the combined company to seize growth opportunities resulting from strong demand in the eyewear market, driven by the increasing need for corrective and protective eyewear and the appetite for strong brands. The combination is expected to create a key player, operating across all segments of the eyewear industry, which intends to leverage state-of-the-art production capabilities and widespread distribution networks. For further information, see “Key Information—Combination with Essilor”.

On January 30, 2017, Luxottica signed an agreement with the current shareholders of Óticas Carol under which Luxottica will acquire 100% of Óticas Carol, one of the largest optical franchisors in Brazil with approximately 950 locations. Established in 1997, Óticas Carol sells a broad range of prescription frames and sunglasses. The transaction, which is valued at Euro 110 million, remains subject to customary regulatory approvals and is expected to close in the second half of 2017.

On March 10, 2017, the Company entered into two Euro 250 million term facility agreements, each of which is guaranteed by our subsidiary, Luxottica U.S. Holdings Corp. One of the facilities is with Banca IMI S.p.A. as mandated lead arranger and Intesa Sanpaolo S.p.A. as original lender. The other is with Natixis S.A.—Milan Branch as both mandated lead arranger and original lender. The final maturity of each term facility is March 10, 2022. As of March 31, 2017, an aggregate of Euro 500 million was borrowed under these credit facilities. Interest accrues at EURIBOR (as defined in the respective agreements) plus an average margin of 0.70% and 0.62% for the IMI/Intesa facility and the Natixis facility, respectively. During the first quarter of 2017, the Company entered into two interest rate swap transactions with an aggregate notional amount of Euro 500 million with Intesa Sanpaolo S.p.A. and Natixis S.A.—Milan Branch. The swaps were entered into as cash flow hedges. Each of the swaps exchanges the floating rate of EURIBOR for an average fixed rate of 0.1185% per annum.

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 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, OPSM, Laubman & Pank, GMO, David Clulow, Salmoiraghi & Viganò, Ray-Ban, Oakley, Oliver Peoples and Alain Mikli stores, The Optical Shop of Aspen, ILORI and our retail licensed brands (Sears Optical and Target Optical). As of December 31, 2016, Luxottica's retail business consisted of 7,977 stores as follows:

	North America	Asia-Pacific	China/Hong Kong	Europe	Africa and Middle East	Latin America	Total
LensCrafters	1,013	—	206	—	—	—	1,219
Pearle Vision	107	—	—	—	—	—	107
Sunglass Hut ⁽¹⁾	1,875	315	25	434	140	315	3,104
Oakley retail locations ⁽²⁾	188	47	—	12	—	—	247
Sears Optical	581	—	—	—	—	—	581
Target Optical	476	—	—	—	—	—	476
OPSM	—	306	—	—	—	—	306
Laubman & Pank	—	25	—	—	—	—	25
Ray-Ban	2	—	51	—	—	—	53
David Clulow ⁽³⁾	—	—	—	114	—	—	114
GMO ⁽⁴⁾	—	—	—	—	—	491	491
Oliver Peoples Group ⁽⁵⁾	40	9	—	3	—	—	52
Salmoiraghi & Viganò	—	—	—	383	—	—	383
Franchises ⁽⁶⁾	426	227	24	59	58	25	819
Total	4,708	929	306	1,005	198	831	7,977

(1) Includes Apex in North America

(2) Includes Oakley "O" Stores

(3) Includes David Clulow joint venture stores

(4) Includes Econópticas

(5) Includes ILORI, The Optical Shop of Aspen, Oliver Peoples and Alain Mikli following a reorganization of the Group's luxury retail stores

(6) Includes franchised locations for Pearle Vision, Sunglass Hut, Oakley "O" stores, OPSM, Laubman & Pank, Oliver Peoples, Alain Mikli and Salmoiraghi & Viganò

We operate in North America with our LensCrafters and Pearle Vision brands, in Australia and New Zealand with the OPSM and Laubman & Pank brands, in China with the LensCrafters brand, in Italy with the Salmoiraghi & Viganò brand and in Latin America with the GMO brand. In North America, we also operate our licensed optical retail brands, Sears Optical and Target Optical. We are home to Sunglass Hut, the largest retailer of premium sunglasses in North America, Latin America, Asia-Pacific, South Africa, Europe and the Middle East, and we launched in 2016 our new Ray-Ban retail concept in China. The Oakley brand provides a powerful retail presence with its “O” stores, while retail brands including Oliver Peoples, ILORI and The Optical Shops of Aspen give us a foothold in the luxury space. 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 distribution segment.

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. 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. \$1.3285 in 2014 to Euro 1.00 = U.S. \$1.1095 in 2015 to Euro 1.00 = U.S. \$1.1069 in 2016. 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 segment 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, 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

Products manufactured by us were approximately 68.8% and 59.3% of total product inventory as of December 31, 2016 and 2015, respectively. All inventories at December 31, 2016 were valued using the lower of cost, as determined under an average annual cost by product line method that approximates the weighted average cost, or net realizable value. 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, 2016, the aggregate carrying value of intangibles, including goodwill, was approximately Euro 5.3 billion or approximately 52% 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 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 2016, 2015 and 2014. 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.

For a further discussion on accounting policies and estimates, see Note 1 to our Consolidated Financial Statements included in Item 18 of this Form 20-F.

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 2016 RESULTS OF OPERATIONS

The fiscal year ended December 31, 2016 was a year of change for the Group, as it carried out a number of initiatives to support the organizational streamlining, efficiency and integration of its business, alignment of prices across markets and enhancement of its brand portfolio. Luxottica ended the year with net sales of Euro 9,086 million.

RESULTS OF OPERATIONS

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:

	2016	2015	2014
Net Sales	100%	100.0%	100.0%
Cost of Sales	34.7	32.1	33.6
Gross Profit	65.3	67.9	66.4
Operating Expenses:			
Selling and Advertising	39.9	40.0	39.4
General and Administrative	10.6	12.3	11.8
Total	50.5	52.3	51.2
Income from Operations	14.8	15.6	15.1
Other Income (Expense)—Net	(0.3)	(1.1)	(1.3)
Provision for Income Taxes	(5.1)	(5.3)	(5.4)
Net Income	9.4	9.1	8.4
Net Income Attributable to Non-Controlling Interests	0.0	0.0	0.0
Net Income Attributable to Luxottica Group Stockholders	9.4	9.1	8.4

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 years ended December 31, 2016, December 31, 2015 and December 31, 2014, 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, 2016 TO THE FISCAL YEAR ENDED DECEMBER 31, 2015.

Net Sales. Net sales increased by Euro 249.1 million, or 2.8%, to Euro 9,085.7 million in 2016 from Euro 8,836.6 million in 2015. This increase represents increased sales of Euro 314.0 million in the retail distribution segment during 2016 as compared to 2015, which was partially offset by decreased sales of Euro 64.9 million in the manufacturing and wholesale distribution segment during 2016 as compared to 2015.

Adjusted net sales were Euro 9,010.8 million in 2015 as compared to net sales of Euro 9,085.7 million in 2016. Adjusted net sales in 2015 were impacted by the modification of an EyeMed reinsurance agreement with an existing underwriter whereby the Company assumed less reinsurance revenues and less claims expense. The impact of this contract for the year ended December 31, 2015 was Euro 174.3 million (the “EyeMed Adjustment”).

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)	2016	2015
Net sales	9,085.7	8,836.6
> EyeMed Adjustment	—	174.3
Adjusted net sales	<u>9,085.7</u>	<u>9,010.8</u>

Net sales for the retail distribution segment increased by Euro 314.0 million, or 6.0%, to Euro 5,558.0 million in 2016 from Euro 5,244.0 million in 2015. The increase in net sales for the period was partially attributable to a 0.6% increase in comparable store sales. The effects from currency fluctuations between the Euro, which is our reporting currency, and other currencies in which we conduct business were not significant on net sales in the retail distribution segment.

Adjusted net sales for the retail distribution segment in 2015, which included the EyeMed Adjustment of 174.3 million, were Euro 5,418.3 million as compared to net sales for the retail distribution segment in 2016 of Euro 5,558.0 million.

A reconciliation of adjusted net sales for the retail distribution segment, a non-IFRS measure, to net sales of the retail distribution segment, 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)	2016	2015
Net sales	5,558.0	5,244.0
> EyeMed Adjustment	—	174.3
Adjusted net sales	<u>5,558.0</u>	<u>5,418.3</u>

Net sales to third parties in the manufacturing and wholesale distribution segment decreased by Euro 64.9 million, or 1.8%, to Euro 3,527.7 million in 2016 from Euro 3,592.6 million in 2015. This decrease was mainly attributable to a revision of our trade policies through the following actions: a review of prices in certain markets in order to avoid inequality and arbitrage in different geographical areas; a review of client portfolios; and the implementation of the Minimum Advertised Price (“MAP”) policy in North America.

In 2016, net sales in the retail distribution segment accounted for approximately 61.2% of total net sales, as compared to approximately 59.3% of total net sales in 2015. This increase was primarily attributable to a 6.0% increase in net sales for the retail distribution segment, which was partially offset by a 1.8% decrease in net sales for the manufacturing and wholesale distribution segment compared to 2015.

In 2016 net sales in our retail distribution segment in the United States and Canada increased to approximately 78.2 percent from of our total net sales in this segment from 78.1 percent in 2015. In U.S. dollars, retail net sales in the United States and Canada increased by 6.0% to U.S. \$ 4,819.5 million in 2016 from U.S. \$4,546.0 million in 2015, due to sales volume increases. Net sales in the retail distribution segment in the rest of the world (excluding the United States and Canada) were 21.8% and 21.9% of total net sales in the retail distribution segment in 2016 and 2015, respectively. During 2016, net sales in the retail distribution segment in the rest of the world (excluding the United States and Canada) increased by 5.8% to Euro 1,212.9 million from Euro 1,146.8 million in 2015.

In 2016, net sales to third parties in our manufacturing and wholesale distribution segment in Europe were Euro 1,382.2 million, comprising 39.2% of our total net sales in this segment, compared to Euro 1,366.4 million, or 38.0% of total net sales in this segment, in 2015, increasing by Euro 15.8 million or 1.2% in 2016 as compared to 2015. Net sales for the year ended December 31, 2015 for European Wholesale and Other Wholesale have been revised to reflect a reclassification of certain geographic markets, which the Group considers immaterial. The increase in net sales in Europe in 2016 compared to 2015 was primarily due to a general increase in consumer demand. Net sales to third parties in our manufacturing and wholesale distribution segment in the United States and Canada were U.S. \$ 1,138.5 million and comprised 29.0% of our total net sales in this segment in 2016, compared to U.S. \$1,169.3 million, or 29.3% of total net sales in this segment, in 2015. The decrease in net sales in the United States and Canada in 2016 compared to 2015 was primarily due to an implementation of our MAP policy. In 2016, net sales to third parties in our manufacturing and wholesale distribution segment in the rest of the world were Euro 1,120.9 million, comprising 31.8% of our total net sales in this segment, compared to Euro 1,172.2 million, or 32.6% of our net sales in this segment, in 2015.

Cost of Sales. Cost of sales increased by Euro 317.8 million, or 11.2%, to Euro 3,153.3 million in 2016 from Euro 2,835.4 million in 2015. As a percentage of net sales, cost of sales increased to 34.7% in 2016 from 32.1% in 2015. The average number of frames produced daily in our facilities in 2016 was approximately 349,488 and 346,991 in 2016 and 2015, respectively.

Adjusted cost of sales was Euro 3,134.6 million and Euro 3,009.0 in 2016 and 2015, respectively. Adjusted cost of sales includes, for 2015, the EyeMed Adjustment of Euro 174.3 million and excludes expenses of Euro 0.7 million related to the reorganization of Oakley and other minor projects. Adjusted cost of sales for 2016 excludes restructuring and reorganization expenses of Euro 18.6 million relating to the reorganization of the assortment in the Retail segment and logistics processes in North America and expenses of Euro 0.1 million relating to the reorganization of Oakley and other minor projects.

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)	2016	2015
Cost of sales	3,153.3	2,835.4
> EyeMed Adjustment	—	174.3
> Restructuring and reorganization expenses	(18.6)	—
> Adjustment for the reorganization of Oakley and other minor projects	(0.1)	(0.7)
Adjusted cost of sales	<u>3,134.6</u>	<u>3,009.0</u>

Gross Profit. For the reasons described above, our gross profit decreased by Euro 68.7 million, or 1.1%, to Euro 5,932.4 million in 2016 from Euro 6,001.2 million in 2015. As a percentage of net sales, gross profit decreased to 65.3% in 2016 from 67.9% in 2015.

Adjusted gross profit for 2016, excluding restructuring and reorganization expenses of Euro 18.6 million relating to the reorganization of the assortment in the Retail segment and logistics processes in North America and expenses of Euro 0.1 million relating to the reorganization of Oakley and other minor projects, was Euro 5,951.1 million, or 65.5% as percentage of net sales. Adjusted gross profit for 2015, excluding expenses of Euro 0.7 million relating to the reorganization of Oakley and other minor projects, was Euro 6,001.8, or 66.6% as percentage of net sales.

A reconciliation of adjusted gross profit, a non-IFRS measure, to gross profit, 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)	2016	2015
Gross profit	5,932.4	6,001.2
> Restructuring and reorganization expenses	18.6	—
> Adjustment for the reorganization of Oakley and other minor projects	0.1	0.7
Adjusted gross profit	<u>5,951.1</u>	<u>6,001.8</u>

Operating Expenses. Total operating expenses decreased by Euro 37.5 million, or 0.8%, to Euro 4,587.2 million in 2016 from Euro 4,624.7 million in 2015. As a percentage of net sales, operating expenses were 50.5% in 2016 compared to 52.3% in 2015.

Total adjusted operating expenses decreased by Euro 40.0 million, or 0.9%, to Euro 4,519.0 million in 2016 from Euro 4,559.0 million in 2015, excluding, for 2016, restructuring and reorganization expenses of Euro 50.9 million relating to restructuring projects primarily in North America, expenses of Euro 7.1 million relating to the employment termination of the former CEO for Markets and expenses of Euro 10.2 million relating to the reorganization of Oakley and other minor projects and, for 2015, expenses of Euro 65.7 million related to the reorganization of Oakley and other minor projects. As a percentage of net sales, adjusted operating expenses decreased to 49.7% in 2016 from 50.6% in 2015.

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)	2016	2015
Operating expenses	4,587.2	4,624.7
> Restructuring and reorganization expenses	(50.9)	—
> Adjustment for the termination of the employment of the former CEO for Markets	(7.1)	—
> Adjustment for the reorganization of Oakley and other minor projects	(10.2)	(65.7)
Adjusted operating expenses	<u>4,519.0</u>	<u>4,559.0</u>

Selling and advertising expenses (including royalty expenses) increased by Euro 89.7 million, or 2.5%, to Euro 3,627.0 million in 2016 from Euro 3,537.2 million in 2015. Selling expenses increased by Euro 110.3 million, or 4.0% to Euro 2,889.2 million in 2016 from Euro 2,778.8 million in 2015. As a percentage of net sales, selling expenses were 31.8% and 31.4% in 2016 and 2015, respectively. Advertising expenses decreased by Euro 21.8 million, or 3.7%. As a percentage of net sales, advertising expenses were 6.3% in 2016 and 6.7% in 2015. Royalties increased by Euro 1.2 million, or 0.7%. As a percentage of net sales, royalty expenses were 1.9% in each of 2016 and 2015.

Adjusted selling expenses, excluding, for 2016, restructuring and reorganization expenses of Euro 10.1 million relating to restructuring projects primarily in North America and Europe and expenses of Euro 0.4 million relating to the reorganization of Oakley and other minor projects, were Euro 2,878.7 million as compared to adjusted selling expenses of Euro 2,773.3 million in 2015. In 2015, adjusted selling expenses exclude Euro 5.5 million related to the reorganization of Oakley and other

minor projects. As percentage of net sales, adjusted selling expenses were 31.7% in 2016 and 30.8% in 2015.

A reconciliation of adjusted selling expenses, a non-IFRS measure, to selling 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)	2016	2015
Selling expenses	2,889.2	2,778.8
> Restructuring and reorganization expenses	(10.1)	—
> Adjustment for the reorganization of Oakley and other minor projects	(0.4)	(5.5)
Adjusted selling expenses	<u>2,878.7</u>	<u>2,773.3</u>

General and administrative expenses, including intangible asset amortization, decreased by Euro 127.3 million, or 11.7%, to Euro 960.2 million in 2016, as compared to Euro 1,087.5 million in 2015. As a percentage of net sales, general and administrative expenses were 10.6% and 12.3% in 2016 and 2015, respectively.

Adjusted general and administrative expenses decreased by Euro 124.8 million, or 12.1%, to Euro 902.6 million in 2016 as compared to Euro 1,027.4 million in 2015. Adjusted general and administrative expenses exclude, in 2016, restructuring and reorganization expenses of Euro 40.8 million relating to restructuring projects primarily in North America, expenses of Euro 7.1 million relating to the employment termination of the former CEO for Markets and expenses of Euro 9.8 million related to the reorganization of Oakley and other minor projects. Adjusted general and administrative expenses excludes, in 2015, the expenses related to the reorganization of Oakley and other minor projects of Euro 60.1 million. As a percentage of net sales, adjusted general and administrative expenses decreased to 9.9% in 2016 from 11.4% in 2015.

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)	2016	2015
General and administrative expenses	960.2	1,087.5
> Restructuring and reorganization expenses	(40.8)	—
> Adjustment for the termination of the employment of the former CEO for Markets	(7.1)	—
> Adjustment for the reorganization of Oakley and other minor projects	(9.8)	(60.1)
Adjusted general and administrative expenses	<u>902.6</u>	<u>1,027.4</u>

Income from Operations. For the reasons described above, income from operations decreased by Euro 31.2 million, or 2.3%, to Euro 1,345.3 million in 2016 from Euro 1,376.4 million in 2015. As a percentage of net sales, income from operations decreased to 14.8% in 2016 from 15.6% in 2015.

Adjusted income from operations decreased by Euro 10.7 million, or 0.7%, to Euro 1,432.1 million in 2016 from Euro 1,442.8 million in 2015. Adjusted income from operations for 2016 excludes restructuring and reorganization expenses of Euro 69.5 million relating to the reorganization of the assortment in the Retail segment and logistics processes in North America and other restructuring

projects primarily in North America and Europe, expenses of Euro 7.1 million relating to the employment termination of the former CEO for Markets and expenses of Euro 10.3 million related to the reorganization of Oakley and other minor projects. Adjusted income from operations for 2015 excludes expenses of Euro 66.4 million related to the reorganization of Oakley and other minor projects. As a percentage of net sales, adjusted income from operations decreased to 15.8% in 2016 from 16.0% in 2015.

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)	2016	2015
Income from operations	1,345.3	1,376.4
> Restructuring and reorganization expenses	69.5	—
> Adjustment for the termination of the employment of the former CEO for Markets	7.1	—
> Adjustment for the reorganization of Oakley and other minor projects	10.3	66.4
Adjusted income from operations	<u>1,432.1</u>	<u>1,442.8</u>

Other Income (Expense)—Net. Other income net was Euro 26.6 million in 2016 as compared to Euro 98.5 million in 2015. Net interest expense was Euro 66.1 million in 2016 as compared to Euro 95.2 million in 2015. Other income in 2016, which totaled 39.5 million, was mainly due to the gain of Euro 35.7 million that was generated by the remeasurement of the investment previously held in Salmoiraghi & Viganò as its acquisition date fair value.

Income before taxes. Income before taxes increased by Euro 40.8 million, or 3.2%, to Euro 1,318.7 million in 2016 from Euro 1,277.9 million in 2015. As a percentage of net sales, income before taxes was 14.5% in each of 2016 and 2015. Adjusted income before taxes increased by Euro 25.6 million, or 1.9%, to Euro 1,369.8 million in 2016 from Euro 1,344.3 million in 2015. As a percentage of net sales, adjusted income before taxes increased to 15.1% in 2016 from 14.9% in 2015.

A reconciliation of adjusted income before taxes, a non-IFRS measure, to 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)	2016	2015
Income before taxes	1,318.7	1,277.9
> Restructuring and reorganization expenses	69.5	—
> Adjustment for the termination of the employment of the former CEO for Markets	7.1	—
> Adjustment for the reorganization of Oakley and other minor projects	10.3	66.4
> Gain generated by the acquisition of Salmoiraghi & Viganò	(35.7)	—
Adjusted income before taxes	<u>1,369.8</u>	<u>1,344.3</u>

Our effective tax rate was 35.4% and 36.9% in 2016 and 2015, respectively. Our adjusted tax rate was 35.5% and 36.3%, in 2016 and 2015, respectively. Net income attributable to non-controlling interests was equal to Euro 1.8 million and Euro 2.8 million in 2016 and 2015, respectively.

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

2016 (Amounts in millions of Euro except percentages)	2016	2015
Reported tax rate	35.4%	36.9%
> Restructuring and reorganization expenses	(0.8)%	—
> Adjustment for the termination of the employment of the former CEO for Markets	(0.1)%	—
> Adjustment for the reorganization of Oakley and other minor projects	(0.0)%	(0.6)%
> Gain generated with the acquisition of Salmoiraghi & Viganò	1.0 %	—
Adjusted tax rate	<u>35.5%</u>	<u>36.3%</u>

Net income attributable to Luxottica Group stockholders increased by Euro 46.4 million, or 5.8%, to Euro 850.5 million in 2016 from Euro 804.1 million in 2015. Net income attributable to Luxottica Group stockholders as a percentage of net sales increased to 9.4% in 2016 from 9.1% in 2015. Adjusted net income attributable to Luxottica Group stockholders increased by Euro 27.8 million, or 3.3%, to Euro 881.7 million in 2016 from Euro 854.0 million in 2015. Adjusted net income attributable to Luxottica Group stockholders as a percentage of net sales increased to 9.7% in 2016 from 9.5% in 2015.

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.

(Amounts in millions of Euro)	2016	2015
Net income attributable to Luxottica Group stockholders	850.5	804.1
> Restructuring and reorganization expenses	69.5	—
<i>of which tax effect</i>	(14.5)	—
> Adjustment for the termination of the employment of the former CEO for Markets	7.1	—
<i>of which tax effect</i>	(1.9)	—
> Adjustment for the reorganization of Oakley and other minor projects	10.3	66.4
<i>of which tax effect</i>	(3.5)	(16.6)
> Gain generated with the acquisition of Salmoiraghi & Viganò	(35.7)	—
<i>of which tax effect</i>	—	—
Adjusted net income attributable to Luxottica Group stockholders	<u>881.7</u>	<u>854.0</u>

Basic earnings per share were Euro 1.77 in 2016 and Euro 1.68 in 2015. Diluted earnings per share were Euro 1.77 in 2016 and Euro 1.67 in 2015.

COMPARISON OF THE FISCAL YEAR ENDED DECEMBER 31, 2015 TO THE FISCAL YEAR ENDED DECEMBER 31, 2014.

Net Sales. Net sales increased by Euro 1,184.3 million, or 15.5%, to Euro 8,836.5 million in 2015 from Euro 7,652.3 million in 2014. Euro 398.8 million of this increase was attributable to increased sales in the manufacturing and wholesale distribution segment during 2015 as compared to 2014 and Euro 785.5 million was attributable to increased sales in the retail distribution segment during 2015 as

compared to 2014. Adjusted net sales in 2015 and 2014, which include the EyeMed Adjustment (as defined below), were Euro 9,010.8 million and Euro 7,698.9 million, respectively.

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 Group now assumes less reinsurance revenue and less claims expense. This modification resulted in a reduction in reinsurance revenue and claims of Euro 174.3 million and Euro 46.6 million in 2015 and 2014, respectively (the “EyeMed Adjustment”). This reinsurance agreement was further amended on January 1, 2016 in order to provide that the Group will assume more reinsurance revenue and claims expense in future periods.

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)	2015	2014
Net sales	8,836.5	7,652.3
> EyeMed Adjustment	174.3	46.6
Adjusted net sales	<u>9,010.8</u>	<u>7,698.9</u>

Net sales for the retail distribution segment increased by Euro 785.5 million, or 17.6%, to Euro 5,244.0 million in 2015 from Euro 4,458.6 million in 2014. The increase in net sales for the period was partially attributable to a 3.9% increase in comparable store sales. The effects from currency fluctuations between the Euro, which is our reporting currency, and other currencies in which we conduct business, in particular the strengthening of the U.S. dollar and the Australian dollar compared to the Euro, increased net sales in the retail distribution segment by Euro 680.9 million.

Adjusted net sales for the retail distribution segment in 2015 and 2014, which include the EyeMed Adjustment, were Euro 5,418.3 million and 4,505.1 million, respectively.

A reconciliation of adjusted net sales for the retail distribution segment, a non-IFRS measure, to net sales of the retail distribution segment, 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)	2015	2014
Net sales	5,244.0	4,458.6
> EyeMed Adjustment	174.3	46.6
Adjusted net sales	<u>5,418.3</u>	<u>4,505.1</u>

Net sales to third parties in the manufacturing and wholesale distribution segment increased by Euro 398.8 million, or 12.5%, to Euro 3,592.6 million in 2015 from Euro 3,193.8 million in 2014. 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 Coach, Burberry and Armani. The impact on net sales of currency fluctuations, in particular the strengthening of the U.S. dollar compared to the Euro, increased net sales in the wholesale distribution segment by Euro 177.1 million.

In 2015, net sales in the retail distribution segment accounted for approximately 59.3% of total net sales, as compared to approximately 58.3% of total net sales in 2014. This increase in sales for the retail distribution segment as a percentage of total net sales was primarily attributable to a 12.5% increase in

net sales for the manufacturing and wholesale distribution segment for 2015, as compared to a 17.6% increase in net sales to third parties in the retail distribution segment for 2015.

In 2015 and 2014, net sales in our retail distribution segment in the United States and Canada comprised 78.1% and 77.3%, respectively, of our total net sales in this segment. In U.S. dollars, retail net sales in the United States and Canada increased by 0.3% to U.S. \$4,546.0 million in 2015 from U.S. \$4,577.3 million in 2014, due to sales volume increases. During 2015, net sales in the retail distribution segment in the rest of the world (excluding the United States and Canada) comprised 21.9% of our total net sales in the retail distribution segment and increased by 13.2% to Euro 1,146.8 million in 2015 from Euro 1,013.1 million, or 22.7% of our total net sales in the retail distribution segment, in 2014, mainly due to an increase in consumer demand.

In 2015, net sales to third parties in our manufacturing and wholesale distribution segment in Europe were Euro 1,366.4 million, comprising 38.0% of our total net sales in this segment, compared to Euro 1,295.3 million, or 40.6% of total net sales in this segment, in 2014, increasing by Euro 71.1 million or 5.5% in 2015 as compared to 2014. Net sales for the year ended December 31, 2015 for European Wholesale and Other Wholesale have been revised to reflect a reclassification of certain geographic markets, which the Group considers immaterial. The increase in net sales in Europe in 2015 compared to 2014 was primarily due to a general increase in consumer demand. Net sales to third parties in our manufacturing and wholesale distribution segment in the United States and Canada were U.S. \$1,169.3 million and comprised 29.3% of our total net sales in this segment in 2015, compared to U.S. \$1,117.7 million, or 26.3% of total net sales in this segment, in 2014. The increase in net sales in the United States and Canada in 2015 compared to 2014 was primarily due to a general increase in consumer demand. In 2015, net sales to third parties in our manufacturing and wholesale distribution segment in the rest of the world were Euro 1,172.2 million, comprising 32.6% of our total net sales in this segment, compared to Euro 1,057.2 million, or 33.1% of our net sales in this segment, in 2014. The increase of Euro 115.0 million, or 10.9%, in 2015 as compared to 2014 was due to an increase in consumer demand, in particular in the emerging markets.

Cost of Sales. Cost of sales increased by Euro 260.7 million, or 10.1%, to Euro 2,835.4 million in 2015 from Euro 2,574.7 million in 2014. As a percentage of net sales, cost of sales was 32.1% and 33.6% in 2015 and 2014, respectively. The average number of frames produced daily in our facilities was approximately 346,991 and 297,000 in 2015 and 2014, respectively.

Adjusted cost of sales was Euro 3,009.0 million and Euro 2,621.3 million in 2015 and 2014, respectively. This includes, for 2015, the EyeMed Adjustment of Euro 174.3 million and expenses of Euro 0.7 million related to the reorganization of Oakley and other minor projects and, for 2014, the EyeMed Adjustment of Euro 46.6 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)	2015	2014
Cost of sales	2,835.4	2,574.7
> EyeMed Adjustment	174.3	46.6
> Adjustment for the reorganization of Oakley and other minor projects	(0.7)	—
Adjusted cost of sales	<u>3,009.0</u>	<u>2,621.3</u>

Gross Profit. Our gross profit increased by Euro 923.5 million, or 18.2%, to Euro 6,001.2 million in 2015 from Euro 5,077.6 million in 2014. As a percentage of net sales, gross profit increased to 67.9% in 2015 from 66.4% in 2014 due to the factors noted above.

Adjusted gross profit for 2015, excluding expenses of Euro 0.7 million related to the reorganization of Oakley and other minor projects, was Euro 6,001.8, or 66.6% as percentage of net sales.

A reconciliation of adjusted gross profit, a non-IFRS measure, to gross profit, 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)	2015	2014
Gross profit	6,001.2	5,077.6
> Adjustment for the reorganization of Oakley and other minor projects	0.7	—
Adjusted gross profit	<u>6,001.8</u>	<u>5,077.6</u>

Operating Expenses. Total operating expenses increased by Euro 704.7 million, or 18.0%, to Euro 4,624.7 million in 2015 from Euro 3,920.0 million in 2014. As a percentage of net sales, operating expenses were 52.3% in 2015 compared to 51.2% in 2014.

Total adjusted operating expenses increased by Euro 659.0 million, or 16.9%, to Euro 4,559.0 million in 2015 from Euro 3,900.0 million in 2014, excluding, for 2015, expenses of Euro 65.7 million related to the reorganization of Oakley and other minor projects and, for 2014, expenses of Euro 20.0 million related to the termination of the employment of the former Group CEOs. As a percentage of net sales, adjusted operating expenses decreased to 50.6% in 2015 from 50.7% in 2014.

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)	2015	2014
Operating expenses	4,624.7	3,920.0
> Adjustment for the employment termination of the former Group CEOs	—	(20.0)
> Adjustment for the reorganization of Oakley and other minor projects	(65.7)	—
Adjusted operating expenses	<u>4,559.0</u>	<u>3,900.0</u>

Selling and advertising expenses (including royalty expenses) increased by Euro 523.8 million, or 17.4%, to Euro 3,537.2 million in 2015 from Euro 3,013.4 million in 2014. Selling expenses increased by Euro 426.5 million, or 18.1%, to Euro 2,778.8 million in 2015 from Euro 2,352.3 million in 2014. As a percentage of net sales, selling expenses were 31.4% and 30.7% in 2015 and 2014, respectively. Advertising expenses increased by Euro 78.6 million, or 15.4%. As a percentage of net sales, advertising expenses were 6.7% in both 2015 and 2014. Royalties increased by Euro 18.7 million, or 12.5%. As a percentage of net sales, royalty expenses were 1.9% and 2.0% in 2015 and 2014, respectively.

Adjusted selling expenses, excluding, for 2015, expenses of Euro 5.5 million related to the reorganization of Oakley and other minor projects, were Euro 2,773.3 million as compared to selling expenses of Euro 2,352.3 million in 2014. As percentage of net sales, adjusted selling expenses were 30.8% in 2015.

A reconciliation of adjusted selling expenses, a non-IFRS measure, to selling 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)	2015	2014
Selling expenses	2,778.8	2,352.3
> Adjustment for the reorganization of Oakley and other minor projects	(5.5)	—
Adjusted selling expenses	<u>2,773.3</u>	<u>2,352.3</u>

General and administrative expenses, including intangible asset amortization, increased by Euro 180.9 million, or 19.9%, to Euro 1,087.5 million in 2015, as compared to Euro 906.6 million in 2014. As a percentage of net sales, general and administrative expenses were 12.3% and 11.8% in 2015 and 2014, respectively. The increase was primarily due to expenses of Euro 60.1 million relating to the reorganization of Oakley and other minor projects.

Adjusted general and administrative expenses increased by Euro 140.8 million, or 15.9%, to Euro 1,027.4 million in 2015 as compared to Euro 886.6 million in 2014. This amount includes intangible asset amortization and excludes, in 2015, the expenses related to the reorganization of Oakley and other minor projects of Euro 60.1 million and, in 2014, expenses of Euro 20.0 million related to the termination of the employment of the former Group CEOs. As a percentage of net sales, adjusted general and administrative expenses decreased to 11.4% in 2015 from 11.5% in 2014.

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)	2015	2014
General and administrative expenses	1,087.5	906.6
> Adjustment for the employment termination of the former Group CEOs	—	(20.0)
> Adjustment for the reorganization of Oakley and other minor projects	(60.1)	—
Adjusted general and administrative expenses	<u>1,027.4</u>	<u>886.6</u>

Income from Operations. For the reasons described above, income from operations increased by Euro 218.8 million, or 18.9%, to Euro 1,376.4 million in 2015 from Euro 1,157.6 million in 2014. As a percentage of net sales, income from operations increased to 15.6% in 2015 from 15.1% in 2014. Adjusted income from operations increased by Euro 265.2 million, or 22.5%, to Euro 1,442.8 million in 2015 from Euro 1,177.6 million in 2014. As a percentage of net sales, adjusted income from operations increased to 16.0% in 2015 from 15.3% in 2014.

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)	2015	2014
Income from operations	1,376.4	1,157.6
> Adjustment for the employment termination of the former Group CEOs	—	20.0
> Adjustment for the reorganization of Oakley and other minor projects	66.4	—
Adjusted income from operations	<u>1,442.8</u>	<u>1,177.6</u>

Other Income (Expense)—Net. Other income (expense)—net was Euro (98.5) million in 2015 as compared to Euro (97.5) million in 2014. Net interest expense was Euro 95.2 million in 2015 as compared to Euro 98.0 million in 2014.

Net Income. Income before taxes increased by Euro 217.8 million, or 20.5%, to Euro 1,277.9 million in 2015 from Euro 1,060.1 million in 2014 for the reasons described above. As a percentage of net sales, income before taxes increased to 14.5% in 2015 from 13.9% in 2014. Adjusted income before taxes increased by Euro 264.2 million, or 24.5%, to Euro 1,344.3 million in 2015 from Euro 1,080.1 million in 2014, for the reasons described above. As a percentage of net sales, adjusted income before taxes increased to 14.9% in 2015 from 14.0% in 2014.

A reconciliation of adjusted income before taxes, a non-IFRS measure, to 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)	2015	2014
Income before taxes	1,277.9	1,060.1
> Adjustment for the termination of the former Group CEOs	—	20.0
> Adjustment for the reorganization of Oakley and other minor projects	66.4	—
Adjusted income before taxes	<u>1,344.3</u>	<u>1,080.1</u>

Our effective tax rate was 36.9% and 39.1% in 2015 and 2014, respectively. Included in 2014 was Euro 30.3 million for certain income taxes accrued in the period as a result of ongoing tax audits. Our adjusted tax rate, which excludes, in 2015, the tax effect of the reorganization of Oakley and other minor projects and, in 2014, the tax effects of the tax audits and the termination of the former Group CEOs, was 36.3% and 36.0%, respectively. Net income attributable to non-controlling interests was equal to Euro 2.8 million and Euro 3.4 million in 2015 and 2014, respectively.

Net income attributable to Luxottica Group stockholders increased by Euro 161.5 million, or 25.1%, to Euro 804.1 million in 2015 from Euro 642.6 million in 2014. Net income attributable to Luxottica Group stockholders as a percentage of net sales increased to 9.1% in 2015 from 8.4% in 2014. Adjusted net income attributable to Luxottica Group stockholders increased by Euro 166.5 million, or 24.2%, to Euro 854.0 million in 2015 from Euro 687.4 million in 2014. Adjusted net income attributable to Luxottica Group stockholders as a percentage of net sales increased to 9.5% in 2015 from 8.9% in 2014.

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.

(Amounts in millions of Euro)	2015	2014
Net income attributable to Luxottica Group stockholders	804.1	642.6
> Adjustment for the reorganization of Oakley and for other minor projects	66.4	—
> <i>of which tax effect</i>	(16.6)	—
> Adjustment for the accrual for the tax audit relating to Luxottica S.r.l. (fiscal years 2008 to 2011)	—	30.3
> Adjustment for the termination of the former Group CEOs	—	20.0
> <i>of which tax effect</i>	—	(5.5)
Adjusted net income attributable to Luxottica Group stockholders	<u>854.0</u>	<u>687.4</u>

Basic earnings per share were Euro 1.68 in 2015 and Euro 1.35 in 2014. Diluted earnings per share were Euro 1.67 in 2015 and Euro 1.34 in 2014.

Non-IFRS Measures: Adjusted Measures

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, tax rate and net income attributable to Luxottica Group stockholders have been adjusted by the following items:

- (a) excluding expenses in 2016 of Euro 69.5 million (Euro 55.0 million net of tax) related to the reorganization of the assortment in the Retail segment and logistics processes in North America and other restructuring projects primarily in North America and Europe;
- (b) excluding expenses in 2016 of Euro 7.1 million (Euro 5.2 million net of tax) related to the termination of the employment of the former CEO for Markets;
- (c) excluding expenses in 2016 of Euro 10.3 million (Euro 6.8 million net of tax) related to the reorganization of Oakley and other minor projects;
- (d) excluding income in 2016 of Euro 35.7 million related to the acquisition of Salmoiraghi & Viganò;
- (e) excluding expenses in 2015 of Euro 66.4 million (Euro 49.8 million net of tax) related to the reorganization of Oakley and other minor projects;
- (f) including sales of the EyeMed division in 2015 and 2014 of Euro 174.3 million and Euro 46.6 million, respectively, related to the EyeMed Adjustment;
- (g) excluding expenses in 2014 of Euro 20.0 million (Euro 14.5 million net of tax) related to the termination of the employment of the former Group CEOs; and
- (h) 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).

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, 2016, 2015 and 2014, were approximately 35.4%, 36.9% and 39.1%, respectively. The effective tax rate for fiscal year 2014 included a tax accrual of Euro 30.3 million associated with tax audits of Luxottica S.r.l. related to fiscal years 2008 through 2011. In future periods, we expect that our effective tax rate will be in the range of 34% to 35% with a potential reduction of the tax rate due to the application of the patent box regime, which was introduced in Italy in 2015 and will be applicable in fiscal years 2017, 2018 and 2019. The patent box regime is a tax exemption related to the use of intellectual property assets pursuant to which income derived from the use of each qualified intangible asset is partially exempted from taxation for both Italian corporate income tax and Italian regional tax purposes. 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, 2016 totaled Euro 866.9 million, compared to Euro 864.9 million at December 31, 2015. As of December 31, 2016, Euro 723.7 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 increased interest expense.

Cash Flows

Operating Activities. The Company's net cash provided by operating activities in 2016, 2015 and 2014 was Euro 1,311.3 million, Euro 1,197.3 million and Euro 1,170.1 million, respectively.

Depreciation and amortization were Euro 512.8 million in 2016 as compared to Euro 476.9 million in 2015 and Euro 384.0 million in 2014. The increase in depreciation and amortization in 2016 as compared to 2015 is mainly due to the investments made during the period. The increase in depreciation and amortization in 2015 as compared to 2014 is mainly due to the strengthening of certain major currencies

in which we operate, in particular the U.S. dollar (Euro 53.1 million), and the increase in tangible and intangible assets in the period.

Non-cash stock-based compensation expense was Euro 9.6 million in 2016 as compared to Euro 49.7 million in 2015 and Euro 31.8 million in 2014. The decrease in 2016 as compared to 2015 is mainly due to the vesting of the 2014 PSP plan as well as to the fact that starting from 2016 the Group no longer grants new stock options or share plans to its employees. The increase in 2015 as compared to 2014 is due to (i) Euro 7.4 million related to the grant of free treasury shares to the Group's employees in Italy in honor of the 80th birthday of the Group's Executive Chairman and founder, Mr. Leonardo Del Vecchio, and (ii) Euro 8.0 million related to the 2015 PSP Plan (defined below).

The change in accounts receivable was Euro (28.8) million in 2016 as compared to Euro (108.6) million in 2015 and Euro (41.3) million in 2014. The change in 2016 as compared to 2015 was mainly due to the combined effect of lower sales in some geographic areas (including in North America because of the introduction of the MAP policy) and strict credit management. The change in 2015 as compared to 2014 was primarily due to the higher volume of sales in 2015 as compared to 2014. The inventory change was Euro (7.2) million in 2016 as compared to Euro (85.2) million in 2015 and Euro 7.3 million in 2014. The change in 2016 compared to 2015 was due to a strict inventory management. The increase in inventory in 2015 was due to an effort to improve the quality of the customer experience by having inventory levels in line with customer demand. The change in other assets and liabilities was Euro 30.0 million in 2016 as compared to Euro (7.8) million in 2015 and Euro 21.2 million in 2014. The change in 2016 compared to 2015 was driven by the increase in the liability to employees of the North American Retail businesses related to the timing of salary payments of store employees. The change in 2015 as compared to 2014 was primarily due to the change in the reporting calendar of certain retail subsidiaries of the Group, which resulted in a reduction of the net liability. The change in accounts payable was Euro (28.8) million in 2016 as compared to Euro 115.6 million in 2015 and Euro 24.6 million in 2014. The change in 2016 as compared to 2015 was primarily due to the revision of certain contractual conditions with some strategic suppliers who received favorable price conditions while keeping payment terms unchanged. The change in 2015 as compared to 2014 was mainly due to the continuous improvement in payment terms and conditions and to the overall growth of the Group's business. Income tax payments in 2016 were Euro 475.4 million as compared to Euro 565.9 million in 2015 and Euro 349.2 million in 2014. The increase in income tax payments in 2015 as compared to 2014 was due to the payment of Euro 91.6 million related to the tax audit of Luxottica S.r.l. for the tax years from 2008 to 2011 and to a general increase in the Group's taxable income. Interest paid was Euro 79.7 million in 2016 as compared to Euro 79.8 million in 2015 and Euro 93.1 million in 2014. The change in 2015 as compared to 2014 was mainly due to repayment of long-term debt in 2015.

Investing Activities. The Company's net cash used in investing activities was Euro 763.7 million, Euro 483.3 million and Euro 459.3 million in 2016, 2015 and 2014, respectively. The primary investment activities in 2016 were related to (i) the acquisition of tangible assets for Euro 546.2 million which includes the acquisition of a building to be used as the North American headquarters in New York City and improvements to the Atlanta distribution center, (ii) the acquisition of intangible assets for Euro 111.8 million, primarily related to IT infrastructure, and (iii) the acquisition of 63.2% of Salmoiraghi & Viganò for an amount, net of cash acquired, of approximately Euro 127.5 million. The primary investment activities in 2015 were related to (i) the acquisition of tangible assets for Euro 319.8 million, (ii) the acquisition of intangible assets for Euro 144.0 million, primarily related to IT infrastructure, and (iii) the acquisition of Sunglass Warehouse for Euro 21.0 million. 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.

Our capital expenditures were Euro 651.6 million in 2016 as compared to Euro 513.6 million in 2015 and Euro 418.9 million in 2014, primarily related to investments in IT infrastructure in 2016, 2015 and

2014, 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 distribution segment. Capital expenditures were Euro 106.1 million in the three-month period ended March 31, 2017. It is our expectation that 2017 aggregate capital expenditures will exceed 6-7% of the Group's net sales. 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 Euro 19.3 million in 2016 and insignificant in 2015 and 2014. Investments in equity investees resulted in cash used of Euro 0.0 million in each of 2016, 2015 and 2014.

Financing Activities. The Company's net cash (used in) provided by financing activities was Euro (572.4) million, Euro (1,354.3) million and Euro 72.3 million in 2016, 2015 and 2014, respectively. Cash used in financing activities in 2016 consisted primarily of (i) Euro (427.7) million used to pay dividends to the shareholders of the Company, (ii) Euro 92.4 million related to the increase in bank overdrafts, (iii) Euro (219.7) million related to the purchase of the Company's own shares, (iv) Euro (13.5) million related to the acquisition of the shares owned by Opticas Devlyn in Sunglass Hut de Mexico and (v) Euro 10.1 million related to the exercise of stock options. Cash used in financing activities in 2015 consisted primarily of (i) Euro (649.3) million related to the payment of existing debt, (ii) Euro (689.7) million used to pay dividends to the shareholders of the Company, (iii) Euro 47.7 million related to the exercise of stock options, (iv) Euro (19.0) million related to the acquisition of the remaining 49% of Luxottica Netherlands and (v) Euro (39.0) million related to the decrease in bank overdrafts. 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.

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 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.

The financial and operating covenants included in our outstanding 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 1.835.0 million as of December 31, 2016. Available additional borrowings under credit facilities as of such date were Euro 651.0 million.

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 positive as of March 31, 2017.

For additional information, see Note 22 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.

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 matured 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 accrued 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, 2016. 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 matured 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 accrued 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, 2016. 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, 2016. The proceeds from the Notes were used for general corporate purposes.

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, 2016.

On March 10, 2017, U.S. Holdings gave notice to each of the purchasers of the Series I Notes that the Notes have been called for prepayment prior to maturity on April 10, 2017 (the “Prepayment Date”), at the principal amount thereof plus accrued interest up to but not including such Prepayment Date plus a make-whole amount that is calculated in accordance with the terms of the note purchase agreement governing the Notes. The Series I Notes were prepaid on April 10, 2017 and are no longer outstanding.

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, 2016.

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 Programme was suspended by Luxottica in July 2015.

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, 2016.

Outstanding Standby Letters of Credit

Certain U.S. subsidiaries have obtained various standby and trade letters of credit from banks that aggregated Euro 50.8 million and Euro 45.2 million as of December 31, 2016 and 2015, 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 months.

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, 2016 and 2015, no single customer's balance comprised 10% or more of the overall accounts receivable balance. However, included in accounts receivable as of December 31, 2016 and 2015, was approximately Euro 44.7 million and Euro 39.8 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,		
	2016	2015	2014
Current Assets	3,027.6	2,829.1	3,167.7
Current Liabilities	(2,216.2)	(1,906.9)	(2,388.7)
Working Capital	<u>811.5</u>	<u>922.2</u>	<u>779.0</u>

The decrease in working capital in 2016 as compared to 2015 is mainly attributable to an increase in short-term borrowings and the current portion of long-term debt. The increase in working capital in 2015 as compared to 2014 is mainly attributable to an increase 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 forward 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 32 to our Consolidated Financial Statements included in Item 18 of this Form 20-F). 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 22 and 29 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, 2016. 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 23 to our Consolidated Financial Statements included in Item 18 of this Form 20-F.

Contractual Obligations (Amounts in millions of Euro)	Payments Due by Period				Total
	1 Year	1 to 3 Years	3 to 5 Years	After 5 Years	
Long-Term Debt and Current Maturities ⁽¹⁾⁽²⁾	154.1	723.2	450.1	515.8	1,843.2
Interest Payments ⁽³⁾	65.1	96.5	57.3	28.1	247.0
Operating Leases	385.6	538.5	332.1	287.3	1,543.5
Minimum Royalty Arrangements ⁽⁴⁾	143.2	281.6	245.3	353.6	1,023.7
Long-Term Purchase Commitments ⁽⁵⁾	76.2	26.2	10.4	0.5	113.3
Endorsement Contracts ⁽⁶⁾	8.6	3.8	0.8	—	13.2
Other Commitments ⁽⁷⁾	36.8	64.6	39.0	0.1	140.5
Total	<u>869.6</u>	<u>1,734.4</u>	<u>1,135.0</u>	<u>1,185.4</u>	<u>4,924.4</u>

- (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, 2016 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 12.1 million (less than one year), Euro 20.6 million (one to three years) and Euro 9.7 million (after three years); and it excludes the balance of the amortized costs of Euro 8.2 million.
- (3) 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, 2016 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.
- (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, 2016, we had available funds of approximately Euro 651.0 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 16 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 24, 2015. It currently consists of 14 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, 2017. During 2014, the Company adopted a governance model based on the appointment of two Chief Executive Officers to better respond to the growing complexity of the Group and to the demands of global competition. The 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. On January 29, 2016, Mr. Mehboob-Khan departed from the Board of Directors and as the Group CEO for Markets and, effective February 29, 2016, from his other administrative roles with the Group. At the same time, the Board of Directors approved the assignment of responsibility for Markets, a role formerly held by Mr. Mehboob-Khan, to Mr. Leonardo Del Vecchio, the Company's Chairman of the Board of Directors and majority shareholder, as Executive Chairman. Mr. Massimo Vian continued in his role as CEO for Product and Operations. Furthermore, on March 1, 2016, the Board of Directors co-opted Mr. Francesco Milleri as a Director with deputy functions with deputy and substitute powers to be exercised upon specific request and authorization of the Executive Chairman under his coordination and responsibility. Mr. Milleri was confirmed as a Director by the stockholders' meeting on April 29, 2016 and his term will expire at the time of the approval of the statutory financial statements as of and for the year ending December 31, 2017. On the same date, the Board of Directors appointed him as a Deputy Chairman confirming his deputy and substitute powers.

Set forth below is certain information as of March 31, 2017 regarding the directors and senior management of Luxottica Group S.p.A.:

Name	Age	Senior Manager or Director ⁽¹⁾ Since	Position
Leonardo Del Vecchio	81	1961	Executive Chairman of the Board of Directors
Luigi Francavilla	79	1968/1985	Deputy Chairman
Francesco Milleri	57	2016	Deputy Chairman
Massimo Vian	44	2005/2014	Chief Executive Officer for Product and Operations and Director
Marina Brogi	49	2015	Director
Luigi Feola	49	2015	Director
Elisabetta Magistretti	69	2012	Director
Mario Notari	52	2015	Director
Maria Pierdicchi	59	2015	Director
Karl Heinz Salzburger	60	2015	Director
Luciano Santel	60	2015	Director
Cristina Scocchia	43	2015	Director
Sandro Veronesi	57	2015	Director
Andrea Zappia	53	2015	Director
Paolo Alberti	54	2009	President Wholesale
PierGiorgio Angeli	56	2007	Group Human Resources and Internal Communications Officer
Stefano Grassi	43	2007	Chief Financial Officer
Enrico Mistrun	47	1995	Corporate Business Services Officer
Alessandra Senici	49	2000	Group Investor Relations and Corporate Communications Officer
Giorgio Striano	45	2009	Chief Operating 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 all or part of 2016, including Mr. Adil Mehboob-Khan (whose relationship with the Company as CEO for Markets and a Director ended on January 29, 2016), and eight senior managers, each of whom held office for all or part of 2016.

Executive officers serve at the discretion of the Board of Directors. Messrs. Feola, Notari, Salzburger, Santel, Veronesi and Zappia and Meses. Brogi, Magistretti, Pierdicchi and Scocchia are all non-executive directors. In addition, Meses. Brogi, Magistretti, Pierdicchi and Scocchia and Messrs. Feola, Salzburger, Santel, Veronesi and Zappia are also independent directors under Italian law.

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 2015, the year in which the current Board of Directors was appointed, the percentage established by CONSOB for Luxottica was 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. 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 24, 2015, 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: Maria Venturini and Roberto Miccù. The alternate members will replace current members who leave their position during the current term. Francesco Vella and Roberto Miccù were selected from a list submitted by minority stockholders. Alberto Giussani, Barbara Tadolini and Maria Venturini 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, 2017.

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. The extraordinary stockholder’s meeting held on April 29, 2016 approved the amendments proposed by the Board of Directors’ to Articles 12, 19 and 30 of our By-Laws. The amended By-Laws are available on our website.

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 Andrea Zappia, Chairman, Marina Brogi, independent directors, and Mario Notari, non-executive director. 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: Elisabetta Magistretti, Chairperson, Luciano Santel and Cristina Scocchia. 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 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 2016, he became the Company's Executive Chairman with responsibility for Markets. 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, among other directorships, Chairman of Delfin S.à r.l. and Aterno S.à r.l., Deputy Chairman of Foncière des Régions S.A. and Director of Beni Stabili S.p.A. SIIQ and GiVi Holding S.p.A.

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).

Francesco Milleri was co-opted as a Director on March 1, 2016 and elected as a Director at the Stockholders' Meeting held on April 29, 2016, and appointed by the Board of Directors as Deputy Chairman of Luxottica Group S.p.A. Mr. Milleri graduated with a degree in Law from the University of Florence in 1983 where he worked as an Assistant Professor of Political Economy from 1984 to 1986. In 1987, he earned a Master's of Business Administration from the school of management at Bocconi University in Milan, followed by two years of specialization in Corporate Finance at New York University's Stern School of Business as the recipient of Banca d'Italia's "Donato Menichella" scholarship. Mr. Milleri began his career in 1988 as a business consultant for Italian companies and multinational corporations. Mr. Milleri has over 20 years of international experience working in a variety of industries, including mechanics, consumer goods, financial institutions and pharmaceuticals. Alongside his business consulting activities, in 2000, Mr. Milleri founded and currently leads a group of companies focused on technology and digital innovation. Mr. Milleri is the Chairman of Salmoiraghi & Viganò, which is now a subsidiary of the Group.

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. 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 was Chief Executive Officer of Luxottica S.r.l. until March 31, 2017 and serves as a Director of Luxottica North America Distribution LLC., Luxottica U.S. Holdings Corp., Oakley Inc., Luxottica Retail North America Inc. and OPSM Group Pty Limited.

Marina Brogi was appointed as a Director of Luxottica Group S.p.A. on April 24, 2015. Ms. Brogi received a degree in Economics at Bocconi University in Milan in 1988. From 1993 to 1998, Ms. Brogi was Researcher of Financial Intermediaries at Bocconi University and, from 1998 to 2007, she was Associate Professor of Capital and Financial Markets at La Sapienza University in Rome. Since 2007, Ms. Brogi has been a full Professor of disclosure, governance and control in banks and insurance companies and of international banking and capital markets at La Sapienza University in Rome. Since 2011, she has also been Deputy Dean of the Faculty of Economics at La Sapienza University in Rome. Ms. Brogi is director of Salini Impregilo S.p.A. and Chairperson of the Board of Statutory Auditors of Fratelli Branca Distillerie S.r.l. and Clessidra SGR.

Luigi Feola was appointed as a Director of Luxottica Group S.p.A. on April 24, 2015. Mr. Feola graduated from Messina University with a degree in Business and Economics in 1990. In 1991, he received a Master's of Business Administration from Bocconi University and, in 1992, he completed the International Exchange Program at the University of California, Berkeley. Mr. Feola is a certified Chartered Public Accountant. Mr. Feola started his career in 1993 at Procter & Gamble Italy as a financial analyst where he was subsequently promoted to positions of increasing responsibility. In 2009, Mr. Feola was appointed Chief Financial Officer, Global Prestige Products and, in 2014, he was named Vice President and General Manager, Global Luxury Brands at Procter & Gamble Italy. Until March 2016, Mr. Feola was President of Value Retail Management Ltd, a company dedicated to the creation and operation of luxury outlet shopping in Europe and China. He is currently Senior Managing Director Europe for Temasek Holdings Private Limited.

Elisabetta Magistretti became a Director of Luxottica Group S.p.A. on April 27, 2012. She graduated from Bocconi University in Milan 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. and, from April 2011 until February 2016, she was an independent director of Pirelli & C. S.p.A. She is also member of the Board of Directors of Mediobanca S.p.A. and Smeg S.p.A.

Mario Notari was appointed as a Director of Luxottica Group S.p.A. on April 24, 2015. Mr. Notari is a full Professor of Corporate and Business Law at Bocconi University in Milan, a Director and Ph.D in Company Law at Università di Brescia and a Member and Ph.D in Business Law at Università Bocconi. He is a member of the editorial boards and scientific boards of a number of law and business journals and a member and advisor of several academic and institutional boards. Mr. Notari is the founder and a partner in ZABBAN—NOTARI—RAMPOLLA & Associati, public notaries and lawyers in Milan. Mr. Notari is a public notary and a legal advisor to industrial and financial companies, listed companies and financial institutions as well as an arbitrator in the areas of civil, corporate and financial markets law. Mr. Notari has also served as Chairman of the Board of Statutory Auditors of Kairos Investment

Management S.p.A., Kairos Partners SGR S.p.A., Kairos Julius Baer SIM S.p.A., Chairman of the Supervisory Board of Assicurazioni Generali S.p.A. and director of RCS Mediagroup S.p.A.

Maria Pierdicchi was appointed as a Director of Luxottica Group S.p.A. on April 24, 2015. Ms. Pierdicchi graduated from Bocconi University in Milan in 1982 with a degree in Economics. Ms. Pierdicchi obtained a Master's in Business Administration in Finance from New York University, Stern Graduate School of Business Administration in 1998. From 1981 to 1985, Ms. Pierdicchi was a research assistant in banking and international financial intermediaries at Bocconi University and an Assistant Professor of International Banking for SDA Bocconi School of Management. From 1985 to 1986, Ms. Pierdicchi served as a consultant to The World Bank in Washington D.C. and, from 1988 to 1991, she was a Senior Financial Analyst and Resident Vice President at Citibank N.A. In 1991, Ms. Pierdicchi joined Premafin S.p.A. where she became General Manager until 1998 when she joined Borsa Italiana S.p.A. as Senior Director in charge of new markets. From 2003 to 2015, Ms. Pierdicchi was Chief Executive Officer of S&P CMSI and Managing Director, Head of Southern Europe of Standard & Poor's, McGraw Hill Financial Group. She is member of the Board and Vice Chairman of the Italian American Chamber of Commerce. Furthermore, she is Director of Nuova Banca delle Marche S.p.A., Nuova Banca dell'Etruria e del Lazio S.p.A., Nuova Cassa di Risparmio di Ferrara S.p.A., and Nuova Cassa di Risparmio di Chieti S.p.A.

Karl Heinz Salzburger was appointed as a Director of Luxottica Group S.p.A. on April 24, 2015. Mr. Salzburger graduated from the University of Verona in 1981. In 1983, he obtained a Master's degree in International Marketing at CUOA (Centro Universitario di Organizzazione Aziendale—University Centre of Business Administration) in Vicenza. Mr. Salzburger began his professional career at Accumulatori Alto Adige and thereafter he moved to Austria for Salvagnini Transferica S.p.A., where he became General Manager. From 1990 to 1997, Mr. Salzburger held a number of positions at Benetton Sportssystem S.p.A. culminating in management of certain Benetton Sportssystem's subsidiaries. In 1997, he was appointed Chief Executive Officer of The North Face Europe and thereafter he was appointed Chief Executive Officer of The North Face Inc. in San Francisco, where he remained through 2000. In 2000, Mr. Salzburger was appointed as President for the International Outdoor Coalition of VF Corporation and thereafter, in 2006, President of VF International, with responsibility for all VF brands in Europe, the Middle East and Asia. Since 2010, Mr. Salzburger has been Group President of VF Corporation International and holds various positions in other entities comprising the VF Group. He is currently Chairman of the Board of Directors of VF International Sagl.

Luciano Santel was appointed as a Director of Luxottica Group S.p.A. on April 24, 2015. Mr. Santel graduated from Ca Foscari University of Venice with a degree in Business and Economics and then joined the independent auditing firms of Reconta Ernst & Young and Arthur Andersen. Mr. Santel served as Finance Director of IVG and Rossignol Group. In 1996, he was appointed as Chief Operating Officer of Retail Brand Alliance (Casual Corner Group Inc.) where he worked until 1999 when he joined Luxottica as VP Group International Development. In 2001, Mr. Santel joined Geox S.p.A. as Chief Corporate Officer until 2009, when he was appointed Chief Executive Officer of Stefanel S.p.A. In 2013, he was appointed Chief Corporate Officer of Moncler S.p.A. and was also appointed as a Director of that company in April 2016.

Cristina Scocchia was appointed as a Director of Luxottica Group S.p.A. on April 24, 2015. Ms. Scocchia graduated from Bocconi University with a degree in Management of International Firms. She completed a PhD in Business Administration at the University of Turin. Ms. Scocchia started her career at Procter & Gamble where, since 1997, she held positions of increasing responsibility working on mature and emerging markets until she was appointed as Cosmetics International Operations Division leader in 2012. In 2013, she joined L'Oréal Italia S.p.A. and, from 2014 to 2017, she acted as its Chief Executive Officer. From 2016 to 2017, she also acted as Chairman of L'Oréal Italia S.p.A. Ms. Scocchia is a member of the Board of Directors of Valtur S.p.A. and Elica S.p.A.

Sandro Veronesi was appointed as a Director of Luxottica Group S.p.A. on April 24, 2015. In 1983, Mr. Veronesi graduated from the University of Verona with a degree in Business and Economics. He began his career in 1984 at Golden Lady S.p.A. where he held key positions until 1996. Since 1996, Mr. Veronesi has overseen Calzedonia S.p.A., a company he founded in 1993 that owns several brands, including Intimissimi, Falconeri, Signorvino and Atelier Emé, of which he is Chairman of the Board of Directors. In 1999, Mr. Veronesi established Fondazione San Zeno. In 2009, the President of the Republic of Italy conferred on Mr. Veronesi the honor of Cavaliere dell'Ordine al "Merito del Lavoro" (Knight of the Order for Labor Merit). From 2011 until December 31, 2016, Mr. Veronesi served as a member of the Board of Directors of Banco Popolare Società Cooperativa.

Andrea Zappia was appointed as a Director of Luxottica Group S.p.A. on April 24, 2015. Mr. Zappia graduated from University of Bologna with a degree in Business and Economics. He began his career at Procter & Gamble where he served as European Group Marketing Manager. From 1996 to 2001, Mr. Zappia held the position of Global Sales and Marketing Director, respectively, for Ferrari S.p.A. and Maserati Worldwide and, thereafter, he was Vice President Marketing and Product Development worldwide for FILA Holding S.p.A. In 2003, Mr. Zappia joined Sky Italia, where he held the position of Vice President, Marketing, Promotion and Business Development and several other increasingly senior positions leading to his appointment as Chief Executive Officer in 2011. He is currently a member of the "Giunta, Comitato di Presidenza and Consiglio Direttivo" for Assolombarda's project on Media and Communication. He is also a Director of Banca Sistema 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.

PierGiorgio Angeli became the Group Human Resources and Internal Communications Officer in March 2016. Mr. Angeli joined Luxottica in 2007 as the Group Operations Human Resources Director. Prior to joining the Company, Mr. Angeli held positions of increasing responsibility at Seleco S.p.A. from 1991 to 1995, Whirlpool Europe S.p.A. from 1996 to 2001, FIAMM Group S.p.A. from 2002 to 2006 and Pirelli Group S.p.A. during 2007. Mr. Angeli holds a bachelor's degree in Law from the University of Padua.

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 Corporate Business Services Officer.

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 Chief Operating Officer of the Company in October 2016. Mr. Striano joined the Company in 2009 and in 2010 he took over the role of Asia Operations Director, being subsequently appointed 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.

COMPENSATION

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 2016 and remuneration to Senior Managers who held office for all or a portion of 2016 (amounts in Euros).

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

Name	Office	Term of office	Expiration	Fixed remuneration	Compensation for Committee Participation	Variable non-equity compensation			Other compensation	Total	Fair value of equity compensation* (Estimated Potential Value)	Indemnity for termination of position
						Bonus and other incentives	Profit participation	Non-cash benefits				
Leonardo Del Vecchio	Executive Chairman	January 1, 2016 - December 31, 2016	Approval of financial statements for 2017									
(I) Compensation paid by the Company				1,100,000 ⁽¹⁾	—	—	—	—	—	1,100,000	—	—
(II) Compensation paid by subsidiary or affiliate companies				—	—	—	—	—	—	—	—	—
(III) Total				1,100,000	—	—	—	—	—	1,100,000	—	—
Luigi Francavilla	Vice Chairman	January 1, 2016 - December 31, 2016	Approval of financial statements for 2017									
(I) Compensation paid by the Company				158,000 ⁽²⁾	—	—	—	—	—	158,000	—	—
(II) Compensation paid by subsidiary or affiliate companies				657,060	—	—	—	—	—	657,060	—	—
(III) Total				815,060	—	—	—	—	—	815,060	—	—
Francesco Milleri	Vice Chairman	March 1, 2016 - December 31, 2016	Approval of financial statements for 2017									
(I) Compensation paid by the Company				916,666 ⁽³⁾	—	—	—	—	—	916,666	—	—
(II) Compensation paid by subsidiary or affiliate companies				—	—	—	—	—	—	—	—	—
(III) Total				916,666	—	—	—	—	—	916,666	—	—
Massimo Vian	CEO for Product and Operations	January 1, 2016 - December 31, 2016	Approval of financial statements for 2017									
(I) Compensation paid by the Company				1,100,000 ⁽⁴⁾	—	1,100,000 ⁽⁵⁾	—	96,372	—	2,296,372	2,801,607	—
(II) Compensation paid by subsidiary or affiliate companies				—	—	—	—	—	—	—	—	—
(III) Total				1,100,000	—	1,100,000	—	96,372	—	2,296,372	2,801,607	—
Marina Brogi	Director	January 1, 2016 - December 31, 2016	Approval of financial statements for 2017									
(I) Compensation paid by the Company				100,000	25,000 ⁽⁶⁾	—	—	—	—	125,000	—	—
(II) Compensation paid by subsidiary or affiliate companies				—	—	—	—	—	—	—	—	—
(III) Total				100,000	25,000	—	—	—	—	125,000	—	—

Name	Office	Term of office	Expiration	Fixed remuneration	Compensation for Committee Participation	Variable non-equity compensation				Total	Fair value of equity compensation* (Estimated Potential Value)	Indemnity for termination of position
						Bonus and other incentives	Profit participation	Non-cash benefits	Other compensation			
Luigi Feola	Director	January 1, 2016 - December 31, 2016	Approval of financial statements for 2017									
(I) Compensation paid by the Company				100,000	—	—	—	—	—	100,000	—	—
(II) Compensation paid by subsidiary or affiliate companies				—	—	—	—	—	—	—	—	—
(III) Total				100,000	—	—	—	—	—	100,000	—	—
Elisabetta Magistretti	Director	January 1, 2016 - December 31, 2016	Approval of financial statements for 2017									
(I) Compensation paid by the Company				100,000	40,000 ⁽⁷⁾	—	—	—	—	140,000	—	—
(II) Compensation paid by subsidiary or affiliate companies				—	—	—	—	—	—	—	—	—
(III) Total				100,000	40,000	—	—	—	—	140,000	—	—
Mario Notari	Director	January 1, 2016 - December 31, 2016	Approval of financial statements for 2017									
(I) Compensation paid by the Company				100,000	25,000 ⁽⁸⁾	—	—	—	—	125,000	—	—
(II) Compensation paid by subsidiary or affiliate companies				—	—	—	—	—	—	—	—	—
(III) Total				100,000	25,000	—	—	—	—	125,000	—	—
Maria Pierdicchi	Director	January 1, 2016 - December 31, 2016	Approval of financial statements for 2017									
(I) Compensation paid by the Company				100,000	—	—	—	—	—	100,000	—	—
(II) Compensation paid by subsidiary or affiliate companies				—	—	—	—	—	—	—	—	—
(III) Total				100,000	—	—	—	—	—	100,000	—	—
Karl Heinz Salzburger	Director	January 1, 2016 - December 31, 2016	Approval of financial statements for 2017									
(I) Compensation paid by the Company				100,000	—	—	—	—	—	100,000	—	—
(II) Compensation paid by subsidiary or affiliate companies				—	—	—	—	—	—	—	—	—
(III) Total				100,000	—	—	—	—	—	100,000	—	—
Luciano Santel	Director	January 1, 2016 - December 31, 2016	Approval of financial statements for 2017									
(I) Compensation paid by the Company				100,000	35,000 ⁽⁹⁾	—	—	—	—	135,000	—	—
(II) Compensation paid by subsidiary or affiliate companies				—	—	—	—	—	—	—	—	—
(III) Total				100,000	35,000	—	—	—	—	135,000	—	—
Cristina Scocchia	Director	January 1, 2016 - December 31, 2016	Approval of financial statements for 2017									
(I) Compensation paid by the Company				100,000	35,000 ⁽¹⁰⁾	—	—	—	—	135,000	—	—
(II) Compensation paid by subsidiary or affiliate companies				—	—	—	—	—	—	—	—	—
(III) Total				100,000	35,000	—	—	—	—	135,000	—	—
Sandro Veronesi	Director	January 1, 2016 - December 31, 2016	Approval of financial statements for 2017									
(I) Compensation paid by the Company				100,000	—	—	—	—	—	100,000	—	—
(II) Compensation paid by subsidiary or affiliate companies				—	—	—	—	—	—	—	—	—
(III) Total				100,000	—	—	—	—	—	100,000	—	—
Andrea Zappia	Director	January 1, 2016 - December 31, 2016	Approval of financial statements for 2017									
(I) Compensation paid by the Company				100,000	30,000 ⁽¹¹⁾	—	—	—	—	130,000	—	—
(II) Compensation paid by subsidiary or affiliate companies				—	—	—	—	—	—	—	—	—
(III) Total				100,000	30,000	—	—	—	—	130,000	—	—
Adil Mehboob-Khan	CEO Markets	January 1, 2016 - January 29, 2016	January 29, 2016 ⁽⁵⁾ (departed from the Company)									
(I) Compensation paid by the Company				230,879 ⁽¹²⁾	—	—	—	4,968	—	235,847	—	7,000,000 ⁽¹³⁾
(II) Compensation paid by subsidiary or affiliate companies				—	—	—	—	—	—	—	—	—
(III) Total				230,879	—	—	—	4,968	—	235,847	—	7,000,000
Francesco Vella	Chairman of the Board of Statutory Auditors	January 1, 2016 - December 31, 2016	Approval of financial statements for 2017									
(I) Compensation paid by the Company				105,000	—	—	—	—	—	105,000	—	—
(II) Compensation paid by subsidiary or affiliate companies				—	—	—	—	—	—	—	—	—
(III) Total				105,000	—	—	—	—	—	105,000	—	—
Alberto Giussani	Auditor	January 1, 2016 - December 31, 2016	Approval of financial statements for 2017									
(I) Compensation paid by the Company				70,000	—	—	—	—	—	70,000	—	—
(II) Compensation paid by subsidiary or affiliate companies				—	—	—	—	—	—	—	—	—
(III) Total				70,000	—	—	—	—	—	70,000	—	—
Barbara Tadolini	Auditor	January 1, 2016 - December 31, 2016	Approval of financial statements for 2017									
(I) Compensation paid by the Company				70,000	—	—	—	—	—	70,000	—	—
(II) Compensation paid by subsidiary or affiliate companies				1,500 ⁽¹⁴⁾	—	—	—	—	—	1,500	—	—
(III) Total				71,500	—	—	—	—	—	71,500	—	—

Name	Office	Term of office	Expiration	Fixed remuneration	Compensation for Committee Participation	Variable non-equity compensation			Total	Fair value of equity compensation* (Estimated Potential Value)	Indemnity for termination of position	
						Bonus and other incentives	Profit participation	Non-cash benefits				
Executives with strategic responsibilities (Aggregate compensation of 8 executives with strategic responsibilities of the Company)												
(I) Compensation paid by the Company				3,561,811	—	4,458,650 ⁽¹⁵⁾	—	144,434	—	8,230,461	6,386,159	750,000
(II) Compensation paid by subsidiary or affiliate companies				65,773	—	—	—	793	—	—	—	—
(III) Total				3,627,584	—	4,458,650	—	145,227	—	8,230,461	6,386,159	750,000

- (1) Euro 100,000 paid as a Director and Euro 1,000,000 paid as Executive Chairman of the Board of Directors.
- (2) Euro 100,000 paid as a Director and Euro 58,000 paid as Vice Chairman of the Board of Directors.
- (3) Euro 83,333 paid as a Director and Euro 833,333 paid as Vice Chairman of the Board of Directors.
- (4) Euro 100,000 paid as a Director, Euro 400,000 paid as CEO and Euro 600,000 paid as an employee.
- (5) Variable non-equity remuneration paid due to an employment contract.
- (6) Compensation paid as a member of the Human Resources Committee.
- (7) Compensation paid as the Chairwoman of the Control and Risk Committee.
- (8) Compensation paid as a member of the Human Resources Committee.
- (9) Compensation paid as a member of the Control and Risk Committee.
- (10) Compensation paid as a member of the Control and Risk Committee.
- (11) Compensation paid as the Chairman of the Human Resources Committee.
- (12) Euro 7,795 paid as a Director, Euro 54,570 paid as the CEO and Euro 168,514 paid as an employee.
- (13) Amount paid upon termination of the employment relationship: Euro 200,000 as a general novation transaction and Euro 6,800,000 as severance indemnity.
- (14) Remuneration paid as a statutory auditor, until January 21, 2016, in the subsidiary company Salmoiraghi & Viganò.
- (15) Variable non-equity compensation paid due to an employment contract.

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

Aggregate compensation paid by us to our senior management (who are not directors) as a group (8 people) was approximately Euro 10.9 million in 2016, of which approximately Euro 2.7 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 2013 to 2015 set forth in the 2013 Performance Share Plan, on March 1, 2016, the Board of Directors assigned 73,200 Luxottica Group shares to members of this group. The aggregate amount set aside or accrued during the year ended December 31, 2016 to provide pension and retirement benefits for our directors who are also members of our management was Euro 0.8 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, who left the Company in 2016, and Mr. Vian, 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 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 our CEO for Product and Operations 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, 2016, we employed approximately 82,282 employees worldwide, of whom approximately 41,734 were employed in the United States and Canada, approximately 19,980 were employed in Asia-Pacific, approximately 14,423 were employed in Europe, approximately 5,460 were employed in Latin America and approximately 685 were collectively employed in the Middle East and South Africa. As of such date, approximately 33,756 were employed in our manufacturing and wholesale segment, approximately 47,961 were employed in our retail segment and approximately 565 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. 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 8,800 of our employees. This agreement expired on December 31, 2016 and the renewal is being negotiated. 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 renewed on October 30, 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, 2016, we had established a reserve of Euro 44.7 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, 2016. The collective bargaining agreement with Local 108, Retail, Wholesale and Department Store Union covers approximately 5 Pearle Vision employees holding the positions of Sales Associate. The collective bargaining agreement with Local 4100 Communications Workers of America covers approximately 77 LensCrafters employees holding the positions of Eye Care Advisor, EyeWear Consultant, Optician, and Lab Technician. Luxottica Retail Canada is a party to six collective bargaining agreements as of December 31, 2016. These collective bargaining agreements, each with Local 1006A, United Food and Commercial Workers Canada, cover approximately 114 LensCrafters employees holding the positions of Lab Technician, Lead Lab Technician, Certified Technician, 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 March 31, 2017, by each of our directors and executive officers who beneficially own in excess of 1% of our issued share capital.

Stockholder	Issuer	Shares owned as of March 31, 2017	Percentage Ownership
Leonardo Del Vecchio	Luxottica Group S.p.A.	303,609,457 ⁽¹⁾	62.68%

(1) 302,846,957 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.

Share ownership of directors, statutory auditors and senior managers during 2016

NAME	OFFICE	COMPANY'S SHARES	SHARES HELD AS OF DECEMBER 31, 2015	SHARES BOUGHT DURING 2016	SHARES SOLD DURING 2016	SHARES HELD AS OF DECEMBER 31, 2016
Leonardo Del Vecchio	Executive Chairman	Luxottica Group S.p.A.	297,980,525 ⁽¹⁾	5,628,932	0	303,609,457 ^(1bis)
Luigi Francavilla	Deputy Chairman	Luxottica Group S.p.A.	3,082,800 ⁽²⁾	0	0	3,082,800 ⁽²⁾
Massimo Vian	CEO for Product and Operations	Luxottica Group S.p.A.	14,073 ⁽³⁾	17,500 ^(3bis)	8,429	23,144 ^(3ter)
Adil Mehboob-Khan ^(*)	CEO for Markets	Luxottica Group S.p.A.	5	0	0	5
Sandro Veronesi	Director since April 24, 2015	Luxottica Group S.p.A.	15,000	0	0	15,000
Key Managers employed by the Company(8)		Luxottica Group S.p.A.	3,375	73,200 ⁽⁴⁾	65,166	11,409

(*) Departed as CEO for Markets and Director on January 29, 2016 and from his other administrative roles on February 29, 2016.

(1) 297,218,025 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.

(1bis) 302,846,957 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, Elisabeth Engler.

(3) 14,028 shares held by Massimo Vian; 45 shares held by his wife, Alessandra Mottes.

(3bis) 17,000 shares granted to Massimo Vian under the PSP 2013; 500 shares granted under the PSP 2013 to his wife Alessandra Mottes.

(3ter) 22,599 shares held by Massimo Vian; 545 shares held by his wife, Alessandra Mottes.

(4) Shares granted under the PSP 2013.

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 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 Executive 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 1.98% (or 9.6 million shares) of the Company's authorized and issued share capital as of March 31, 2017, 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.

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.

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. On May 4, 2015, the Board of Directors made an ordinary grant under the 2015 PSP Plan for a total maximum amount of 893,160 units and made an extraordinary grant under the 2015 PSP Plan for a total maximum amount of 688,800 Units.

On February 28, 2012, the Board of Directors 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 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 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 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.

On March 1, 2016, the Board of Directors verified the achievement of EPS targets over the reference period 2013 through 2015 and granted a total of 830,054 shares to 464 beneficiaries of the 2013 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 2013 PSP Plan's regulation.

On March 1, 2017, the Board of Directors verified the achievement of EPS targets over the reference period 2014 through 2016 and granted a total of 680,449 shares to 477 beneficiaries of the 2014 PSP Plan.

In October 2016, a new long-term incentive plan for our key managers and employees, as identified by the Board of Directors, was adopted (the "LTI Cash Plan 2016 - 2019"). The LTI Cash Plan 2016 - 2019 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 the Company's operating results with individual performance. The beneficiaries are granted the right to receive a cash bonus if certain financial targets, set by the Board of Directors at the time of grant, are achieved at the end of a specified four-year reference period. On October 29, 2016, the Board of Directors granted to our CEO and other executives with strategic responsibilities a total target amount of Euro 14,800,000.

On May 7, 2009, the 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 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, 2016, 190,000 of the 825,000 options issued under the Luxottica 2001 Stock Option Plan had been forfeited, 625,000 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, 2016, 321,000 of these stock options had been forfeited.

As of December 31, 2016, the following grants were outstanding as detailed below:

	Number of options outstanding	Exercise price	Expiration date	Options held by officers and directors
2008 Grant	39,700	Euro 18.08	March 14, 2017	—
2008 PSP Grant⁽¹⁾	—	—	—	—
2009 Non-U.S. Grant	24,000	Euro 13.45	May 7, 2018	—
2009 U.S. Grant	13,000	Euro 14.99	May 7, 2018	—
2009 Non-U.S. Residents Reassignment, Ordinary	43,000	Euro 13.45	May 7, 2018	—
2009 U.S. Residents Reassignment, Ordinary	10,000	Euro 15.03	March 31, 2017	—
2009 Non-U.S. Residents Reassignment, Performance Grant	214,000	Euro 13.45	May 7, 2018	—
2009 U.S. Residents Reassignment, Performance Grant	25,000	Euro 15.11	June 12, 2018	—
2010 Non-U.S. Residents Grant	78,000	Euro 20.72	April 29, 2019	—
2010 U.S. Residents Grant	33,000	Euro 21.23	April 29, 2019	—
2011 Non-U.S. Residents Grant	93,500	Euro 22.62	April 28, 2020	—
2011 U.S. Residents Grant	71,000	Euro 23.18	April 28, 2020	—
2012 Non-U.S. Residents Grant	317,000	Euro 26.94	May 7, 2021	40,000
2012 U.S. Residents Grant	129,250	Euro 28.32	May 7, 2021	—
2014 PSP Grant	1,000,260	—	—	126,600
2015 PSP Grant (ordinary)	756,240	—	—	143,400
2015 PSP Grant (extraordinary)	273,600	—	—	273,600

(1) 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.

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

Name	Office	Plan	Options held at the beginning of the year			Options granted during the year					Options exercised during the year		Options expired during the year	Options held at the end of the year	Options of the year	
			Number of options	Exercise price	Exercise period (from - to)	Number of options	Exercise price	Exercise period (from - to)	Fair value on grant date (Estimated Potential Value)	Grant date	Share market price on grant date	Number of options	Exercise price	Share market price on exercise date	Number of options	Number of options
Executives with strategic responsibilities																
(Aggregate amounts for 8 executives with strategic responsibilities employed by the Company)																
		2012 non-US Stock Option Plan (BOD resolution May 7, 2012)	40,000	Euro 26.94	May 7, 2015 - May 7, 2021	—	—	—	—	—	—	—	—	—	40,000	—

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

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

Name	Office	Plan	Financial instruments granted in previous years and not vested during the year		Financial instruments granted during the year					Financial instruments vested during the year and not assigned	Financial instruments vested during the year and assignable		Financial instruments of the year
			Number and kind of financial instruments	Vesting period	Number and kind of financial instruments	Fair value on grant date (Estimated potential value)	Vesting period	Grant date	Market price on grant date	Number and kind of financial instruments	Number and kind of financial instruments	Value on maturity date	Fair value* (Estimated potential value)
Massimo Vian	CEO Product and Operations	2013 PSP Plan (BOD resolution April 29, 2013)	20,400	April 29, 2013 - December 31, 2015	—	—	—	—	—	3,400	17,000	Euro 833,850	—
		2014 PSP Plan (BOD resolution April 29, 2014)	22,800	April 29, 2014 - December 31, 2016	—	—	—	—	—	—	—	—	Euro 296,628
		2015 PSP Plan (BOD resolution May 4, 2015)	134,400	May 4, 2015 - December 31, 2017	—	—	—	—	—	—	—	—	Euro 2,579,136
Executives with strategic responsibilities		2013 PSP Plan (BOD resolution April 29, 2013)	87,840	April 29, 2013 - December 31, 2015	—	—	—	—	—	14,640	73,200	—	—
(Aggregate amounts for 8 executives with strategic responsibilities employed by the Company)		2014 PSP Plan (BOD resolution April 29, 2014)	103,800	April 29, 2014 - December 31, 2016	—	—	—	—	—	—	—	Euro 3,590,460	Euro 1,350,438
		2015 PSP Plan (BOD resolution May 4, 2015)	282,600	May 4, 2015 - December 31, 2017	—	—	—	—	—	—	—	—	Euro 5,423,094
Total			651,840	—	—	—	—	—	—	18,040	90,200	Euro 4,424,310	Euro 9,649,296

* 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 shares underlying the units that will be assigned without consideration may vary according to the degree to which the EPS targets set forth by the Board of Directors have been achieved. At the end of the respective three-year reference period, the Board of Directors will evaluate the achievement of certain financial performance targets established by the Board of Directors for the purposes of the Performance Shares Plan.

Cash incentive plans for directors, general managers and other executives with strategic responsibilities (in Euro)

Name	Office	Plan	2016 Bonus		Term of deferral	Previous years bonuses		Other bonuses
			Payable/paid	Deferred		Non payable	Payable/paid	
Massimo Vian	CEO Product and Operations	MBO 2016	1,100,000	—	—	—	—	—
		LTI Cash Plan 2016 - 2019	—	3,900,000	October 24, 2016 - December 31, 2019	—	—	—
Executives with strategic responsibilities (Aggregate amounts for 8 executives with strategic responsibilities employed by the Company)		MBO 2016	4,458,650	—	—	—	—	—
		LTI Cash Plan 2016 - 2019	—	10,900,000	October 24, 2016 - December 31, 2019	—	—	—
(III) Total			5,558,650	14,800,000	—	—	—	—

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

MAJOR STOCKHOLDERS

The following table sets forth, as of March 31, 2017, the beneficial ownership of ordinary shares by each person beneficially owning 3% or more of the issued share capital (including ordinary shares represented by ADSs) known to us based on their most recent public filings or communications with us.

Identity of person or group	Amount of shares owned	Percent of class
Leonardo Del Vecchio	303,609,457 ⁽¹⁾	62.68%
Giorgio Armani	22,724,000 ⁽²⁾	4.69%

(1) 302,846,957 shares (62.52%) 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.

(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.

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 Executive 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, 2017, approximately 5.74% of our ordinary shares were held in the form of ADSs by approximately 43,762 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. other than the proposed Combination. For a description of the Combination, see Item 3—“Key Information—Announced Combination with Essilor.”

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, a son of our Executive Chairman and majority stockholder. The license expired on December 31, 2015 and was renewed until December 31, 2019. Royalties paid to Brooks Brothers Group, Inc. under such agreement were Euro 0.9 million, Euro 0.9 million and Euro 0.8 million in the years ended December 31, 2016, 2015 and 2014, respectively.

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

Service Revenues

During the years ended December 31, 2015 and 2014, 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.

Lease of 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 Executive 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 of Euro 4.7 million in 2016, Euro 3.8 million in 2015 and Euro 2.0 million in 2014.

Resignation of Former 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.

On January 29, 2016, Mr. Adil Mehboob-Khan departed from the Board of Directors and as the Group's CEO for Markets and, effective February 29, 2016, from his other administrative roles with the Group. In connection with his termination, Luxottica paid Mr. Mehboob-Khan Euro 6.8 million in addition to severance pay linked to the termination of his employment relationship. In addition, Luxottica paid Mr. Mehboob-Khan Euro 0.2 million 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. Mehboob-Khan's termination from the position of director and CEO for Markets. At the same time, the Board of Directors approved the assignment of responsibility for Markets, a role formerly held by Mr. Mehboob-Khan, to Mr. Leonardo Del Vecchio, the Company's Chairman of the Board of Directors and majority shareholder, as Executive Chairman. Mr. Massimo Vian continues in his role as CEO for Product and Operations.

Delfin Share Award

On May 4, 2015, the Board of Directors of Luxottica Group S.p.A. approved the grant of free treasury shares to the Group's employees in Italy in honor of the 80th birthday of the Group's Executive Chairman and founder, Mr. Leonardo Del Vecchio. This share award is a gift from the founder. An aggregate amount of 119,755 Luxottica Group treasury shares, with a total value of Euro 7.4 million, was granted on October 12, 2015 and accounted for in accordance with IFRS 2. Delfin S.à r.l. has reimbursed the Company for the value of this share grant.

Technology Advisory Arrangements

On March 1, 2016, Mr. Francesco Milleri was appointed as a Director with Deputy Functions of the Company. In 2016, 2015 and 2014, the Company and certain of its subsidiaries entered into transactions with entities owned or controlled by Mr. Milleri primarily related to the implementation of the Group's updated IT platform. Amounts related to these transactions were Euro 11.9 million, Euro 16.5 million and Euro 4.9 million for 2016, 2015 and 2014, respectively. In 2016, the Company also negotiated a two-year master agreement with the companies owned or controlled by Mr. Milleri for services related to the Group's IT platform with a total value of approximately Euro 20 million.

Joint Venture Arrangement

In 2010, Luxottica and Essilor 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 and finished lenses for Australia and New Zealand. This joint venture

invested in a state-of-the-art facility in Thailand capable of providing 24-hour production seven days a week.

Details on transactions with Eyebiz Laboratories Pty. Ltd as well as other related-party agreements can be found in Note 30 to the Consolidated Financial Statements included in Item 18 of this Form 20-F.

ITEM 8. FINANCIAL INFORMATION

FINANCIAL STATEMENTS

See Item 18—“Financial Statements.”

LEGAL PROCEEDINGS

French Competition Authority Investigation

Luxottica’s French subsidiaries, Luxottica France S.A.S.U., Alain Mikli International S.A.S.U. and Mikli Diffusion France S.A.S.U. (collectively, the “French Subsidiaries”), together with other major competitors in the French eyewear industry, have been the subject of an investigation conducted by the French Competition Authority (the “FCA”) relating to pricing and sales practices in the industry. In May 2015, the Company and the French Subsidiaries received a statement of objections from the FCA (the “Statement of Objections”). The Statement of Objections contained the FCA’s preliminary position on alleged anti-competitive practices and did not prejudice its final decision.

In August 2015, the Company and the French Subsidiaries filed detailed responses to the Statement of Objections. During 2016, the FCA requested additional information, as it is typical in this kind of proceeding. In July 2016, the FCA issued a report (the “Report”) responding to the observations submitted by the companies involved in the investigation. In October 2016, Luxottica filed its statement of defense responding to the FCA’s Report. Following such filing, a final hearing was held on December 15, 2016. On February 24, 2017, Luxottica was notified of the FCA’s decision in connection with the proceeding. The FCA concluded that there was insufficient evidence to confirm the anti-competitive practices alleged in the Report and referred the case back to FCA’s investigation services department for further review and possibly the issuance of a supplementary statement of objections. No fines or sanctions were imposed in connection with the FCA’s ruling.

Given the current status of this investigation, the Company, together with its external legal advisors, has assessed the risk of the potential liability to be not probable and concluded that 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 is inherently uncertain, and there can be no assurance that such action, if adversely determined, will not have a material adverse effect on the Company’s results of operations and financial condition.

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.

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 depository, 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 Exchange		Milan Stock Exchange	
	(in U.S. \$)		(in Euro)	
	High	Low	High	Low
2012	41.73	27.52	31.70	21.76
2013	55.70	41.93	42.65	31.91
2014	58.73	45.34	45.50	35.70
2015				
First Quarter	64.00	53.36	60.00	44.91
Second Quarter	69.83	63.25	62.60	56.20
Third Quarter	73.95	64.14	67.45	55.60
Fourth Quarter	72.49	63.22	64.55	57.85
Year 2015	73.95	53.36	67.45	44.91
2016				
First Quarter	63.85	53.12	58.85	48.50
Second Quarter	56.68	48.78	49.91	43.64
Third Quarter	50.17	47.12	45.35	42.30
Fourth Quarter	54.24	45.01	52.10	40.55
November 2016	53.00	49.39	49.64	44.62
December 2016	54.24	52.76	52.10	49.47
Year 2016	63.85	45.01	58.85	40.55
2017				
January 2017	56.73	50.03	53.65	47.26
February 2017	54.15	51.90	50.45	48.60
March 2017	55.89	51.79	51.75	49.10
April 2017 (through April 24)	57.42	53.76	53.00	50.60

The high and low closing prices of the ADSs on the NYSE for the first quarter of 2017 were U.S. \$56.73 and U.S. \$50.03, respectively. The high and low closing prices of the ordinary shares on the Milan Stock Exchange for the first quarter of 2017 were Euro 53.65 and Euro 47.26, 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

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 this 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 or acknowledge. 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 the net income is not distributed as dividends and an appropriate reserve is consequently 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 3% 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, even before

the listing, are below Euro 300,000,000; or (ii) whose market capitalization is below Euro 500,000,000. If both thresholds are crossed for three consecutive 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.

The following additional disclosure obligations apply:

- i. a person is obligated to notify CONSOB and the listed company whose shares are acquired or disposed of whenever its shareholding represented by shares exceeds or falls below 3% (if the relevant company is not a “small or medium size company”), 5%, 10%, 15%, 20%, 25%, 30%, 50%, 66.6% or 90% of the listed company’s voting share capital. For the purpose of calculating this shareholding, the following shall be taken into consideration: (a) 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; and (b) 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);
- ii. a person must notify CONSOB and the relevant listed company whenever its shareholding represented by “financial instruments” exceeds or falls below the following percentage thresholds: 5%, 10%, 15%, 20%, 25%, 30%, 50% and 66.6%. The shareholding represented by “financial instruments” corresponds to the sum of: (a) any “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); and (b) any “other long position” in derivatives, irrespective of whether such instrument provides for a cash or physical settlement;
- iii. a person must also notify CONSOB and the relevant listed company whenever its “aggregate shareholding” (i.e. the sum of its shareholding represented by shares and its shareholding represented by “financial instruments”) exceeds or falls below the following percentage thresholds: 5%, 10%, 15%, 20%, 25%, 30%, 50% or 66.6%.

Except in certain circumstances, for the purposes of the disclosure obligations referred to above, shares or other financial instruments held through (or shares the voting rights of which are exercisable by) subsidiaries, fiduciaries or intermediaries shall be taken into consideration.

Notification should be made (except in certain circumstances) promptly and, in any case, within four trading days from the date on which the obliged person is aware of the relevant transaction (irrespective of the settlement date); such knowledge is presumed to be gained on the date the transaction is entered into or, in any case, no later than two trading days thereafter. In the case of “loyalty shares,” disclosure of the significant shareholding—pursuant to the above—shall be given promptly or, in any case, within four 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 3% of their respective voting shares, or 5% in case of “small or medium size companies”. If the relevant threshold is exceeded, the company that 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 3% 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 3% (or 5% in the case of a "small or medium size company") of a listed company's 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 a 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 3% 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 that 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 3% (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 the shareholdings represented by shares and held by same and by the other parties to such shareholders' agreement whenever such shareholdings 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.

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," "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 at the company's registered office, on its website and through any other means specified by CONSOB (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 four months 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 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 the 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 2015, the year in which the current Board of Directors was appointed, the percentage established by CONSOB for Luxottica was 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. 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 appointed following August 2012—including with respect to the board of directors of Luxottica Group S.p.A., which was appointed in 2015—the minimum threshold set forth by the law was 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. 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 2015, the year in which the current Board of Statutory Auditors was appointed, the percentage established by CONSOB for Luxottica was 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. Additionally, the minimum threshold required by law was temporarily reduced to one-fifth for the first appointments made after August 2012 and such threshold was applicable to the Board of Statutory Auditors of Luxottica Group S.p.A. appointed in April 2015. 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 than one list including through third parties or by means of trust companies. Each candidate shall be included only in 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 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. 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 that is not available for distribution. 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. that 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 that 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 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.

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 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 that 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 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, 2015 and, as of the date of this Form 20-F, contain provisions under which we or one or more of our subsidiaries have an obligation or entitlement that are 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

On March 10, 2017, the Company entered into two Euro 250 million term facility agreements, each of which is guaranteed by our subsidiary, U.S. Holdings. One of the facilities is with Banca IMI S.p.A. as mandated lead arranger and Intesa Sanpaolo S.p.A. as original lender. The other is with Natixis S.A.—Milan Branch as both mandated lead arranger and original lender. The final maturity of each term facility is March 10, 2022. As of March 31, 2017, an aggregate of Euro 500 million was borrowed under these credit facilities.

On the term loans interest accrues at EURIBOR (as defined in the respective agreements) plus an average margin of 0.70% and 0.62% for the IMI/Intesa Facility and the Natixis Facility, respectively.

During the first quarter of 2017, we entered into two interest rate swap transactions with an aggregate notional amount of Euro 500 million with Intesa Sanpaolo S.p.A. and Natixis S.A.—Milan Branch. The swaps were entered into as cash flow hedges. Each of the swaps exchanges the floating rate of EURIBOR for an average fixed rate of 0.1185% per annum.

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.

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. 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.

At the date hereof, 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 3,000 (Euro 1,000 for money remittances provided for by Article 1, Paragraph 1, Letter b, n. 6, of Legislative Decree n. 11/2010). A Transfer is also forbidden when carried out through multiple payments—each lower than the Euro 3,000 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. Sanctions are provided for, among other things: (i) breach of customer identification obligations and recording duties (administrative sanctions); (ii) breach of the requirement to disclose the fact that a suspicious transaction was reported (criminal sanctions); and (iii) failure to set up the Data Processing Archive and to report suspicious transactions to the Financial Intelligence Unit (administrative sanctions).

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 of 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 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 apply withholding or substitute tax thereon. In addition, no disclosure is required for bank deposits and accounts of amounts not exceeding Euro 15,000 in the tax period. Corporations and commercial partnerships that reside 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) and of any provisions implementing EU Directive No. 2014/107 on mandatory automatic exchange of information in the field of taxation and the Common Reporting Standard released by the OECD in February 2014 (including Italian Ministerial Decree of December 28, 2015). 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 income 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. 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 currently applicable Italian legislation provides for the application of a reduced 1.20% withholding tax or substitute tax on dividends paid by an Italian corporation 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.” At the date hereof, reference is to be made to the “white list” provided by Ministerial decree dated September 4, 1996 (as subsequently amended and supplemented), 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 certain circumstances and upon satisfaction of certain procedural requirements, dividends paid to said pension funds by an Italian corporation may be exempt from withholding or substitute tax in Italy.

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

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 1.20% or 11% or at nil rate, 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) and to the fulfillment of the requirements provided for the application of the relevant beneficial treatment.

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 1.20% 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 a portion of the capital gain realized, at the date hereof established in an amount equal to 49.72% (pursuant to law 28 December 2015, No. 208, such percentage is however proposed to be

redetermined by Ministerial Decree in connection with the reduction of Italian Corporate Income Tax from 27.5% to 24.0% that is effective starting from January 1, 2017).

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 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.

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 that 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 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 that 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 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. Based on our audited financial statements, we strongly believe that we are not a PFIC for U.S. federal income tax purposes for 2016. 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-8BEN-E, 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. 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.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

INTEREST RATE SENSITIVITY

At December 31, 2016, we did not have any material instruments subject to interest rate sensitivity.

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. 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, 2016, we had several currency forward derivatives and we may enter into other foreign exchange derivative financial instruments when we assess that the risk can be hedged effectively.

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, 2016 and 2015, and is not meant to be a tabular disclosure of market risk:

2016	U.S. Dollars	Euro	Other	Total
Revenues	55.7%	15.1%	29.2%	100.0%
Costs and operating expenses	51.7%	20.9%	27.4%	100.0%

2015	U.S. Dollars	Euro	Other	Total
Revenues	55.1%	16.6%	28.3%	100.0%
Costs and operating expenses	51.5%	21.7%	26.8%	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 2016 and 2015 average exchange rate between the U.S. dollar and Euro would have been a decrease in income before taxes of Euro 104.0 million and Euro 99.4 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;

6. Fees and expenses incurred by the depository 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 Depository 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 Depository for the services performed by the Depository 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 depository from time to time.

If any tax or other governmental charge is payable by the holders and/or beneficial owners of ADSs to the depository, the depository, 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, 2016, we received the following direct and indirect payments from Deutsche Bank Trust Company Americas in the aggregate amount of U.S. \$84,068.96 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. We also have an agreement with the Depository that it will waive certain of its fees for standard costs associated with the administration of the ADR program.

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 officers 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, 2016. Based upon that evaluation, our principal executive officers and our principal financial officer have concluded that, as of December 31, 2016, 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, 2016.

The effectiveness of our internal control over financial reporting as of December 31, 2016 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.

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 executive chairman, 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.

In accordance with Italian law and with EU Regulations 596/2014, 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. In accordance with Italian law and with EU Regulations 596/2014, we also adopted an Internal Dealing Procedure that 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, 2016 and 2015. 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. The following table sets forth the aggregate fees for professional services rendered by PricewaterhouseCoopers in 2016 and 2015:

(Amounts in thousands of Euro)	2016 Fees*	2015 Fees*
Audit fees	9,175	9,057
Audit-related fees	771	252
Tax fees	1,475	999
All other fees	42	53
Total fees	<u>11,463</u>	<u>10,361</u>

* Aggregate fees include out-of-pocket expenses.

Audit fees consisted of fees for the audit of the Group's consolidated annual financial statements and the effectiveness of its internal control over financial reporting, the review of interim financial statements and the performance of audits in accordance with statutory requirements.

Audit-related fees consisted of fees for financial and tax due diligence related to acquisitions, employee benefit plan audits, special reports pursuant to agreed-upon procedures and attestation services.

Tax fees consisted primarily of expatriate tax services, tax compliance and tax consulting services.

Our Board of Statutory Auditors has approved all of the audit and non-audit fees of PricewaterhouseCoopers for the year 2016 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

At the Stockholder's Meeting held on April 24, 2015, the Company was authorized to purchase, in one or more tranches, up to a maximum of 10 million ordinary shares during the period ending on the date of the next general meeting of stockholders convened to approve the statutory financial statements, provided that such authorization will not extend beyond a maximum of 18 months from the date the resolution was adopted. Pursuant to such authorization, on June 25, 2015, the Company signed an agreement to enhance the market liquidity of Luxottica Group shares in compliance with CONSOB's market practices permitted under resolution no. 16839 adopted on March 19, 2009 regarding activity to support market liquidity (the "Liquidity Agreement"). The Liquidity Agreement was terminated on April 30, 2016. The final transaction under the Liquidity Agreement was made on April 29, 2016.

On April 29, 2016, an authorization to purchase up to a maximum of 10 million ordinary shares during the period that ends on the date of the next general meeting of stockholders was approved provided that such authorization will not extend beyond a maximum of 18 months from the date this resolution was adopted.

From January 1, 2016 to December 31, 2016, pursuant to the authorizations, the Company made the following purchases of our ordinary shares along with purchases of our affiliate, Delfin S.à r.l., an entity established and controlled by Mr. Leonardo Del Vecchio:

Purchases of our Ordinary Shares by Month	Total Number of Ordinary Shares Purchased	Average Price Paid per Ordinary Share (in Euro)	Total Number of Ordinary Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum number (or approximate value) of Ordinary Shares that may be purchased under Plans or Programs
January 2016	1,077,549	57.68	382,549	8,180,998
February 2016	435,201	52.08	435,201	7,745,797
March 2016	1,943,186	51.04	433,186	7,312,611
April 2016	214,780	48.15	214,780	7,097,831
May 2016	1,093,000	48.18	1,093,000	8,907,000
June 2016	2,686,556	45.38	1,080,624	7,826,376
July 2016	1,928,205	43.55	1,080,205	6,746,171
August 2016	514,544	43.28	454,544	6,291,627
September 2016	7,000	43.62	7,000	6,284,627
October 2016	2,053,651	41.36	1,143,651	5,140,976
November 2016	140,976	45.81	140,976	5,000,000
December 2016	—	—	—	5,000,000
Total year ended December 31, 2016	<u>12,094,648</u>	<u>46.87</u>	<u>6,465,716</u>	<u>5,000,000</u>

A total of 5,628,932 ordinary shares were purchased by our affiliate, Delfin S.à r.l., an entity established and controlled by Mr. Leonardo Del Vecchio, at an average price of Euro 47.32 per share. These transactions were made through purchases on the MTA.

For additional information, see Item 7—“Major Shareholders and Related Party Transactions.”

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, in 2014 and again in 2015. Information about the implementation of the Code of Corporate Governance is included in our Corporate Governance Report, which was made publicly available on April 5, 2017.

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 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 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 nine directors are independent: Messrs. Feola, Salzburger, Santel, Veronesi and Zappia and Mses. Brogi, Magistretti, Pierdicchi and Scocchia. 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 2016, our lead independent director, Marina Brogi, convened one meeting of independent directors.

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, among other duties, 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 independent director 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 24, 2015, the Board of Directors of the Company appointed Andrea Zappia, Chairman, Marina Brogi and Mario Notari, all non-executive directors, as members of the Human Resources Committee. Andrea Zappia and Marina Brogi are also independent directors. The Human Resources Committee reports to the Board of Directors at least twice a year and its Chairman informs the Board of Directors of the Committee's activities at the first suitable opportunity.

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.

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 three 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 and its Chairperson informs the Board of Directors of the Committee's activities at the first suitable opportunity. The members of the Control and Risk Committee, appointed by the Board of Directors on April 24, 2015, are Elisabetta Magistretti, Chairperson, Luciano Santel and Cristina Scocchia, 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.

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 approved capital increases of shares reserved for issuance under our existing stock option plans. 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 advisors, 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.

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. The procedure was updated on January 30, 2017.

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 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 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.

ITEM 16H. MINE SAFETY DISCLOSURE.

Not applicable.

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, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016 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, 2016, 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 28, 2017

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2016 AND 2015

(Amounts in thousands of Euro)	Note reference	2016	2015
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	6	866,864	864,852
Accounts receivable	7	932,340	858,053
Inventories	8	893,472	833,272
Other assets	9	283,659	272,932
Assets available for sale	10	51,284	—
Total current assets		3,027,618	2,829,109
NON-CURRENT ASSETS:			
Property, plant and equipment	11	1,672,554	1,435,524
Goodwill	12	3,871,442	3,596,983
Intangible assets	12	1,477,316	1,442,148
Investments	13	20,186	65,378
Other assets	14	97,300	105,574
Deferred tax assets	15	133,369	174,433
Total non-current assets		7,272,168	6,820,040
TOTAL ASSETS		10,299,787	9,649,148
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Short-term borrowings	16	208,813	110,450
Current portion of long-term debt	17	154,094	44,882
Accounts payable	18	944,402	927,186
Income taxes payable	19	17,238	34,179
Short-term provisions for risks and other charges	20	145,701	118,779
Other liabilities	21	745,921	671,424
Total current liabilities		2,216,168	1,906,900
NON-CURRENT LIABILITIES:			
Long-term debt	22	1,680,951	1,715,104
Employee benefits	23	159,364	136,200
Deferred tax liabilities	15	257,036	277,327
Long-term provisions for risks and other charges	24	122,107	104,508
Other liabilities	25	79,783	91,391
Total non-current liabilities		2,299,241	2,324,529
STOCKHOLDERS' EQUITY:			
Capital stock	26	29,051	29,019
Legal reserve	26	5,805	5,784
Reserves	26	5,162,798	4,642,238
Treasury shares	26	(269,755)	(68,636)
Net income	26	850,524	804,119
Luxottica Group stockholders' equity	26	5,778,423	5,412,524
Non-controlling interests	27	5,954	5,196
Total stockholders' equity		5,784,378	5,417,719
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		10,299,787	9,649,148

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

(Amounts in thousands of Euro)	Note reference	2016	2015	2014
Net sales	28	9,085,707	8,836,578	7,652,317
Cost of sales	28	3,153,264	2,835,426	2,574,685
Gross profit		5,932,443	6,001,152	5,077,632
Selling and advertising	28	3,626,962	3,537,224	3,013,399
General and administrative	28	960,214	1,087,484	906,620
Total operating expenses		4,587,176	4,624,708	3,920,019
Income from operations	28	1,345,267	1,376,445	1,157,613
Other income/(expense)				
Interest income	28	15,469	11,190	11,672
Interest expense	28	(81,528)	(106,439)	(109,659)
Other—net	28	39,486	(3,281)	455
Income before provision for income taxes		1,318,693	1,277,914	1,060,080
Provision for income taxes	28	(466,373)	(471,042)	(414,066)
Net income		852,321	806,873	646,014
Of which attributable to:				
— Luxottica Group stockholders		850,524	804,119	642,596
—Non-controlling interests		1,797	2,753	3,417
Weighted average number of shares outstanding:				
Basic	31	479,225,730	479,553,693	475,947,763
Diluted	31	480,025,531	482,073,361	479,247,190
EPS (in Euro):				
Basic	31	1.77	1.68	1.35
Diluted	31	1.77	1.67	1.34

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014**

(Amounts in thousands of Euro)	Note Reference	2016	2015	2014
Net income		852,321	806,873	646,014
Other comprehensive income:				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Cash flow hedge		—	—	—
Related tax effect		—	—	—
Currency translation differences	26	154,628	267,546	392,527
<i>Total items that may be reclassified subsequently to profit or loss:</i>		154,628	267,546	392,527
<i>Items that will not be reclassified to profit or loss:</i>				
Actuarial (loss)/gain on defined benefit plans	23	(19,889)	14,167	(84,187)
Related tax effect	23	4,735	(3,994)	31,626
<i>Total items that will not be reclassified to profit or loss:</i>		(15,154)	10,173	(52,561)
Total other comprehensive income/(loss)—net of tax		139,473	277,720	339,966
Total comprehensive income for the period		991,794	1,084,592	985,980
Attributable to:				
—Luxottica Group stockholders' equity		988,772	1,080,968	982,119
—Non-controlling interests		3,022	3,624	3,861

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

(Amounts in thousands of Euro)	Capital stock		Legal reserve	Additional paid-in capital	Retained earnings	Stock options reserve	Translation of foreign operations and other	Treasury shares	Stockholders' equity	Non-controlling interests
	Number of shares	Amount								
Balance as of January 1, 2014	477,560,673	28,653	5,711	412,063	3,958,076	268,833	(447,447)	(83,060)	4,142,828	7,107
Total Comprehensive Income as of December 31, 2014	—	—	—	—	590,036	—	392,083	—	982,119	3,861
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)	—	—	—	—	—
Balance as of December 31, 2014	481,671,583	28,900	5,735	484,865	4,230,560	300,659	(55,364)	(73,875)	4,921,479	7,300
Total Comprehensive Income as of December 31, 2015	—	—	—	—	814,292	—	266,675	—	1,080,968	3,624
Exercise of stock options	1,981,750	119	—	47,560	—	—	—	—	47,679	—
Non-cash stock-based compensation	—	—	—	—	—	49,692	—	—	49,692	—
Excess tax benefit on stock options	—	—	—	17,525	—	—	—	—	17,525	—
Increase in treasury shares	—	—	—	—	—	—	—	(6,879)	(6,879)	—
Granting of treasury shares to employees	—	—	—	—	(12,118)	—	—	12,118	—	—
Contributions from Delfin S.á .r.l.	—	—	—	—	7,171	—	—	—	7,171	—
Change in the consolidation perimeter	—	—	—	—	(15,397)	—	—	—	(15,397)	(3,594)
Dividends (Euro 1.44 per ordinary share)	—	—	—	—	(689,714)	—	—	—	(689,714)	(2,135)
Allocation of legal reserve	—	—	49	—	(49)	—	—	—	—	—
Balance as of December 31, 2015	483,653,333	29,019	5,784	549,950	4,334,745	350,351	211,311	(68,636)	5,412,524	5,196
Total Comprehensive Income as of December 31, 2016	—	—	—	—	835,370	—	153,403	—	988,772	3,022
Exercise of stock options	522,750	31	—	10,090	—	—	—	—	10,121	—
Non-cash stock-based compensation	—	—	—	—	—	9,577	—	—	9,577	—
Excess tax benefit on stock options	—	—	—	2,971	—	—	—	—	2,971	—
Increase in treasury shares	—	—	—	—	—	—	—	(217,822)	(217,822)	—
Granting of treasury shares to employees	—	—	—	—	(16,703)	—	—	16,703	—	—
Dividends (Euro 0.89 per ordinary share)	—	—	—	—	(427,722)	—	—	—	(427,722)	(2,264)
Allocation of legal reserve	—	—	20	—	(20)	—	—	—	—	—
Balance as of December 31, 2016	484,176,083	29,051	5,805	563,011	4,725,670	359,928	364,714	(269,755)	5,778,423	5,954

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

(Amounts in thousands of Euro)	Note Reference	2016	2015	2014
Income before provision for income taxes		1,318,693	1,277,914	1,060,080
Stock-based compensation	33	9,577	49,692	31,826
Depreciation and amortization	11/12	512,842	476,888	383,996
Net loss on disposals of fixed assets and intangible assets	11/12	23,037	22,877	16,339
Financial expenses		81,528	106,439	109,659
Other non-cash items ^(*)		(44,451)	(4,770)	(1,295)
Changes in accounts receivable		(28,812)	(108,648)	(41,254)
Changes in inventories		(7,236)	(85,217)	7,326
Changes in accounts payable		(28,776)	115,635	24,578
Changes in other assets/liabilities		29,984	(7,827)	21,194
Total adjustments		547,694	565,069	552,369
Cash provided by operating activities		1,866,387	1,842,983	1,612,449
Interest paid		(79,720)	(79,752)	(93,135)
Taxes paid		(475,398)	(565,940)	(349,196)
Net cash provided by operating activities		1,311,269	1,197,291	1,170,118
Additions of property, plant and equipment	11	(546,214)	(319,817)	(280,779)
Disposals of property plant and equipment	9/11	19,258	—	—
Purchases of businesses—net of cash acquired ^(**)	4	(127,516)	(21,017)	(41,091)
Investments in equity investees	13	2,588	1,502	1,161
Additions to intangible assets	12	(111,827)	(143,987)	(138,547)
Net cash used in investing activities		(763,711)	(483,319)	(459,256)
Long-term debt:				
—Proceeds	22	901	4,082	497,104
—Repayments	22	(12,696)	(649,310)	(318,500)
Increase in short-term lines of credit		92,439	—	135,686
(Decrease) in short-term lines of credit	16	—	(39,022)	—
Exercise of stock options		10,121	47,678	69,989
Purchase of treasury shares	26	(219,748)	(6,879)	—
Purchase of non-controlling interests ^(***)		(13,456)	(18,990)	—
Dividends	34	(429,985)	(691,849)	(312,012)
Net cash provided by (used in) financing activities		(572,415)	(1,354,291)	72,267
Increase/(decrease) in cash and cash equivalents		(24,857)	(640,319)	783,129
Cash and cash equivalents, beginning of the period		864,852	1,453,587	617,995
Effect of exchange rate changes on cash and cash equivalents		26,869	51,582	52,464
Cash and cash equivalents, end of the period		866,864	864,852	1,453,587

^(*) Other non-cash items in 2016 included the gain generated by the remeasurement of the previously held equity investment in Salmoiraghi & Viganò (36.8%) at its acquisition date fair value and, in 2015 and 2014, the adjustments to investments measured using the equity method.

(**) Purchases of businesses—net of cash acquired in 2016 included the purchase of Salmoiraghi & Viganò for Euro (127.5) million.

Purchases of businesses—net of cash acquired in 2015 included the purchase of Sunglass Warehouse for Euro (21.0) million.

Purchases of businesses—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.

(***) Purchase of non-controlling interests included the acquisition of shares owned by Opticas Devlyn of Sunglass Hut de Mexico for Euro (13.5) million in 2016 and the remaining 49% of Luxottica Nederland B.V. for Euro (19.0) million in 2015.

Luxottica Group S.p.A.

Registered office at Piazzale L. Cadorna 3—20123 Milan

Share capital € 29,050,564.98

Authorized and issued

Notes to the CONSOLIDATED FINANCIAL STATEMENTS As of DECEMBER 31, 2016

GENERAL INFORMATION

Luxottica Group S.p.A. (the “Company”) is a corporation with a registered office in Milan, Italy, at Piazzale L. Cadorna 3, organized under the rules and regulations of Italy. The Company’s equity is listed on the Milan Stock Exchange and the New York Stock Exchange.

The Company and its subsidiaries (collectively, the “Group”) operate in two segments: (1) manufacturing and wholesale distribution; and (2) retail distribution.

Through its manufacturing and wholesale distribution operations, the Group is a leader 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, 2016, the Company owned and operated retail locations worldwide and franchised additional 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.

Through 2014, the retail division’s fiscal year was a 52- or 53-week period ending on the Saturday nearest December 31. In 2015, the retail subsidiaries of the Group that did not previously report on a calendar-year basis modified their respective reporting calendars in order to align with those of Luxottica Group S.p.A. and other subsidiaries in the consolidated Group that report on a calendar-year basis. Had such retail subsidiaries of the Group continued to use a 52/53-week calendar in 2015, there would not have been a material impact on the consolidated results of the Group. In 2016, all of the subsidiaries of the Group reported on a calendar-year basis.

The Company is controlled by Delfin S.à.r.l., a company subject to Luxembourg law. The Executive Chairman of the Board of Directors, Leonardo Del Vecchio, is also the controlling shareholder of Delfin S.à.r.l.

These consolidated financial statements were authorized to be issued by the Board of Directors of the Company at its meeting on March 1, 2017 and were audited by the Company’s independent registered public accounting firm.

BASIS OF PREPARATION

The consolidated financial statements as of December 31, 2016 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 includes all of the international accounting standards (“IAS”) and all the interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”), previously named the Standing Interpretation Committee (“SIC”).

**Notes to the
CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As of DECEMBER 31, 2016**

The principles and standards utilized in preparing these consolidated financial statements have been consistently applied through all periods presented, with the exception of the new standards and amendments that are effective for reporting periods beginning on January 1, 2016 as disclosed in Note 2.

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 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

**Notes to the
CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As of DECEMBER 31, 2016**

1. CONSOLIDATION PRINCIPLES, COMPOSITION OF THE GROUP AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 in the consolidated statement of income as other income or expense.

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 equity owners

Transactions such as contributions from owners in their capacity as owners of the entity are recorded in equity.

Transactions with non-controlling interests, related to the sale or acquisition of subsidiaries, 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.

**Notes to the
CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As of DECEMBER 31, 2016**

1. CONSOLIDATION PRINCIPLES, COMPOSITION OF THE GROUP AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 2016, the composition of the Group changed due to the acquisition of the remaining 63.2% of Salmoiraghi & Viganò S.p.A. ("Salmoiraghi & Viganò"), pursuant to the agreement signed in 2012 with Fenix S.r.l.

Please refer to Note 4 "Business Combinations," and Note 12 "Goodwill and Intangible Assets" for a description of the primary changes to the composition of the Group.

**Notes to the
CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As of DECEMBER 31, 2016**

1. CONSOLIDATION PRINCIPLES, COMPOSITION OF THE GROUP AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash comprises cash on hand and demand deposits and are carried at nominal amount, equal to fair value. 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.

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.

Assets available for sale

Assets available for sale are carried at the lower of the historical cost and the fair value less cost to sell.

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. The net realizable value represents the estimated sales price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Provisions for write-downs for raw materials, work in process and finished goods which are considered obsolete or slow moving are computed taking into account their expected future utilization and their net realizable value. The Group also considers other reasons that the cost of inventories may not be recoverable such as damage, declines in selling price, increased costs of completion and increased costs to be incurred to make the sale. In addition, when the Group performs its assessment of the net realizable value at the end of each reporting period, it considers whether the circumstances that previously caused inventories to be written down no longer exist or whether there is clear evidence of an increase in net realizable value because of changed economic circumstances and, if necessary, reverses the amount of the write-down so that the new carrying amount is the lower of the cost and the revised net realizable value.

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

**Notes to the
CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As of DECEMBER 31, 2016**

1. CONSOLIDATION PRINCIPLES, COMPOSITION OF THE GROUP AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

equipment is carried at cost less accumulated depreciation, calculated from the date the asset is available for use, 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	20 years
Other equipment	From 2 to 10 years
Leasehold Improvements	The lower of useful life and the residual duration of the lease contract

Land is not subject to depreciation. 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 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 is assessed, in the case of impairment indicators, at each balance sheet date. The Group would record a write-down of the net carrying amount if it is higher than the recoverable amount. Assets' useful lives are assessed at each balance sheet date.

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.

**Notes to the
CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As of DECEMBER 31, 2016**

1. CONSOLIDATION PRINCIPLES, COMPOSITION OF THE GROUP AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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,” allocated between current and non-current liabilities, 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 or a cash generating unit 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 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 20 and 23 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

**Notes to the
CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As of DECEMBER 31, 2016**

1. CONSOLIDATION PRINCIPLES, COMPOSITION OF THE GROUP AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

to their estimated recoverable amount. An impairment loss is recognized if the carrying amount is higher 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. 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.

**Notes to the
CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As of DECEMBER 31, 2016**

1. CONSOLIDATION PRINCIPLES, COMPOSITION OF THE GROUP AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 purchase or sale of financial assets is recognized at 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.

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.

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1. CONSOLIDATION PRINCIPLES, COMPOSITION OF THE GROUP AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

**Notes to the
CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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1. CONSOLIDATION PRINCIPLES, COMPOSITION OF THE GROUP AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts payable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Short- and long-term debt

Short- and 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. Short-term debt and cash are offset when the Group has a legal right to set off the recognized amounts and intends to do so.

Short- and 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 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

**Notes to the
CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As of DECEMBER 31, 2016**

1. CONSOLIDATION PRINCIPLES, COMPOSITION OF THE GROUP AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Prior period 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. Restructuring costs are recorded when the general criteria for recording a provision are met. The Group has a constructive obligation when (i) a detailed formal plan identifies at least the business or part of the business impacted, the principal locations affected and the location, function and approximate number of employees who will be compensated for terminating their services and (ii) a valid expectation that the restructuring will be carried out has been raised by the Group in those affected by the restructuring.

**Notes to the
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1. CONSOLIDATION PRINCIPLES, COMPOSITION OF THE GROUP AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 or units). 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 or units granted.

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting and performance 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: (i) sales of goods (both wholesale and retail); (ii) rendering of services such as insurance and administrative fees associated with the Group's managed vision care business, eye exams and related professional services; and (iii) sales of goods to franchisees along with other revenues from franchisees such as royalties based on sales and initial franchise fee revenues.

Revenue from sales of goods is recognized when all of the following conditions have been satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership of the goods nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from rendering of services are recognized by reference to the stage of completion of the transaction involving the rendering of services at the reporting date and when the outcome of the transaction can be estimated reliably. In particular when all of the following conditions have been satisfied:

- the amount of revenues can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and

**Notes to the
CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As of DECEMBER 31, 2016**

1. CONSOLIDATION PRINCIPLES, COMPOSITION OF THE GROUP AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Wholesale segment revenues are recognized at the time goods are delivered to the customer. The Group records an accrual for the 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 segment 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 segment enters into discount programs and similar relationships with third parties that have terms of twelve or more months. Customers who present a valid membership card typically receive a fixed percentage discount off the retail prices for a specified range of product and/or services. 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 segment 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.

**Notes to the
CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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1. CONSOLIDATION PRINCIPLES, COMPOSITION OF THE GROUP AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 net realizable value 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 and the amortization method of these intangible assets are assessed for appropriateness on an annual basis;

(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

**Notes to the
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1. CONSOLIDATION PRINCIPLES, COMPOSITION OF THE GROUP AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, and

(h) *Valuation of provision for risks.* The determination of the amount of the accruals requires judgment by management based on available documentation and information on potential 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 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 standard and amendments that are effective for the reporting periods beginning on January 1, 2016.

The application of the new and amended accounting standards and interpretations, indicated below, did not have a significant impact on the consolidated financial statements of the Group.

Amendments to IAS 19—Defined Benefit Plans: Employee Contributions. The amendments reduce 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.

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

**Notes to the
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2. NEW ACCOUNTING PRINCIPLES (Continued)

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.

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.

Amendments to IAS 1—Disclosure Initiative. The amendments concern materiality, aggregation of items, structure of the notes, information about accounting policies and presentation of other comprehensive income arising from the measurement of equity method investments.

Amendments to IAS 27—Equity Method in Separate Financial Statements. The amendments clarify that an entity can apply the equity method to account for investments in subsidiaries, joint ventures and associates in its separate financial statements retrospectively.

Amendments to IAS 16 and IAS 38—Clarification of Acceptable Methods of Depreciation and Amortization. The amendments clarify the use of the “revenue-based method” to calculate the depreciation of an asset.

Amendments to IFRS 10, IFRS 12 and IAS 28—Investment Entities: Applying the Consolidation Exception. The amendments clarify the application of the exception to consolidation of investment entities.

Annual Improvements to IFRSs—2012-2014 Cycle. The amendments modify: (i) IFRS 5, clarifying that the reclassification of an asset (or disposal group) from held for sale to held for distribution (or vice versa) should not be considered as a change in the original disposal plan; (ii) IFRS 7, (a) excluding the presumption that the right to earn a fee for servicing a financial asset is generally continuing involvement and specifying that the entity should define the nature of the fee in accordance with the guidance of IFRS 7 and (b) clarifying that the offsetting disclosures are not applicable to condensed interim financial statements unless they provide a significant update to the disclosure included in the most recent annual financial statements; (iii) IAS 19, clarifying that the depth of the market for high-quality corporate bonds should be assessed based on the currency in which the bond is denominated as opposed to the country in which the bond is located (in case a deep market of high-quality corporate bonds in a specific currency does not exist, corporate bonds should be considered); and (iv) IAS 34, clarifying that the required disclosures should be included either in the interim financial report or by cross-reference to other sections of the interim report (i.e. the management report). The disclosure included in the interim report should be available at the same time as the interim financial report.

New standard and amendments that are effective for the reporting periods beginning after January 1, 2016 and not early adopted by the Group.

The Group is assessing the full impact of the following new and amended accounting standards and interpretations on its consolidated financial statements.

Amendments to IAS 12—Recognition of Deferred Tax Assets on Unrealized Losses. The amendments provide clarifications on the recognition of deferred tax assets on debt instruments

**Notes to the
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2. NEW ACCOUNTING PRINCIPLES (Continued)

measured at fair value. The amendments are applicable to periods beginning on or after January 1, 2017.

Amendments to IAS 7—Disclosure Initiatives. The amendments will require entities to provide disclosures that enable investors to evaluate changes in liabilities arising from financing activities. The amendments are applicable to periods beginning on or after January 1, 2017.

IFRS 15—Revenue from Contracts with Customers. This standard replaces IAS 18—*Revenues*, IAS 11—*Construction Contracts*, IFRIC 13—*Customer 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. IFRS 15 is applicable beginning on or after January 1, 2018.

Management has performed a preliminary analysis of contracts with customers signed by the Group and is in the process of quantifying the impact of the new and amended accounting standard.

Clarifications to IFRS 15—Revenue from Contracts with Customers. The objective of the document is to clarify the guidance in IFRS 15 in respect of issues arising from the discussions of the Transition Resource Group for Revenue Recognition (TRG). The clarifications are applicable to periods beginning on or after January 1, 2018.

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 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 impairment losses, so that it is no longer necessary for a trigger event to have occurred before impairment losses are recognized, and requires an entity to recognize expected impairment losses at all times and to update the amount of expected impairment losses at each

**Notes to the
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2. NEW ACCOUNTING PRINCIPLES (Continued)

reporting date to reflect changes in the credit risk of the financial instrument. IFRS 9 contains a three-stage approach to account for impairment 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 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.

Amendments to IFRS 2—Clarification and Measurement of Share-based payment transaction. These amendments clarify the accounting treatment in relation to share-based payment transactions. The standard is not applicable until January 1, 2018.

Amendments to IFRS 4—Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts. These amendments clarify the accounting treatment in relation to Insurance contracts applying IFRS 9. The standard is not applicable until January 1, 2018.

Annual Improvements to IFRSs 2014-2016 Cycle. The amendment modifies: (i) IFRS 1, clarifying exemptions for first time adopters; (ii) IAS 28, clarifying accounting treatment for joint ventures and affiliates; and (iii) IFRS 12, clarifying the standard's applicability. The standard is not applicable until January 1, 2018.

IFRIC Interpretation 22—Foreign currency transactions and advance considerations These amendments clarify the accounting treatment in relation to profits or losses arising from foreign currency transactions. The standard is not applicable until January 1, 2018.

IFRS 16—Leases. The standard replaces IAS 17—Leases and requires substantially all leases to be recorded on the balance sheet as assets and liabilities. IFRS 16 is applicable to periods beginning on or after January 1, 2019. An entity can apply IFRS 16 before that date but only if it also applies IFRS 15—Revenue from Contracts with Customers.

The Group is analyzing its lease contracts with particular focus on rent contracts in the retail division and is estimating the significant impact of the new and amended accounting standards.

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 periods for which the amendments are applicable have not yet been defined.

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, mainly 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

**Notes to the
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3. FINANCIAL RISKS (Continued)

Policy guidelines approved by the Board of Directors. 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 2016 and 2015 average exchange rates and all other variables remain constant, the impact on income before taxes would have been a decrease of Euro 104.0 million and Euro 99.4 million in 2016 and 2015, respectively. If the Euro/USD exchange rate decreases by 10% as compared to the actual 2016 and 2015 average exchange rates and all other variables remain constant, the impact on income before taxes would have been an increase of Euro 104.0 million and Euro 99.4 million in 2016 and 2015, 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.

(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, 2016 and 2015, 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.

**Notes to the
CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As of DECEMBER 31, 2016**

3. FINANCIAL RISKS (Continued)

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 the thresholds approved by the Board of Directors and internal and external evaluations of the customer’s reliability. The utilization of credit limits is regularly monitored through automated controls.

Moreover, prior to October 2015, the Group had an agreement with an insurance company in order to cover the credit risk associated with customers in those countries where the Group does not have a direct presence. For 2016, a new global insurance agreement had not yet been finalized.

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.

**Notes to the
CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As of DECEMBER 31, 2016**

3. FINANCIAL RISKS (Continued)

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, 2016, had unused lines of credit of approximately Euro 651.0 million;
- 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
- 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, 2016 and December 31, 2015. 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

**Notes to the
CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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3. FINANCIAL RISKS (Continued)

receivables only. These amounts will be counterbalanced by payables, as reported in the tables relating to liabilities.

(Amounts in thousands of Euro)	Less than 1 year	From 1 to 3 years	From 3 to 5 years	Beyond 5 years
As of December 31, 2016				
Cash and cash equivalents	866,864	—	—	—
Derivatives receivable	6,428	—	—	—
Accounts receivable	932,340	—	—	—
Other current assets	162,412	—	—	—

(Amounts in thousands of Euro)	Less than 1 year	From 1 to 3 years	From 3 to 5 years	Beyond 5 years
As of December 31, 2015				
Cash and cash equivalents	864,852	—	—	—
Derivatives receivable	2,055	—	—	—
Accounts receivable	858,053	—	—	—
Other current assets	93,316	—	—	—

(Amounts in thousands of Euro)	Less than 1 year	From 1 to 3 years	From 3 to 5 years	Beyond 5 years
As of December 31, 2016				
Debt owed to banks and other financial institutions	154,094	723,232	450,116	515,795 ^(*)
Derivatives payable	2,856	—	—	—
Accounts payable	944,402	—	—	—
Other current liabilities	672,814	—	—	—

(Amounts in thousands of Euro)	Less than 1 year	From 1 to 3 years	From 3 to 5 years	Beyond 5 years
As of December 31, 2015				
Debt owed to banks and other financial institutions	44,882	226,556	672,588	825,153 ^(*)
Derivatives payable	2,173	—	—	—
Accounts payable	927,186	—	—	—
Other current liabilities	601,572	—	—	—

(*) Excludes the balance of the amortized costs of Euro (8.2) million in 2016 and (9.2) in 2015.

(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.

**Notes to the
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3. FINANCIAL RISKS (Continued)

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 utilized derivate contracts, specifically Interest Rate Swap (IRS) agreements, which exchange the floating rate for a fixed rate, thereby reducing the risk from interest rate volatility.

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. As of December 31, 2015, there was no floating-rate debt outstanding. As of December 31, 2016, the following floating-rate debt was outstanding, which was arranged by Salmoiraghi & Viganò with a pool of banks led by Banca Popolare di Milano, prior to the time that the Company acquired it.

Line A: a term loan in an outstanding amount of Euro 25.5 million that accrued interest at a rate of six months Euribor (floored at zero) plus a margin of 2.60% with an amortized repayment schedule and maturing on September 30, 2021.

Line B: a term loan in an outstanding amount of Euro 20 million that accrued interest at a rate of six months Euribor (floored at zero) plus a margin of 2.80% with an amortized repayment schedule and maturing on September 30, 2022.

The impact as of December 31, 2016 on income before taxes and after tax net income of an increase/decrease of 100 basis points on net income, in a situation with all other variables unchanged, would have been a maximum increase/decrease of Euro 1.6 million and Euro 1.1 million (net of tax effect), respectively.

**Notes to the
CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As of DECEMBER 31, 2016**

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):

	Financial assets at fair value through profit and loss	Loans and receivables	Investments held until maturity	Financial assets available for sale	Financial liabilities at fair value through profit and loss	Hedging derivatives	Total	Note(*)
December 31, 2016								
Cash and cash equivalents	—	866,864	—	—	—	—	866,864	6
Accounts receivable	—	932,340	—	—	—	—	932,340	7
Other current assets	6,428	111,128	—	51,284	—	—	168,840	9
Other non-current assets	—	84,689	—	—	—	—	84,689	14
Short-term borrowings	—	208,813	—	—	—	—	208,813	16
Current portion of long-term debt	—	154,094	—	—	—	—	154,094	17
Accounts payable	—	944,402	—	—	—	—	944,402	18
Other current liabilities	—	672,814	—	—	2,856	—	675,670	21
Long-term debt	—	1,680,951	—	—	—	—	1,680,951	22
Other non-current liabilities	—	79,783	—	—	—	—	79,783	25

	Financial assets at fair value through profit and loss	Loans and receivables	Investments held until maturity	Financial assets available for sale	Financial liabilities at fair value through profit and loss	Hedging derivatives	Total	Note(*)
December 31, 2015								
Cash and cash equivalents	—	864,852	—	—	—	—	864,852	6
Accounts receivable	—	858,053	—	—	—	—	858,053	7
Other current assets	2,055	93,316	—	—	—	—	95,372	9
Other non-current assets	—	84,800	—	—	—	—	84,800	14
Short-term borrowings	—	110,450	—	—	—	—	110,450	16
Current portion of long-term debt	—	44,882	—	—	—	—	44,882	17
Accounts payable	—	927,186	—	—	—	—	927,186	18
Other current liabilities	—	601,572	—	—	2,173	—	603,745	21
Long-term debt	—	1,715,104	—	—	—	—	1,715,104	22
Other non-current liabilities	—	91,391	—	—	—	—	91,391	25

* The notes 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 22) 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 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.

**Notes to the
CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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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/Pro Forma Financial Charges	>5
Priority Debt/Share Equity	<20%

An explanation of the covenants referenced above is provided as follows:

- “*Net Financial Position/Pro Forma EBITDA*” is an indicator of the prospective sustainability of debt repayments; the lower the absolute value, the greater a company’s ability to repay the debt (as indicated by the Net Financial Position) through the generation of gross cash flows from ordinary operations (as indicated by the amount of EBITDA);
- “*EBITDA/Pro Forma Financial Charges*” is an indicator of financial leverage; the higher the value, the greater a company’s ability to produce adequate resources to cover finance-related expenses; and
- “*Priority Debt/Share Equity*” is an indicator of the ability to achieve financial equilibrium between internal and third-party sources of funding; the lower the ratio, the greater a company’s ability to fund itself.

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 applicable agreement.

Compliance with these covenants is monitored by the Group at the end of each quarter and, as of December 31, 2016, the Group was fully in compliance with these covenants. The Company 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

**Notes to the
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3. FINANCIAL RISKS (Continued)

- 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 uses the above valuation hierarchy.

The Group determined the fair value of the derivatives existing on December 31, 2016 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 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 and the fair value information for the asset held for sale which is recorded at cost within the balance sheet (in thousands of Euro):

Description	Classification within the Consolidated Statement of Financial Position	December 31, 2016	Fair Value Measurements at Reporting Date Using:		
			Level 1	Level 2	Level 3
Foreign Exchange Contracts	Other current assets	6,428	—	6,428	—
Assets held for sale	Other current assets	100,000	—	—	100,000*
Foreign Exchange Contracts	Other current liabilities	2,856	—	2,856	—

Description	Classification within the Consolidated Statement of Financial Position	December 31, 2015	Fair Value Measurements at Reporting Date Using:		
			Level 1	Level 2	Level 3
Foreign Exchange Contracts	Other current assets	2,055	—	2,055	—
Assets held for sale	Other current assets	19,289	—	—	19,289*
Foreign Exchange Contracts	Other current liabilities	2,173	—	2,173	—

(*) Assets held for sale as of December 31, 2016 include the building owned by the Group which was sold in March 2017. The fair value was determined based on the selling price agreed upon by the parties. Assets held for sale as of December 31, 2015 include the aircraft owned by the Group and sold in January 2016. The fair value was determined based on the selling price agreed upon by the parties.

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.

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4. BUSINESS COMBINATIONS

Pursuant to the agreement signed in 2012 (the “Contract”) with Fenix S.r.l., which was renamed Salmoiraghi & Viganò Holding on November 25, 2016, the Group exercised the call option to acquire the remaining 63.2% of Salmoiraghi & Viganò for a purchase price of Euro 150.3 million.

The acquisition of the control of Salmoiraghi & Viganò represents a business combination achieved in stages, as stated by IFRS 3—*Business Combinations*. At the acquisition date the Group remeasured its previously held equity interest in the acquiree (36.8%) at its acquisition date fair value (Euro 87.5 million) and recognized a gain in its Consolidated Statement of Income in other income (Euro 35.7 million).

The business combination accounting was not complete as of the end of 2016. The purchase price has been provisionally allocated to the assets acquired and the liabilities assumed as follows:

(Amounts in thousands of Euro)

Acquisition value 100% (A)	237,830
Total net identifiable assets (B)	47,850
Goodwill (C=A – B)	189,980
Cash paid (D)	150,308
Acquiree cash (E)	(22,792)
Net out flow of cash—investing activities (F=D+E)	127,516

**Notes to the
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As of DECEMBER 31, 2016**

4. BUSINESS COMBINATIONS (Continued)

The fair values on the provisional basis are as follow:

(Amounts in thousands of Euro)	
Cash and cash equivalents (E)	22,792
Trade receivables	10,591
Inventories	36,874
Other current assets	5,838
Fixed assets	20,192
Intangible assets	123,619
Investments	65
Other non-current assets	1,456
Total identifiable assets (G)	<u>221,427</u>
Financial liabilities	10,321
Trade payables	60,509
Short-term provisions for risk	644
Other current liabilities	19,055
Long-term loans	36,353
Long-term provisions for risk	10,177
Deferred tax liabilities	30,637
Pension funds	5,881
Total identifiable liabilities (H)	<u>173,577</u>
Total net identifiable assets (B = G – H)	<u><u>47,850</u></u>

The goodwill is not tax deductible and primarily reflects the synergies that the Group estimates it will derive from the acquisition.

On an unaudited pro forma basis, had the acquisition occurred at the beginning of the year, net sales and operating income contributed by Salmoiraghi & Viganò would have been Euro 217.1 million and Euro 20.3 million, respectively.

On April 16, 2015, the Group acquired the remaining 49% of Luxottica Netherlands for a total purchase price of Euro 19.0 million. The difference between the consideration paid and the net assets acquired, equal to Euro 15.4 million, was recorded as a reduction of the Group's stockholders' equity.

On November 1, 2015, the Group acquired certain assets from Sunglass Warehouse, Inc. ("SGW"). Management determined the transaction to be a business combination in accordance with IFRS 3. The final purchase price paid by Sunglass Hut was approximately USD 23.3 million (Euro 21.0 million). The difference between the consideration paid and the net assets acquired was provisionally recorded as goodwill of Euro 18.3 million. The goodwill is tax deductible and primarily reflects the synergies that the Group estimates it will derive from the acquisition.

**Notes to the
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4. BUSINESS COMBINATIONS (Continued)

At December 31, 2015, 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 SGW (amounts in thousands of Euro):

Total consideration	<u>21,017</u>
Recognized amount of identifiable assets and liabilities assumed	
Inventory	1,877
Fixed assets	826
Total net identifiable assets	<u>2,703</u>
Goodwill	<u>18,314</u>
Total	<u>21,017</u>

On an unaudited pro forma basis, had the acquisition occurred at the beginning of 2015, net sales contributed by SGW would have been Euro 14.8 million.

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 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 2014, net sales contributed by glasses.com would have been Euro 8.2 million.

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):

Total consideration	<u>30,058</u>
Recognized amount of identifiable assets and liabilities assumed	
Inventory	3,158
Other current receivables	295
Fixed assets	5,334
Intangible assets	9,962
Other current liabilities	<u>(1,304)</u>
Total net identifiable assets	<u>17,444</u>
Goodwill	<u>12,614</u>
Total	<u>30,058</u>

**Notes to the
CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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4. BUSINESS COMBINATIONS (Continued)

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.

5. SEGMENT INFORMATION

In accordance with IFRS 8—*Operating segments*, the Group operates in two operating segments: (1) Manufacturing and Wholesale Distribution (“Wholesale”) and (2) Retail Distribution (“Retail”).

The criteria applied to identify the operating segments are consistent with the way the Group is managed. In particular, the disclosures are consistent with the information regularly reviewed by the Group’s Executive Chairman, Leonardo Del Vecchio, in his role as Chief Operating Decision Maker (“CODM”), to make decisions about resources to be allocated to the segments and assessing their performance.

Total assets and liabilities for each operating segment are no longer disclosed as they are not regularly reviewed by the CODM.

Prior to January 2016, the Group’s Chief Executive Officers were identified as the Chief Operating Decision Makers. In January 2016, our Board of Directors approved the assignment of responsibility for Markets, a role formerly held by Mr. Adil Mehboob-Khan, to Mr. Leonardo Del Vecchio, the Company’s Chairman of the Board and majority shareholder, as Executive Chairman. In connection therewith, our Board of Directors granted to the Executive Chairman additional responsibility and management authority (as compared to the CEO for Product and Operations) and, as a result, he has ultimate authority over operating decisions for the Group and for assessing the operations of the Group. Due to this change, the Executive Chairman is the sole CODM, assisted in his role by the CEO for Product and Operations. This change did not impact the operating segments as the information provided and reviewed by the CODM has not changed.

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5. SEGMENT INFORMATION (Continued)

(Amounts in thousands of Euro)	Manufacturing and Wholesale Distribution	Retail Distribution	Inter-segment transactions and corporate adjustments ^(c)	Consolidated
2016				
Net sales ^(a)	3,527,662	5,558,045	—	9,085,707
Income from operations ^(b)	806,133	729,569	(190,436)	1,345,267
Interest income	—	—	—	15,469
Interest expense	—	—	—	(81,528)
Other-net	—	—	—	39,486
Income before provision for income taxes	—	—	—	1,318,693
Provision for income taxes	—	—	—	(466,373)
Net income	—	—	—	852,321
<i>Of which attributable to:</i>				
Luxottica stockholders	—	—	—	850,524
Non-controlling interests	—	—	—	1,797
Capital expenditures	310,066	341,493	—	651,559
Depreciation, amortization and write-down	167,115	260,019	85,708	512,842
2015				
Net sales ^(a)	3,592,555	5,244,023	—	8,836,578
Income from operations ^(b)	807,213	789,355	(220,123)	1,376,445
Interest income	—	—	—	11,190
Interest expense	—	—	—	(106,439)
Other-net	—	—	—	(3,281)
Income before provision for income taxes	—	—	—	1,277,914
Provision for income taxes	—	—	—	(471,042)
Net income	—	—	—	806,873
<i>Of which attributable to:</i>				
Luxottica stockholders	—	—	—	804,119
Non-controlling interests	—	—	—	2,753
Capital expenditures	211,023	302,552	—	513,575
Depreciation, amortization and write-down	157,081	231,056	88,752	476,888
2014				
Net sales ^(a)	3,193,757	4,458,560	—	7,652,317
Income from operations ^(b)	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

**Notes to the
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5. SEGMENT INFORMATION (Continued)

(Amounts in thousands of Euro)	Manufacturing and Wholesale Distribution	Retail Distribution	Inter-segment transactions and corporate adjustments ^(c)	Consolidated
<i>Of which attributable to:</i>				
Luxottica stockholders	—	—	—	642,596
Non-controlling interests	—	—	—	3,417
Capital expenditures	175,573	243,360	—	418,933
Depreciation, amortization and write-down	123,268	181,625	79,103	383,996

- (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 not allocated to a specific segment, as well as elimination of transactions between segments.

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

**Notes to the
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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.

Years ended December 31 (Amounts in thousands of Euro)	Europe ⁽¹⁾	North America ⁽²⁾	Asia- Pacific ⁽³⁾	Latin America	Other	Consolidated
2016						
Net sales	1,700,314	5,369,665	1,157,837	551,874	306,018	9,085,707
Long-lived assets (at year end)	374,312	916,743	315,460	60,039	5,998	1,672,553
2015						
Net sales ⁽⁴⁾	1,630,948	5,151,178	1,177,926	542,983	333,546	8,836,578
Long-lived assets (at year end)	356,816	728,507	292,886	52,744	4,571	1,435,524
2014						
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

- (1) Long-lived assets located in Italy represented 20%, 22% and 25% of the Group's total fixed assets as of December 31, 2016, 2015 and 2014, respectively. Net sales recorded in Italy were Euro 0.3 billion, Euro 0.3 billion and Euro 0.2 billion in 2016, 2015 and 2014, respectively.
- (2) Long-lived assets located in the United States represented 55%, 48% and 45% of the Group's total fixed assets as of December 31, 2016, 2015 and 2014, respectively. Net sales recorded in the United States were Euro 5.0 billion, Euro 4.9 billion and Euro 3.9 billion in 2016, 2015 and 2014, respectively.
- (3) Long-lived assets located in China represented 14%, 15% and 14% of the Group's total fixed assets as of December 31, 2016, 2015 and 2014, respectively.
- (4) Net sales for the year ended December 31, 2015 for European Wholesale and Other Wholesale have been revised to reflect a reclassification of certain geographic markets, which the Group considers immaterial.

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):

	As of December 31	
	2016	2015
Cash at bank	856,948	856,611
Checks	7,355	5,596
Cash and cash equivalents on hand	2,561	2,645
Total	866,864	864,852

**Notes to the
CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As of DECEMBER 31, 2016**

6. CASH AND CASH EQUIVALENTS (Continued)

See Note 22 and the consolidated statements of cash flows for further details.

There is no restricted cash.

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):

	As of December 31,	
	2016	2015
Accounts receivable	983,348	895,555
Allowance for doubtful accounts	(51,008)	(37,501)
Total accounts receivable	<u>932,340</u>	<u>858,053</u>

The increase in accounts receivable is mainly due to the growth of net sales in 2016 and the acquisition of Salmoiraghi & Viganò (Euro 9.0 million).

The following table shows the allowance for doubtful accounts roll-forward (amounts in thousands of Euro):

	2016	2015	2014
Balance as of January 1	37,501	38,904	35,231
Increases	13,591	6,555	3,891
Decreases	(8,069)	(6,872)	(5,313)
Translation difference and other	7,984	(1,086)	5,095
Balance as of December 31	<u>51,008</u>	<u>37,501</u>	<u>38,904</u>

The book value of the accounts receivable approximates their fair value.

As of December 31, 2016, the gross amount of accounts receivable was equal to Euro 983.3 million (Euro 895.6 million as of December 31, 2015). The bad debt fund as of December 31, 2016 amounted to Euro 51.0 million (Euro 37.5 million as of December 31, 2015).

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.

**Notes to the
CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As of DECEMBER 31, 2016**

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:

December 31, 2016 (Amounts in thousands of Euro)	Gross receivables	Allowance for doubtful accounts	Maximum exposure to credit risk	Amount of accounts receivable overdue but not included in the allowance for doubtful accounts	Overdue accounts receivable not included in the allowance for doubtful accounts 0 - 30 days overdue	Overdue accounts receivable not included in the allowance for doubtful accounts > 30 days overdue
Receivables of the Wholesale segment classified as GOOD	648,015	(4,304)	643,716	51,066	30,638	20,428
Receivables of the Wholesale segment classified as GOOD— UNDER CONTROL	22,034	(3,304)	18,729	3,684	1,589	2,095
Receivables of the Wholesale segment classified as RISK	36,773	(33,170)	3,603	1,366	167	1,199
Receivables of the Retail segment	<u>276,526</u>	<u>(10,230)</u>	<u>266,292</u>	<u>44,091</u>	<u>35,915</u>	<u>9,272</u>
Total	<u>983,348</u>	<u>(51,008)</u>	<u>932,340</u>	<u>100,207</u>	<u>68,309</u>	<u>32,994</u>

December 31, 2015 (Amounts in thousands of Euro)	Gross receivables	Allowance for doubtful accounts	Maximum exposure to credit risk	Amount of accounts receivable overdue but not included in the allowance for doubtful accounts	Overdue accounts receivable not included in the allowance for doubtful accounts 0 - 30 days overdue	Overdue accounts receivable not included in the allowance for doubtful accounts > 30 days overdue
Receivables of the Wholesale segment classified as GOOD	643,326	(5,785)	637,541	64,961	33,033	31,928
Receivables of the Wholesale segment classified as GOOD— UNDER CONTROL	15,273	(1,055)	14,218	1,221	542	679
Receivables of the Wholesale segment classified as RISK	27,035	(23,994)	3,041	2,230	65	2,165
Receivables of the Retail segment	<u>209,921</u>	<u>(6,667)</u>	<u>203,254</u>	<u>20,042</u>	<u>10,368</u>	<u>9,962</u>
Total	<u>895,555</u>	<u>(37,501)</u>	<u>858,053</u>	<u>88,454</u>	<u>44,008</u>	<u>44,734</u>

**Notes to the
CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As of DECEMBER 31, 2016**

7. ACCOUNTS RECEIVABLE (Continued)

The accounts receivable in the retail division are mainly related to the insurance business of the Group.

As of December 31, 2016, the amount of overdue receivables which were not included in the bad debt fund was equal to 10.2% of gross receivables (9.9% as of December 31, 2015) and 10.7% of receivables net of the bad debt fund (10.3% as of December 31, 2015). 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):

	As of December 31	
	2016	2015
Raw materials	198,038	200,336
Work in process	38,054	51,828
Finished goods	798,413	711,009
Less: inventory obsolescence reserves	(141,032)	(129,901)
Total	<u>893,472</u>	<u>833,272</u>

The increase in inventories in 2016 (Euro 71.3 million) was aimed at improving the quality of the customer experience by having inventory levels in line with customer demand. This amount is partially offset by an increase in the inventory obsolescence reserves equal to Euro 11.1 million that is consistent with prior period.

The movements in the allowance for inventories reserve are as follows:

(Amounts in thousands of Euro)	Balance at beginning of period	Provision	Other ⁽¹⁾	Utilization	Balance at end of period
2014	119,263	80,142	3,042	(69,284)	133,163
2015	133,163	65,077	(505)	(67,834)	129,901
2016	129,901	67,965	7,170	(64,004)	141,032

(1) Other includes translation differences for the period.

**Notes to the
CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As of DECEMBER 31, 2016**

9. OTHER ASSETS

Other assets comprise the following items:

(Amounts in thousands of Euro)	As of December 31	
	2016	2015
Sales taxes receivable	59,514	38,016
Prepaid expenses	461	1,458
Other assets	57,581	55,896
Total financial assets	117,556	95,370
Income tax receivable	79,591	70,038
Advances to suppliers	14,194	15,070
Prepaid expenses	65,654	72,985
Other assets	6,664	19,468
Total non-financial assets	166,102	177,561
Total other assets	283,659	272,932

The increase in financial assets, equal to Euro 22.2 million, was mainly related to (i) the increase in sales tax receivables in Italy and Brazil (Euro 21.5 million) and (ii) the increase in receivables from derivatives contracts (Euro 4.4 million), and was partially offset by the collection of the receivable related to the sale of the airplane owned by Luxottica Leasing S.r.l. (Euro 19.3 million).

Other financial assets include: (i) receivables from foreign currency derivatives amounting to Euro 6.4 million as of December 31, 2016 (Euro 2.0 million as of December 31, 2015); (ii) assets held for sale of Euro 51.3 million; and (iii) other financial assets of the North America retail division totaling Euro 17.0 million as of December 31, 2016 (Euro 12.1 million as of December 31, 2015).

The reduction in non-financial assets of Euro 11.5 million was mainly related to (i) the decrease in prepayments of Euro 7.3 million and (ii) the decrease in the other assets due to the payment of royalties (Euro 12.8 million), and was partially offset by the increase in tax receivables in the North American and Australian subsidiaries (Euro 9.5 million).

Other assets include the short term portion of advance payments made to certain designers for future contracted minimum royalties totaling Euro 6.6 million as of December 31, 2016 (Euro 19.5 million as of December 31, 2015).

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.

10. ASSETS HELD FOR SALE

The assets held for sale, at December 31, 2016, were Euro 51.3 million. This amount represents the carrying amount of the building that was owned by Luxottica Group S.p.A., which was sold in March 2017 at a sale price of Euro 100 million.

**Notes to the
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NON-CURRENT ASSETS

11. 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, 2015					
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)
Total as of January 1, 2015	496,313	487,359	33,253	300,693	1,317,617
Increases	89,892	101,950	—	170,633	362,475
Decreases/write-downs	(8,311)	(2,105)	(1,537)	(7,758)	(19,711)
Translation difference and other	38,714	51,795	(19,255)	(22,611)	48,643
Depreciation expense	(73,834)	(124,405)	(1,965)	(73,295)	(273,499)
Total balance as of December 31, 2015	542,774	514,594	10,496	367,662	1,435,524
Of which:					
Historical cost	1,160,057	1,456,077	11,362	825,695	3,453,190
Accumulated depreciation	(617,283)	(941,482)	(865)	(458,033)	(2,017,664)
Total as of December 31, 2015	542,774	514,595	10,496	367,662	1,435,524
Increases	145,841	118,820	—	283,988	548,649
Decreases/write-downs	(4,209)	(3,373)	—	(13,905)	(21,487)
Business combinations	3,847	15,703	—	643	20,192
Translation difference and other	(19,442)	58,023	—	(60,006)	(21,425)
Depreciation expense	(80,637)	(127,609)	(568)	(80,088)	(288,902)
Total balance as of December 31, 2016	588,175	576,156	9,928	498,293	1,672,552
Of which:					
Historical cost	1,270,763	1,677,540	11,361	1,014,331	3,973,995
Accumulated depreciation	(682,588)	(1,101,384)	(1,433)	(516,038)	(2,031,443)
Total balance as of December 31, 2016	588,175	576,156	9,928	498,293	1,672,552

Of the total depreciation expense of Euro 288.9 million in 2016 (Euro 273.5 million in 2015 and Euro 224.5 million in 2014), Euro 99.4 million (Euro 94.1 million in 2015 and Euro 81.3 million in 2014) is included in cost of sales, Euro 142.6 million (Euro 133.6 million in 2015 and Euro 111.3 million in 2014) is included in selling expenses, Euro 14.1 million (Euro 11.6 million in 2015 and Euro 7.9 million in 2014) is included in advertising expenses and Euro 32.8 million (Euro 34.2 million in 2015 and Euro 24.0 million in 2014) is included in general and administrative expenses.

Capital expenditures in 2016 and 2015 mainly relate to technology upgrades associated with manufacturing capacity, enhancements to IT infrastructure, opening of new stores and the remodeling of older stores. In 2016, increases included Euro 65.8 million related to the purchase price of a building in New York. The total purchase price for the building was approximately Euro 72.3 million, of which Euro 6.5 million was paid in 2015. The building was classified as an asset under construction as of

**Notes to the
CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As of DECEMBER 31, 2016**

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

December 2016. Increases also include Euro 14.7 million related to capital additions not yet paid for as of December 31, 2016.

Other equipment includes Euro 233.3 million for assets under construction as of December 31, 2016 (Euro 108.5 million as of December 31, 2015) mainly relating to: (i) investments in manufacturing facilities in Italy and China (Euro 34.4 million and Euro 32.8 million respectively); (ii) the construction of a new distribution center near Atlanta (Euro 36.3 million); and (iii) and to the opening and renovation of North America retail stores (Euro 23.6 million).

Leasehold improvements totaled Euro 252.5 million and Euro 202.9 million as of December 31, 2016 and December 31, 2015, respectively.

**Notes to the
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12. GOODWILL AND INTANGIBLE ASSETS

Changes in goodwill and intangible assets for the years ended December 31, 2015 and 2016, were as follows:

(Amounts in thousands of Euro)	Goodwill	Trade names and trademarks	Customer relations, contracts and lists	Franchise agreements	Other	Total
As of January 1, 2015						
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)
Total	3,351,263	773,688	139,638	12,110	459,064	4,735,764
Increases	—	402	—	—	151,187	151,590
Decreases	—	—	—	—	(3,157)	(3,157)
Business combinations	18,342	—	—	—	1,509	19,851
Translation difference and other	227,378	62,644	9,064	1,370	38,026	338,482
Amortization expense	—	(72,868)	(15,638)	(1,293)	(113,590)	(203,389)
Balance as of December 31, 2015	3,596,983	763,866	133,064	12,187	533,031	5,039,131

(Amounts in thousands of Euro)	Goodwill	Trade names and trademarks	Customer relations, contracts and lists	Franchise agreements	Other	Total
Historical cost	3,596,983	1,745,004	277,266	26,362	1,020,028	6,665,643
Accumulated amortization	—	(981,138)	(144,202)	(14,175)	(486,997)	(1,626,512)
Total as of January 1, 2016	3,596,983	763,866	133,064	12,187	533,031	5,039,131
Increases	—	—	—	—	103,006	103,006
Decreases	—	(676)	—	—	(669)	(1,345)
Business combinations/disposals	189,980	93,505	16,252	—	13,861	313,599
Translation difference and other	84,478	17,828	4,924	335	10,761	118,309
Amortization expense	—	(69,444)	(14,832)	(1,296)	(138,385)	(223,940)
Balance as of December 31, 2016	3,871,442	805,078	139,408	11,226	521,605	5,348,759
Historical cost	3,871,442	1,883,690	302,957	27,227	1,164,267	7,249,583
Accumulated amortization	—	(1,078,612)	(163,549)	(16,001)	(642,662)	(1,900,824)
Balance as of December 31, 2016	3,871,442	805,078	139,408	11,226	521,605	5,348,759

The increase in goodwill and intangible assets due to business combinations is related to the acquisitions of Salmoiraghi & Viganò in 2016 and Sunglass Warehouse in 2015. Please refer to Note 4 “Business Combinations” for further details.

Of the total amortization expense of intangible assets of Euro 223.9 million in 2016 (Euro 203.4 million and Euro 159.4 million in 2015 and 2014, respectively), Euro 182.8 million (Euro 178.1 million and Euro 141.7 million in 2015 and 2014, respectively) is included in general and administrative expenses, Euro 26.1 million (Euro 19.0 million and Euro 13.0 million in 2015 and 2014, respectively) is included in selling expenses and Euro 15 million (Euro 6.3 million and Euro 4.7 million in 2015 and 2014, respectively) is included in cost of sales.

**Notes to the
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12. GOODWILL AND INTANGIBLE ASSETS (Continued)

The increase in other intangible assets is mostly due to the continued implementation of the IT infrastructure of the Group, which accounted for Euro 80.6 million of the 2016 total.

Impairment of goodwill

As of December 31, 2016 and 2015, goodwill totaled Euro 3,871.4 million and Euro 3,597.0 million, respectively. The increase is mainly due to the acquisition of Salmoiraghi & Viganò for Euro 190 million and to the strengthening of the main currencies in which the Group operates (Euro 84.4 million).

In 2015, management assessed the aggregation of cash generating units (“CGUs”) previously identified for testing the impairment of its goodwill in light of the organizational changes that occurred in the retail business during the year. As a result of the analysis, management determined that the CGUs Retail North America, Retail Asia Pacific and Retail Other were no longer representative of the way the goodwill is monitored and, therefore, identified the following new CGUs: Retail Optical, Retail Sun & Luxury and Retail Oakley. The CGU Wholesale was not impacted by the change.

These CGUs remained unchanged for 2016.

The value of goodwill allocated to each CGU is reported in the following table (amounts in thousands of Euro):

	2016	2015
Wholesale	1,435,106	1,398,104
Retail Optical	1,206,609	995,864
Retail Sun & Luxury	1,041,805	1,021,066
Retail Oakley	187,921	181,949
Total	<u>3,871,442</u>	<u>3,596,983</u>

The information required by paragraph 134 of IAS 36 is provided below.

The recoverable amount of each CGU has been verified by comparing its net assets carrying amount to its value in use calculated using the discounted cash flow (“DCF”) method.

The main assumptions for determining the value in use are reported below:

- Growth rate: 2.4% for Wholesale, 2.3% for Retail Optical, 2.2% for Retail Sun & Luxury and 1.8% for Retail Oakley
- Discount rate: 6.9% for Wholesale, 6.5% for Retail Optical, 6.6% for Retail Sun & Luxury and 6.2% for Retail Oakley

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.

**Notes to the
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12. GOODWILL AND INTANGIBLE ASSETS (Continued)

The growth rate used to determine the terminal value is in line with the long-term expected inflation in the countries the Group operates.

The recoverable amount of CGUs has been determined by utilizing post tax cash flow forecasts based on the Group's 2017-2019 three year plan approved by management, 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 above mentioned CGUs. In percentage terms, the surplus of the recoverable amount of the CGU over the carrying amount was equal to 511%, 20%, 12% and 5% of the carrying amount of the Wholesale, Retail Optical, Retail Sun & Luxury and Retail Oakley CGUs, respectively. A 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 28.4% for Wholesale, 7.3% for Retail Optical, 7.2% for Retail Sun & Luxury and 6.7% for Retail Oakley; or (ii) change in the growth rate to a negative percentage for Wholesale, approximately 1.4% for the Retail Optical, approximately 1.6% for the Retail Sun & Luxury and approximately 1.3% for Retail Oakley.

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.

13. INVESTMENTS

Investments amounted to Euro 20.2 million as of December 31, 2016 (Euro 65.4 million as of December 31, 2015). The balance mainly related to the investment in Eyebiz Laboratories Pty Limited (a joint venture formed in 2010 between Luxottica and Essilor International ("Essilor") that provides most of the Australian lab requirements) for Euro 6.7 million (Euro 6.0 million as of December 31, 2015). The decrease from December 31, 2015 to December 31, 2016 is mainly due to the acquisition of Salmoiraghi & Viganò. See Note 4 Business Combinations.

14. OTHER NON-CURRENT ASSETS

(Amounts in thousands of Euro)	As of December 31	
	2016	2015
Other financial assets	84,689	84,800
Other assets	12,611	20,774
Total other non-current assets	<u>97,300</u>	<u>105,574</u>

Other financial assets primarily include security deposits totaling Euro 39 million (Euro 38.8 million as of December 31, 2015).

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14. OTHER NON-CURRENT ASSETS (Continued)

Other assets primarily include advance payments made to certain licensees for future contractual minimum royalties totaling Euro 12.6 million (Euro 20.8 million as of December 31, 2015). The decrease is mainly due to the reclassification to other current assets of royalties that were due in 2016.

15. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

The balance of deferred tax assets and liabilities as of December 31, 2016 and December 31, 2015 is as follows:

(Amounts in thousands of Euro)	As of December 31, 2016	As of December 31, 2015
Deferred tax assets	133,369	174,433
Deferred tax liabilities	257,036	277,327
—Deferred tax liabilities (net)	<u>123,667</u>	<u>102,894</u>

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:

(Amounts in thousands of Euro)	As of December 31	
	2016	2015
—Deferred tax assets to be recovered within 12 months	290,958	250,465
—Deferred tax assets to be recovered after 12 months	181,616	204,923
	<u>472,573</u>	<u>455,388</u>
—Deferred tax liabilities to be recovered within 12 months	14,459	15,094
—Deferred tax liabilities to be recovered after 12 months	581,781	543,189
	<u>596,240</u>	<u>558,283</u>
—Deferred tax liabilities (net)	<u>123,667</u>	<u>102,894</u>

The gross movement in the deferred income tax accounts is as follows:

(Amounts in thousands of Euro)	2016	2015
As of January 1	102,894	78,697
Exchange rate difference and other movements	7,229	43,463
Business combinations	30,923	—
Income statements	(16,007)	(13,609)
Tax charge/(credit) directly to equity	(1,372)	(5,658)
At December 31	<u>123,667</u>	<u>102,894</u>

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15. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES (Continued)

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 (Amounts in thousands of Euro)	As of January 1, 2016	Exchange rate difference and other movements	Business combinations	Income statements	Tax charged/(credited) to equity	As of December 31, 2016
Inventories	141,977	8,996	564	17,830	—	169,367
Self-insurance reserves	13,936	329	—	(812)	—	13,453
Net operating loss carry-forwards	32,926	(1,166)	9,162	(3,161)	—	37,761
Rights of return	19,769	558	1,328	(2,596)	—	19,059
Employee-related reserves	91,090	(6,140)	457	(5,646)	1,369	81,130
Occupancy reserves	22,824	(124)	—	624	—	23,324
Trade names	72,071	(10,093)	1,395	(6,399)	—	56,974
Fixed assets	9,811	(860)	927	(428)	—	9,450
Other	50,984	4,366	923	5,778	3	62,054
Total	455,388	(4,134)	14,756	5,190	1,372	472,573

Deferred tax liabilities (Amounts in thousands of Euro)	As of January 1, 2016	Exchange rate difference and other movements	Business combinations	Income statements	Tax charged/(credited) to equity	As of December 31, 2016
Dividends	7,827	—	—	5,936	—	13,763
Trade names	218,955	1,584	32,374	(18,406)	—	234,507
Fixed assets	79,257	7,785	—	496	—	87,538
Other intangibles	231,640	(520)	12,733	(1,933)	—	241,920
Other	20,604	(5,754)	572	3,090	—	18,512
Total	558,283	3,095	45,679	(10,817)	—	596,240

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15. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES (Continued)

Deferred tax assets (Amounts in thousands of Euro)	As of January 1, 2015	Exchange rate difference and other movements	Business combinations	Income statements	Tax charged/(credited) to equity	As of December 31, 2015
Inventories	125,120	4,568	—	12,289	—	141,977
Self-insurance reserves	12,881	1,437	—	(382)	—	13,936
Net operating loss carry-forwards	28,079	(5,173)	—	10,020	—	32,926
Rights of return	21,450	(782)	—	(899)	—	19,769
Deferred tax on derivatives	—	—	—	—	—	—
Employee-related reserves	82,358	(4,635)	—	6,910	6,456	91,089
Occupancy reserves	16,534	5,057	—	1,234	—	22,825
Trade names	67,429	11,468	—	(6,826)	—	72,071
Fixed assets	10,799	129	—	(1,117)	—	9,811
Other	58,409	(6,186)	—	(1,238)	—	50,885
Total	423,059	5,883	—	19,991	6,456	455,388

Deferred tax liabilities (Amounts in thousands of Euro)	As of January 1, 2015	Exchange rate difference and other movements	Business combinations	Income statements	Tax charged/(credited) to equity	As of December 31, 2015
Dividends	12,899	—	—	(5,072)	—	7,827
Trade names	216,175	20,673	—	(17,894)	—	218,955
Fixed assets	67,344	(2,014)	—	13,927	—	79,257
Other intangibles	188,147	44,501	—	(1,008)	—	231,640
Other	17,190	(13,814)	—	16,429	798	20,604
Total	501,755	49,346	—	6,382	798	558,283

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 42.6 million in respect of losses amounting to Euro 160.8 million that can be carried forward against future taxable income. Of the total losses, Euro 89.0 million are indefinite whereas Euro 71.8 million expire as follows:

Year ending December 31:

(Amounts in thousands of Euro)

2017	16,704
2018	17,313
2019	20,624
2020	11,250
2021	2,862
Subsequent years	3,062
Total	71,816

**Notes to the
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15. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES (Continued)

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 3.8 billion and Euro 3.6 billion in 2016 and 2015, respectively, that are intended to be permanently invested. In connection with the 2016 earnings of certain subsidiaries, the Group has provided for an accrual for income taxes related to dividends from earnings to be paid in 2017.

CURRENT LIABILITIES

16. SHORT-TERM BORROWINGS

Short-term borrowings at December 31, 2016 and 2015, 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, 2016 and 2015, the Company had unused short-term lines of credit of approximately Euro 651.0 million and Euro 632.0 million, respectively.

The Company and its wholly-owned Italian subsidiaries Luxottica S.r.l., Luxottica Italia S.r.l, and Salmoiraghi & Viganò maintain unsecured lines of credit with primary banks for an aggregate maximum credit of Euro 349.4 million. These lines of credit are renewable annually, can be cancelled at short notice and have no commitment fees. At December 31, 2016, an aggregate of Euro 100.0 million was outstanding under these credit lines.

Luxottica U.S. Holdings Corp. (“U.S. Holdings”) maintains unsecured lines of credit with two separate banks for an aggregate maximum credit of Euro 118.5 million (\$ 124.9 million). These lines of credit are renewable annually, can be cancelled at short notice and have no commitment fees. At December 31, 2016, these credit lines were not utilized. There was Euro 50.8 million of standby letters of credit outstanding.

The book value of short-term borrowings is approximately equal to their fair value.

17. 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 22 “Long-term Debt.”

18. ACCOUNTS PAYABLE

Accounts payable were Euro 944.4 million as of December 31, 2016 (Euro 927.2 million as of December 31, 2015). The increase in 2016 as compared to 2015 is mainly due to the growth of the business and the strengthening of the foreign currencies in which the Group operates compared to the Euro.

The carrying value of accounts payable is approximately equal to their fair value.

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19. INCOME TAXES PAYABLE

The balance is detailed below:

(Amounts in thousands of Euro)	As of December 31	
	2016	2015
Current year income taxes payable	45,584	76,787
Income taxes advance payment	(28,346)	(42,608)
Total	17,238	34,179

20. SHORT-TERM PROVISIONS FOR RISKS AND OTHER CHARGES

The balance is detailed below:

(Amounts in thousands of Euro)	As of December 31	
	2016	2015
Legal Risk	3,243	2,032
Self Insurance	8,540	8,314
Tax Provision	42,421	25,146
Returns	55,761	49,191
Other Risks	35,735	34,096
Total	145,701	118,779

The roll-forward of short-term provision for risks as of December 31, 2016 and 2015, is as follows:

(Amounts in thousands of Euro)	Legal risk	Self-insurance	Tax			Returns	Total
			provision	Other risks			
Balance as of December 31, 2014	1,911	6,375	104,076	28,225	47,132	187,719	
Increases	1,594	8,431	13,250	19,741	15,700	58,716	
Decreases	(1,994)	(7,147)	(93,321)	(11,961)	(16,282)	(130,704)	
Foreign translation difference and other movements	521	655	1,140	(1,909)	2,641	3,048	
Balance as of December 31, 2015	2,032	8,314	25,146	34,096	49,191	118,779	
Increases	1,074	6,199	17,591	15,745	23,546	64,115	
Decreases	(268)	(6,310)	(648)	(12,899)	(18,397)	(38,522)	
Foreign translation difference and other movements	404	338	333	(1,206)	1,421	1,290	
Balance as of December 31, 2016	3,243	8,540	42,421	35,735	55,761	145,701	

Legal risk includes provisions for various litigation matters that have occurred in the ordinary course of business.

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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21. OTHER LIABILITIES

The balance is detailed below:

(Amounts in thousands of Euro)	As of December 31	
	2016	2015
Premiums and discounts	4,322	4,066
Leasing rental	26,398	23,823
Insurance	12,164	11,521
Sales taxes payable	70,180	37,976
Salaries payable	340,754	334,519
Due to social security authorities	49,493	36,119
Sales commissions payable	7,064	7,314
Royalties payable	3,034	3,003
Derivative financial liabilities	2,856	2,173
Other liabilities	159,406	143,231
Total financial liabilities	675,670	603,745
Deferred income	69,596	60,998
Other liabilities	655	6,681
Total liabilities	70,251	67,679
Total other current liabilities	745,921	671,424

The increase in salaries payable is mainly due to the higher accruals for the acquisition of Salmoiraghi & Viganò (Euro 7.7 million).

The increase in social security authorities payables is mainly due to the higher payables for “social security” by U.S. subsidiaries of Euro 11.5 million.

The increase in sales taxes payables is mainly due to the increase in liabilities of our Brazilian subsidiary of Euro 16.1 million and, in general, to the increase of sales.

The increase in deferred income is mainly due to the increase on advances from customers of Euro 7.7 million.

NON-CURRENT LIABILITIES

22. LONG-TERM DEBT

Long-term debt was Euro 1,835.0 million (including Euro 154.1 million due in 2017) and Euro 1,760.0 million (including Euro 44.9 million due in 2016) as of December 31, 2016 and 2015, respectively.

**Notes to the
CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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22. LONG-TERM DEBT (Continued)

The roll-forward of long-term debt as of December 31, 2016 and 2015, is as follows (amounts in thousands of Euro):

	Senior unsecured guaranteed notes	Other loans with banks and other third parties, interest at various rates, payable in installments through 2016	Total
Balance as of January 1, 2016	1,725,967	34,019	1,759,986
Proceeds from new and existing loans/leases	—	18,081	18,081
Repayments	—	(12,696)	(12,696)
Loans assumed in business combinations	—	46,674	46,674
Amortization of fees and interests	1,924	—	1,924
Translation difference	19,941	1,132	21,076
Balance as of December 31, 2016	1,747,832	87,210	1,835,045

	Senior unsecured guaranteed notes	Other loans with banks and other third parties, interest at various rates, payable in installments through 2015	Total
Balance as of January 1, 2015	2,271,171	44,032	2,315,203
Proceeds from new and existing loans/leases	—	14,410	14,410
Repayments	(614,465)	(28,502)	(642,967)
Loans assumed in business combinations	—	—	—
Amortization of fees and interests	(3,609)	—	(3,609)
Translation difference	72,870	4,079	76,949
Balance as of December 31, 2015	1,725,967	34,019	1,759,986

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, 2016, the Group was in compliance with these financial covenants.

**Notes to the
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22. LONG-TERM DEBT (Continued)

The table below summarizes the Group's long-term debt as of December 31, 2016.

Type	Series	Issuer/Borrower	Issue Date	CCY	Amount	Outstanding amount at the reporting date	Fair Value (€/ml)	Coupon / Pricing	Interest rate as of December 31, 2016	Maturity
Private Placement	D	Luxtottica US Holdings	January 29, 2010	USD	50,000,000	50,000,000	48.6	5.190%	5.190%	January 29, 2017
Private Placement	G	Luxtottica Group S.p.A.	September 30, 2010	EUR	50,000,000	50,000,000	52.0	3.750%	3.750%	September 15, 2017
Private Placement	C	Luxtottica US Holdings	July 1, 2008	USD	128,000,000	128,000,000	135.3	6.770%	6.770%	July 1, 2018
Private Placement	F	Luxtottica US Holdings	January 29, 2010	USD	75,000,000	75,000,000	78.4	5.390%	5.390%	January 29, 2019
Bond (Listed on Luxembourg Stock Exchange)		Luxtottica Group S.p.A.	March 19, 2012	EUR	500,000,000	500,000,000	555.7	3.625%	3.625%	March 19, 2019
Private Placement	E	Luxtottica US Holdings	January 29, 2010	USD	50,000,000	50,000,000	54.2	5.750%	5.750%	January 29, 2020
Private Placement	H	Luxtottica Group S.p.A.	September 30, 2010	EUR	50,000,000	50,000,000	58.6	4.250%	4.250%	September 15, 2020
Private Placement	I	Luxtottica US Holdings	December 15, 2011	USD	350,000,000	350,000,000	367.5	4.350%	4.350%	December 15, 2021
Bond (Listed on Luxembourg Stock Exchange)		Luxtottica Group S.p.A.	February 10, 2014	EUR	500,000,000	500,000,000	582.9	2.625%	2.625%	February 10, 2024
Bank Loan		Salmoiraghi & Viganò S.p.A.	December 23, 2015	EUR	30,000,000	25,500,000	26.8	2.60%	2.60%	September 30, 2021
Bank Loan		Salmoiraghi & Viganò S.p.A.	December 23, 2015	EUR	20,000,000	20,000,000	22.2	2.80%	2.80%	September 30, 2022

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 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.

Salmoiraghi & Viganò, at the time that it was acquired by us, was a borrower under the following loan facilities arranged with a syndicate of banks led by Banca Popolare di Milano:

- Line A: a term loan in an outstanding amount of Euro 25.5 million that accrued interest at a rate of six months Euribor (floored at zero) plus a margin of 2.60% with an amortized repayment schedule and maturity on September 30, 2021.
- Line B: a term loan in an outstanding amount of Euro 20 million that accrued interest at a rate of six months Euribor (floored at zero) plus a margin of 2.80% with an amortized repayment schedule and maturity on September 30, 2022.
- Line C: a revolving credit facility in an available amount of Euro 10 million, which was not utilized at December 31, 2016.

**Notes to the
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22. LONG-TERM DEBT (Continued)

- Line RCF: a revolving credit facility in an available amount of Euro 10 million, which was not utilized at December 31, 2016.

The above term loans were repaid in full and the revolving credit facilities were cancelled on February 9, 2017.

On March 10, 2017, our subsidiary U.S. Holdings gave notice to each of the purchasers of the Series I Notes that this series had been called for prepayment prior to maturity. The Series I Notes were prepaid on April 10, 2017 and are no longer outstanding.

The fair value of long-term debt as of December 31, 2016 was equal to Euro 1,982.2 million (Euro 1,907.1 million as of December 31, 2015). 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 (Level 2 of the valuation hierarchy). The above fair value does not include capital lease obligations of Euro 42.4 million.

Interest accrued and not yet paid of Euro 35.8 million (Euro 35.2 million as of December 31, 2015) is classified under current liabilities.

Long-term debt, including capital lease obligations, as of December 31, 2016 matures as follows:

Year ended December 31, (Amounts in thousands of Euro)	
2017	154,094
2018	137,956
2019	585,276
2020	107,802
2021	342,315
Subsequent years	515,795
Effect deriving from the adoption of the amortized cost method	(8,192)
Total	<u>1,835,045</u>

Long-term debt includes finance lease liabilities of Euro 42.4 million (Euro 33.6 million as of December 31, 2015).

(Amounts in thousands of Euro)	2016	2015
Gross finance lease liabilities:		
—no later than 1 year	13,734	10,600
—later than 1 year and no later than 5 years	31,869	22,184
—later than 5 years	58	3,843
	45,661	36,627
Future finance charges on finance lease liabilities	3,264	3,072
Present values of finance lease liabilities	42,397	33,555

**Notes to the
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22. LONG-TERM DEBT (Continued)

The present value of finance lease liabilities is as follows:

(Amounts in thousands of Euro)	2016	2015
—no later than 1 year	12,100	9,467
—later than 1 year and no later than 5 years	30,242	20,414
—later than 5 years	55	3,674
Present values of finance lease liabilities	42,397	33,555

23. EMPLOYEE BENEFITS

Employee benefits amounted to Euro 159.4 million (Euro 136.2 million as of December 31, 2015). The balance mainly included liabilities for termination indemnities of Euro 56.3 million (Euro 47.8 million as of December 31, 2015), liabilities for employee benefits of the U.S. subsidiaries of the Group of Euro 98.5 million (Euro 88.4 million as of December 31, 2015) and the liabilities related to long-term incentive plan approved by Board of Directors in October 2016 (Euro 4.6 million). The increase in 2016 is mainly due to a decrease in the discount rates used to determine the liabilities. Actuarial gains recorded in the statement of other comprehensive income which will never reverse to profit and loss in future periods total Euro 15.2 million.

Liabilities for termination indemnities mainly include post-employment benefits of the Italian companies' employees (hereinafter "TFR"), which at December 31, 2016 amounted to Euro 44.7 million (Euro 38.0 million as of December 31, 2015).

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 and 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, 2016 represents the estimated future payments required to settle the obligation resulting from employee service, determined using the actuarial techniques required by IAS 19, excluding the component related to the future salary increases.

Contribution expense to pension funds was Euro 25.0 million, Euro 20.6 million and Euro 22.2 million for 2016, 2015 and 2014, respectively.

**Notes to the
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23. EMPLOYEE BENEFITS (Continued)

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:

	2016	2015	2014
ECONOMIC ASSUMPTIONS			
Discount rate	1.31%	2.00%	1.50%
Annual TFR increase rate	2.63%	2.81%	2.81%
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 (General Mandatory Insurance)	Assuming the attainment of the first of the retirement requirements applicable for the Assicurazione Generale Obbligatoria (General Mandatory Insurance)	Assuming the attainment of the first of the retirement requirements applicable for the Assicurazione Generale Obbligatoria (General Mandatory Insurance)

Movements in liabilities during the course of the year are detailed in the following table:

(Amounts in thousands of Euro)	2016	2015	2014
Liabilities at the beginning of the period	38,019	41,771	38,095
Expenses for interests	746	614	1,160
Change in the revaluation rate	—	—	(750)
Actuarial loss (income)	1,617	(2,611)	5,804
Benefits paid	(1,484)	(1,755)	(2,538)
Business combination	5,832	—	—
Liabilities at the end of the period	<u>44,729</u>	<u>38,019</u>	<u>41,771</u>

The following table shows how the liabilities for employee benefits would change if the main assumptions changed:

(Amounts in thousands of Euro)	Actuarial valuation rate		Annual inflation rate		Annual turnover rate	
Sensitivity	+0.5%	-0.50%	+0.25%	-0.25%	+2.00%	-2.00%
Past service liability	<u>37,169</u>	<u>40,759</u>	<u>39,426</u>	<u>38,379</u>	<u>38,492</u>	<u>39,376</u>

The sensitivity analysis is 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 employee benefit obligations to significant actuarial assumptions, the same methodology has been applied as when calculating the liabilities recognized within the statements of financial position.

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

**Notes to the
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23. EMPLOYEE BENEFITS (Continued)

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.

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.

The following tables provide key information pertaining to the Lux Pension Plan and SERPs (amounts in thousands of Euro).

Lux Pension Plan	Benefit Obligation	Plan Assets	Total
At January 1, 2014	495,737	(479,297)	16,440
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
At December 31, 2014	683,753	(609,389)	74,364

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23. EMPLOYEE BENEFITS (Continued)

Lux Pension Plan	Benefit Obligation	Plan Assets	Total
At January 1, 2015	683,753	(609,389)	74,364
Service Cost	31,033	2,434	33,467
Interest expense/(income)	30,603	(28,334)	2,270
Remeasurement:			
Return on plan assets	—	36,190	36,190
(Gain)/loss from financial assumption changes	(36,263)	—	(36,263)
(Gain)/loss from demographic assumption changes	(3,865)	—	(3,865)
Experience (gains)/losses	(6,967)	—	(6,967)
Employer contributions	—	(32,660)	(32,660)
Benefit payment	(23,790)	23,790	—
Translation difference	78,580	(70,164)	8,416
At December 31, 2015	753,083	(678,133)	74,950
Lux Pension Plan	Benefit Obligation	Plan Assets	Total
At January 1, 2016	753,083	(678,133)	74,950
Service Cost	27,099	2,927	30,026
Interest expense/(income)	27,781	(25,380)	2,401
Remeasurement:			
Return on plan assets	—	(28,999)	(28,999)
(Gain)/loss from financial assumption changes	23,812	—	23,812
(Gain)/loss from demographic assumption changes	(3,321)	—	(3,321)
Experience (gains)/losses	20,914	—	20,914
Employer contributions	—	(43,409)	(43,409)
Benefit payment	(24,142)	24,142	—
Translation difference	28,414	(25,876)	2,539
At December 31, 2016	853,640	(774,729)	78,912

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23. EMPLOYEE BENEFITS (Continued)

SERP	Benefit Obligation	Plan Assets	Total
At January 1, 2014	8,689	—	8,689
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
At December 31, 2014	9,870	—	9,870

SERP	Benefit Obligation	Plan Assets	Total
At January 1, 2015	9,870	—	9,870
Service Cost	518	—	518
Interest expense/(income)	407	—	407
Loss/(gain) due to settlement			
Remeasurement:			
Unexpected return on plan assets			
(Gain)/loss from financial assumption changes	90	—	90
(Gain)/loss from demographic assumption changes	(19)	—	(19)
Experience (gains)/losses	(503)	—	(503)
Employer contributions	—	(1,557)	(1,557)
Benefit payment	(31)	31	—
Settlements	(1,526)	1,526	—
Translation difference	1,112	—	1,112
At December 31, 2015	9,918	—	9,918

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23. EMPLOYEE BENEFITS (Continued)

SERP	Benefit Obligation	Plan Assets	Total
At January 1, 2016	9,918	—	9,918
Service Cost	790	—	790
Interest expense/(income)	407	—	407
Loss/(gain) due to settlement	—	—	—
Remeasurement:			
Unexpected return on plan assets	—	—	—
(Gain)/loss from financial assumption changes	207	—	207
(Gain)/loss from demographic assumption changes	(25)	—	(25)
Experience (gains)/losses	2,226	—	2,226
Employer contributions	—	(469)	(469)
Benefit payment	(32)	32	—
Settlements	(437)	437	—
Translation difference	484	(1)	483
At December 31, 2016	13,539	—	13,539

During 2016, 2015 and 2014, the Lux SERP settled a portion of its benefit obligations through lump-sum cash payments to certain plan participants.

The following tables show the main assumptions used to determine the benefit obligation for the periods indicated below.

	Pension Plan		SERPs	
	2016	2015	2016	2015
Weighted-average assumptions used to determine benefit obligations:				
Discount rate	4.28%	4.56%	3.87/3.98%	4.05/4.30%
Rate of compensation increase	7%/4%/3%	7%/4%/3%	7%/4%/3%	7%/4%/3%
Mortality Table	RP-2014	RP-2014	RP-2014	RP-2014

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 issued is required to have at least USD 250 million 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

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23. EMPLOYEE BENEFITS (Continued)

by age. The sensitivity of the defined benefit obligation to changes in the significant assumptions is (amounts in thousands):

	Impact on defined benefit obligation				
	Change in assumption	Increase in assumption		Decrease in assumption	
		Pension Plan	SERPs	Pension Plan	SERPs
Discount rate	1.0%	(91,584)	(955)	110,336	1,155
Rate of compensation increase	1% for each age group	8,758	952	(7,854)	(750)

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 Plan’s assets are invested in accordance with an Investment Policy that describes the guidelines and principles that the Luxottica Group ERISA Plans Compliance and Investment Committee intends to follow when making decisions on the management and investment of assets of the Plan. The Plan’s long-term investment objectives are to generate investment returns that provide adequate assets to meet the Plan’s benefit obligations and to maintain sufficient liquidity to pay benefits and administrative expenses.

In 2014, a new investment policy was implemented which applies a dynamic asset allocation strategy. A dynamic asset allocation strategy invests in both return-seeking assets and liability-hedging assets and the allocation between these asset classes varies based upon the Plan’s funded ratio.

Return-seeking assets consist of funds focused on U.S. equity, global equity, non-US equity, and global REITs. Liability-hedging assets are fixed income investments. As the funded ratio of the Plan increases, the weight of liability-hedging assets increases. As of December 31, 2016 the Plan’s asset allocation was within the guidelines described in the investment policy. The table below shows the asset classes as percentage of total assets:

Asset Class	Percentage of Total Assets
Fixed Income Funds	35%
U.S. Equity Funds	22%
International and Global Equity Funds	37%
Global Real Estate Funds	6%
Money Market Funds	0%
Cash and Equivalents	0%

Plan assets are invested in various funds which employ both passive and active management strategies. Passive strategies involve investment in an exchange-traded fund that closely tracks a particular index while active strategies employ investment managers seeking to manage the fund’s

**Notes to the
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23. EMPLOYEE BENEFITS (Continued)

performance. Certain transactions and securities are not authorized to be conducted or held in the pension trusts, such as purchase or sale of commodity contracts, illiquid securities or real estate, nonagency mortgage, and American Depositary Receipts (ADR) or common stock of the Company's parent, Luxottica Group S.p.A. Risk is further controlled both at the asset class and manager level by assigning benchmarks and performance objectives. The investment managers are monitored on an ongoing basis to evaluate performance against these benchmarks and performance objectives.

Contributions—U.S. Holdings expects to contribute Euro 32.0 million to its pension plan and Euro 1.5 million to the SERP in 2017.

Duration—The weighted average duration of the pension defined benefit obligations is 11.7 years while the weighted average duration of the SERPs is 7.5 years. The following table provides the undiscounted estimated future benefit payments (amounts in thousands):

Estimated Future Benefit Payments	Pension Plan	SERPs
2017	33,237	1,537
2018	34,436	1,506
2019	42,998	872
2020	49,070	608
2021	51,044	760
2022 - 2026	288,907	6,057

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, 2016 and 2015, was Euro 1.0 million and Euro 0.8 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 December 31, 2016 and 2015, the accrued liability related to these benefits was Euro 0.7 million and Euro 0.6 million, respectively.

(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 0.4 million and Euro 0.5 million on each of December 31, 2016 and 2015.

U.S. Holdings sponsors certain defined contribution plans for its United States and Puerto Rico employees. The cost of contributions incurred in 2016, 2015 and 2014 was Euro 14.9 million, Euro 13.2 million and Euro 9.5 million, respectively, and was recorded in general and administrative expenses in the consolidated statement of income.

**Notes to the
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23. EMPLOYEE BENEFITS (Continued)

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, disability 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 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 1.1 million at each of December 31, 2016 and 2015, is included in other non-current liabilities on the consolidated statement of financial position.

The cost of this plan in 2016, 2015 and 2014 and expected contributions are immaterial.

For 2017, a 6.8% (7.2% for 2016 and 8.0% for 2015) increase in the cost of covered health care benefits was assumed. This rate was assumed to decrease gradually to 4.5% for 2024 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 4.3% at December 31, 2016, 4.5% at December 31, 2015 and 4.2% at December 31, 2014. A 1.0% increase or decrease in the discount rate would not have a material impact on the postretirement benefit obligation.

24. NON-CURRENT PROVISIONS FOR RISK AND OTHER CHARGES

The balance is detailed below (amounts in thousands of Euro):

	December 31, 2016	December 31, 2015
Legal Risk	13,069	9,943
Self-insurance	25,735	26,922
Tax Provision	40,945	35,640
Other Risks	42,358	32,003
Total	122,107	104,508

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CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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24. NON-CURRENT PROVISIONS FOR RISK AND OTHER CHARGES (Continued)

The roll-forward of the non-current provisions for risks and other charges, is as follows:

	Legal risk	Self- insurance	Tax provision	Other risks	Total
Balance as of December 31, 2014	10,755	24,548	48,771	15,149	99,223
Increases	3,734	10,547	4,863	8,365	27,509
Decreases	(2,787)	(11,093)	(386)	(10,379)	(24,644)
Translation difference and other movements	(1,759)	2,919	(17,608)	18,868	2,420
Balance as of December 31, 2015	9,943	26,922	35,640	32,003	104,508
Increases	2,317	7,166	4,242	20,840	34,564
Decreases	(2,856)	(9,091)	(20)	(21,127)	(33,094)
Translation difference and other movements	3,666	738	1,083	10,643	16,129
Balance as of December 31, 2016	13,069	25,735	40,945	42,358	122,107

Other risks include (i) accruals for risks related to sales agents of certain Italian companies of Euro 6.0 million (Euro 5.8 million as of December 31, 2015) and (ii) accruals for decommissioning the costs of certain subsidiaries of the Group operating in the Retail Segment of Euro 0.7 million (Euro 0.5 million as of December 31, 2015).

Other risks include the effects of the business combination described in Note 4—Business Combinations.

The Company is self-insured for certain types of losses (please refer to Note 20 “Short-term Provisions for Risks and Other Charges” for further details).

25. OTHER NON-CURRENT LIABILITIES

The balance of other non-current liabilities was Euro 79.8 million and Euro 91.4 million as of December 31, 2016 and 2015, respectively.

The balance mainly includes “Other liabilities” of the North American retail divisions of Euro 43.4 million and Euro 44.9 million as of December 31, 2016 and 2015, respectively.

26. LUXOTTICA GROUP STOCKHOLDERS’ EQUITY

Capital Stock

The share capital of Luxottica Group S.p.A. as of December 31, 2016 amounted to Euro 29,050,564.98 and was comprised of 484,176,083 ordinary shares with a par value of Euro 0.06 each.

The share capital of Luxottica Group S.p.A. as of December 31, 2015 amounted to Euro 28,019,199.98 and was comprised of 483,653,333 ordinary shares with a par value of Euro 0.06 each.

**Notes to the
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26. LUXOTTICA GROUP STOCKHOLDERS' EQUITY (Continued)

Following the exercise of 522,750 options to purchase ordinary shares granted to employees under existing stock option plans, the share capital increased by Euro 31,365 during 2016.

The total options exercised in 2016 were 522,750, of which 5,000 refer to the 2007 grant, 42,000 refer to the 2008 grant, 211,000 refer to the 2009 extraordinary grant (reassignment of the 2006 performance grant), 50,500 refer to the 2009 ordinary grant (reassignment of the 2006 and 2007 ordinary grants), 9,750 refer to the 2009 ordinary grant, 37,000 refer to the 2010 ordinary grant, 54,500 refer to the 2011 ordinary grant and 113,000 refer to the 2012 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.

Treasury shares

Treasury shares were equal to Euro (269.8) million as of December 31, 2016 (Euro (68.6) million as of December 31, 2015). The increase of Euro 201.1 million was primarily due to purchase of 4,883,327 ordinary shares for Euro 217.8 million. This amount was partially offset by the grants to certain top executives in the amount of Euro 16.7 million equaling 830,054 treasury shares as a result of the Group having achieved the financial targets identified by the Board of Directors under the 2013 Performance Share Plan ("PSP"). As a result, the number of Group treasury shares was increased from 3,145,865 as of December 31, 2015 to 7,199,138 as of December 31, 2016.

27. NON-CONTROLLING INTERESTS

Equity attributable to non-controlling interests was Euro 5.9 million and Euro 5.2 million as of December 31, 2016 and December 31, 2015, respectively. The increase was mainly due to net income for the period of Euro 1.8 million and changes in the translation reserve of Euro 1.2 million. The increase was partially offset by the payment of dividends to non-controlling interests for Euro 2.3 million.

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28. INFORMATION ON THE CONSOLIDATED STATEMENT OF INCOME

REVENUES BY CATEGORY

The break-down of revenues by category is as follows (amounts in thousands of Euro):

	2016	2015	2014
Sales of products	8,263,373	8,315,968	7,138,541
Vision care business	664,641	382,828	388,126
Eye-exam and related professional fees	113,017	113,461	105,860
Franchisee revenues	44,676	24,321	19,790
Total net sales	<u>9,085,707</u>	<u>8,836,578</u>	<u>7,652,317</u>

ANALYSIS OF EXPENSES BY NATURE

The reconciliation of the expenses by function to the expenses by nature is as follows (amounts in thousands of Euro):

	2016	2015	2014
Cost of sales	3,153,264	2,835,426	2,574,685
Selling and advertising	3,626,962	3,537,224	3,013,399
General and administrative	960,214	1,087,484	906,620
Total expenses by function	<u>7,740,440</u>	<u>7,460,134</u>	<u>6,494,704</u>
Employee benefits expense	2,643,472	2,619,390	2,241,514
Consumption	1,483,179	1,447,548	1,347,155
Production costs	628,412	427,596	416,717
Logistics costs	188,829	185,791	160,855
Depreciation and amortization	512,842	476,888	383,996
Operating lease expense	713,383	684,445	573,091
Advertising media and promotion expenses	331,782	341,749	287,519
Trade marketing	180,801	185,192	167,955
Royalties	169,890	168,669	149,952
Share-based compensation expense	9,577	49,692	31,826
Other	878,272	873,174	734,123
Total expenses by nature	<u>7,740,440</u>	<u>7,460,134</u>	<u>6,494,704</u>

**Notes to the
CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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28. INFORMATION ON THE CONSOLIDATED STATEMENT OF INCOME (Continued)

OTHER INCOME/(EXPENSE)

The composition of other income/(expense) is as follows (amounts in thousands of Euro):

INTEREST EXPENSE	2016	2015	2014
Interest expense on bank overdrafts	(1,131)	(902)	(1,346)
Interest expense on loans	(68,042)	(92,138)	(95,409)
Financial expense on derivatives	(7,841)	(8,322)	(6,728)
Other interest expense	(4,514)	(5,077)	(6,176)
Total interest expense	<u>(81,528)</u>	<u>(106,439)</u>	<u>(109,659)</u>

INTEREST INCOME	2016	2015	2014
Interest income on bank accounts	8,969	8,100	9,103
Financial income on derivatives	3,205	1,666	804
Interest income on loans	3,296	1,424	1,765
Total interest income	<u>15,469</u>	<u>11,190</u>	<u>11,672</u>

OTHER—NET	2016	2015	2014
Other—net from derivative financial instruments and translation differences	1,261	(4,794)	711
Other—net	38,225	1,512	(256)
Total other—net	<u>39,486</u>	<u>(3,282)</u>	<u>455</u>

The decrease in financial expenses is primarily due to the repayment in November 2015 of Euro 500 million of bonds.

Other-net includes the gain from the remeasurement of the previously held investment in Salmoiraghi & Viganò at its acquisition date fair value. For additional details please refer to Note 4—Business Combination.

PROVISION FOR INCOME TAXES

The income tax provision is as follows:

INCOME TAX PROVISION (Amounts in thousands of Euro)	2016	2015	2014
Current taxes	(482,379)	(484,652)	(424,966)
Deferred taxes	16,007	13,610	10,900
Total income tax provision	<u>(466,373)</u>	<u>(471,042)</u>	<u>(414,066)</u>

**Notes to the
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28. INFORMATION ON THE CONSOLIDATED STATEMENT OF INCOME (Continued)

The reconciliation between the Italian statutory tax rate and the effective rate is shown below:

	As of December 31,		
	2016	2015	2014
Italian statutory tax rate	31.4%	31.4%	31.4%
Aggregate effect of different tax rates in foreign jurisdictions	4.1%	4.1%	4.8%
Accrual for tax audit of Luxottica S.r.l. of Euro 30.3 million (fiscal years 2008 to 2011)	—	—	2.9%
Adjustment for restructuring and reorganization expenses and other adjusting income/expenses	(0.1)%	0.6%	—
Aggregate other effects	—	0.8%	—
Effective rate	35.4%	36.9%	39.1%

29. 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 the Group is required to pay a royalty generally ranging from 5% to 14% of net sales of the related collection. 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 15% of net sales of the related collection). These agreements—which typically have terms ranging from 4 to 10 years—can typically be terminated early by either party for certain reasons, including but not limited to non-payment of royalties, failure to reach minimum sales thresholds or management objectives (“MBOs”) and, under certain conditions, a change in control of Luxottica Group S.p.A.

Minimum payments required in each of the years subsequent to December 31, 2016 are detailed as follows (amounts in thousands of Euro):

Year ending December 31	
2017	143,194
2018	147,972
2019	133,625
2020	133,562
2021	111,739
Subsequent years	353,582
Total	1,023,674

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29. COMMITMENTS AND RISKS (Continued)

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 2017 and 2027 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 minimum 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)	2016	2015	2014
Minimum lease payments	452,000	434,172	377,570
Additional lease payments	158,883	153,792	134,113
Sublease payments received	(32,692)	(28,502)	(23,029)
Total	<u>578,190</u>	<u>559,462</u>	<u>488,654</u>

Future rental commitments, including contracted rent payments and contingent minimums, are as follows:

Year ending December 31 (Amounts in thousands of Euro)	
2017	385,609
2018	301,284
2019	237,196
2020	188,651
2021	143,459
Subsequent years	287,326
Total	<u>1,543,525</u>

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.

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29. COMMITMENTS AND RISKS (Continued)

Future minimum amounts to be paid for endorsement contracts and supplier purchase commitments are as follows:

Year ending December 31 (Amounts in thousands of Euro)	Endorsement contracts	Supply commitments	Other commitments
2017	8,616	76,209	36,803
2018	3,189	14,330	33,754
2019	660	11,863	30,866
2020	812	5,483	24,154
2021	37	4,956	14,823
Subsequent years	—	549	126
Total	<u>13,314</u>	<u>113,391</u>	<u>140,526</u>

Guarantees

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 3.8 million (USD 4.0 million) at December 31, 2016 (Euro 7.8 million at December 31, 2015 and Euro 3.3 million at December 31, 2014). 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, 2016, 2015 and 2014. The liability expires at various dates through January 31, 2020.

Litigation

French Competition Authority Investigation

Luxottica's French subsidiaries, Luxottica France S.A.S.U., Alain Mikli International S.A.S.U. and Mikli Diffusion France S.A.S.U. (collectively, the "French Subsidiaries"), together with other major competitors in the French eyewear industry, have been the subject of an investigation conducted by the French Competition Authority (the "FCA") relating to pricing and sales practices in the industry. In May 2015, the Company and the French Subsidiaries received a statement of objections from the FCA (the "Statement of Objections"). The Statement of Objections contained the FCA's preliminary position on alleged anti-competitive practices and did not prejudice its final decision.

In August 2015, the Company and the French Subsidiaries filed detailed responses to the Statement of Objections. During 2016, the FCA requested additional information, as it is typical in this kind of proceeding. In July 2016, the FCA issued a report (the "Report") responding to the observations submitted by the companies involved in the investigation. In October 2016, Luxottica filed its statement of defense responding to the FCA's Report. Following such filing, a final hearing was held on December 15, 2016. On February 24, 2017, Luxottica was notified of the FCA's decision in connection with the proceeding. The FCA concluded that there was insufficient evidence to confirm the anti-competitive practices alleged in the Report and referred the case back to FCA's investigation

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29. COMMITMENTS AND RISKS (Continued)

services department for further review and possibly the issuance of a supplementary statement of objections. No fines or sanctions were imposed in connection with the FCA's ruling.

Given the current status of this investigation, the Company, together with its external legal advisors, has assessed the risk of the potential liability to be not probable and concluded that 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 is inherently uncertain, and there can be no assurance that such action, if adversely determined, will not have a material adverse effect on the Company's 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.

30. 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 Claudio Del Vecchio, a son of the Group's Executive Chairman and majority stockholder. The license expired on December 31, 2015 and was renewed until December 31, 2019. Royalties paid under this agreement to BBG were Euro 0.9 million in 2016, Euro 0.9 million in 2015 and Euro 0.8 million in 2014.

Lease of 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 Executive 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 2016, 2015 and 2014 of Euro 4.7 million, Euro 3.8 million and Euro 2.0 million, respectively.

Resignation of Former 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

**Notes to the
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30. RELATED PARTY TRANSACTIONS (Continued)

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 Share Award

On May 4, 2015, the Board of Directors of Luxottica Group S.p.A. approved the grant of free treasury shares to the Group's employees in Italy in honor of the 80th birthday of the Group's Executive Chairman and founder, Mr. Leonardo Del Vecchio. This share award is a gift from the founder. An aggregate amount of 119,755 Luxottica Group treasury shares, with a total value of Euro 7.4 million, was granted on October 12, 2015 and accounted for in accordance with IFRS 2. Delfin S.à r.l. has reimbursed the Company for the value of this share grant.

Technology Advisory Arrangements

On March 1, 2016, Mr. Francesco Milleri was appointed as a Director with Deputy Functions of the Company. In the first three months of 2017 and during 2016, 2015 and 2014, the Company and certain of its subsidiaries entered into transactions with entities owned or controlled by Mr. Milleri primarily related to the implementation of the Group's updated IT platform. Amounts related to these transactions were Euro 11.9 million, Euro 16.5 million and Euro 4.9 million for 2016, 2015 and 2014, respectively. In 2016, the Company also negotiated a two-year master agreement with the companies owned or controlled by Mr. Milleri for services related to the Group's IT platform with a total value of approximately Euro 20 million.

**Notes to the
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As of DECEMBER 31, 2016**

30. RELATED PARTY TRANSACTIONS (Continued)

A summary of related party transactions as of December 31, 2016, 2015 and 2014, is provided below.

Related parties As of December 31, 2016 (Amounts in thousands of Euro)	Consolidated Statement of Income		Consolidated Statement of Financial Position	
	Revenues	Costs	Assets	Liabilities
Brooks Brothers Group, Inc.	152	916	4	265
Eyebiz Laboratories Pty Limited	1,127	44,342	11,940	13,362
Salmoiraghi & Viganò*	21,876	46	—	—
Milleri's Group**	—	1,616	10,296	5,155
Others	336	7,554	2,765	2,377
Total	<u>23,491</u>	<u>54,474</u>	<u>25,005</u>	<u>21,159</u>

* Until acquisition date, for additional details please refer to Note 4—Business combinations.

** Relating to capital expenditures from the date Mr. Milleri was identified as a Related Party.

Related parties As of December 31, 2015 (Amounts in thousands of Euro)	Consolidated Statement of Income		Consolidated Statement of Financial Position	
	Revenues	Costs	Assets	Liabilities
Brooks Brothers Group, Inc.	416	768	29	336
Eyebiz Laboratories Pty Limited	5,563	53,104	10,682	16,358
Salmoiraghi & Viganò	16,848	1	56,361	517
Others	2,457	8,947	10,384	552
Total	<u>25,284</u>	<u>62,820</u>	<u>77,456</u>	<u>17,763</u>

Related parties As of December 31, 2014 (Amounts in thousands of Euro)	Consolidated Statement of Income		Consolidated Statement of Financial Position	
	Revenues	Costs	Assets	Liabilities
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
Total	<u>22,061</u>	<u>79,798</u>	<u>63,701</u>	<u>20,937</u>

Total remuneration due to key managers amounted to approximately Euro 24.7 million, Euro 50.8 million and Euro 53.1 million in 2016, 2015 and 2014, respectively.

The Lux Pension Plan, described in Note 23 “Employee Benefits,” has been identified as a related party. The expense to manage the plan amounts was Euro 1.0 million in 2016.

In 2016 and 2015, transactions with related parties resulted in a cash outflow of approximately Euro 21.1 million and Euro 54.6 million.

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31. 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 2016, 2015 and 2014 amounting to Euro 850.5 million, Euro 804.1 million and Euro 642.6 million, respectively, to the number of outstanding shares—basic and dilutive of the Company.

Basic earnings per share in 2016 were equal to Euro 1.77, compared to Euro 1.68 and Euro 1.35 in 2015 and 2014, respectively. Diluted earnings per share in 2016 were equal to Euro 1.77 compared to Euro 1.67 and Euro 1.34 in 2015 and 2014, respectively.

The table reported below provides the reconciliation between the average weighted number of shares utilized to calculate basic and diluted earnings per share:

	2016	2015	2014
Weighted average shares outstanding—basic	479,225,730	479,553,693	475,947,763
Effect of dilutive stock options	799,801	2,519,669	3,299,427
Weighted average shares outstanding—dilutive	480,025,531	482,073,361	479,247,190
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	1,433,625	2,015,627	1,641,383

32. DERIVATIVE FINANCIAL INSTRUMENTS

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 table below shows the assets and liabilities related to derivative contracts in effect as of December 31, 2016 and 2015 (amounts in thousands of Euro):

	2016		2015	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps—cash flow hedge	—	—	—	—
Forward contracts—cash flow hedge	6,428	(2,856)	2,055	(2,173)
Total	6,428	(2,856)	2,055	(2,173)
of which:				
Non-current portion				
Interest rate swaps—cash flow hedge	—	—	—	—
Forward contracts—cash flow hedge	—	—	—	—
Total	—	—	—	—
Current portion	6,428	(2,856)	2,055	(2,173)

**Notes to the
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As of DECEMBER 31, 2016**

32. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Interest rate swaps

As of December 31, 2016 and 2015, there were no interest rate swap instruments.

33. 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, 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, 2016, 33,676,083 have been exercised.

**Notes to the
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33. SHARE-BASED PAYMENTS (Continued)

In total, the Board of Directors approved the following stock option plans:

Plan	Granted	Exercised
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	20,000
2008 Ordinary Plan	2,020,500	1,624,300
2009 Ordinary Plan	1,050,000	753,000
2009 Ordinary Plan: reassignment of options granted under the 2006 and 2007 Ordinary Plans to non-US beneficiaries	2,060,000	1,797,000
2009 Ordinary Plan: reassignment of options granted under the 2006 and 2007 Ordinary Plans to US beneficiaries	825,000	625,000
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	4,036,000
2009 Performance Plan: reassignment of options granted under the 2006 performance plans to US domiciled beneficiaries	1,450,000	1,325,000
2010 Ordinary Plan	1,924,500	1,459,000
2011 Ordinary Plan	2,039,000	1,524,000
2012 Ordinary Plan	2,076,500	1,309,250
Total	55,909,800	33,676,083

(*) The plan was reassigned in 2009.

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 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, 2016, 209,640 of the maximum units granted had been forfeited.

**Notes to the
CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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33. SHARE-BASED PAYMENTS (Continued)

On May 4, 2015, the Board of Directors granted certain of the Group's key employees 1,318,300 rights to receive ordinary shares, which may be increased by 20% up to a maximum of 1,581,960 units if certain consolidated cumulative earnings per share targets are achieved over the three-year period from 2015 through 2017. As of December 31, 2016, 552,120 of the maximum units granted had been forfeited.

On May 4, 2015, the Board of Directors of Luxottica Group S.p.A. approved the grant of free treasury shares to the Group's employees in Italy in honor of the 80th birthday of the Group's Executive Chairman and founder, Mr. Leonardo Del Vecchio. This share award is a gift from the founder. An aggregate amount of 119,755 Luxottica Group treasury shares, with a total value of Euro 7.4 million, was granted on October 12, 2015 and accounted for in accordance with IFRS 2. Delfin S.à r.l. has reimbursed the Company for the value of this share grant.

**Notes to the
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33. SHARE-BASED PAYMENTS (Continued)

Movements reported in the various stock option and performance share plans in 2016 are reported below:

	Exercise price	Currency	No. of options outstanding as of December 31, 2015	Granted options	Forfeited options	Exercised options/vested units	Expired options	No. of options outstanding as of December 31, 2016
2007 Ordinary Plan	24.03	Euro	5,000	—	—	(5,000)	—	—
2008 Ordinary Plan	18.08	Euro	86,700	—	(5,000)	(42,000)	—	39,700
2009 Ordinary plan for citizens not resident in the U.S.	13.45	Euro	30,000	—	—	(6,000)	—	24,000
2009 Ordinary plan for citizens resident in the U.S.	14.99	Euro	16,750	—	—	(3,750)	—	13,000
2009 Plan—reassignment of 2006/2007 plans for citizens not resident in the U.S.	13.45	Euro	68,000	—	—	(25,000)	—	43,000
2009 Plan—reassignment of 2006/2007 plans for citizens resident in the U.S.	15.03	Euro	40,500	—	(5,000)	(25,500)	—	10,000
2009 Plan—reassignment of STR 2006 plans for citizens not resident in the U.S.	13.45	Euro	400,000	—	—	(186,000)	—	214,000
2009 Plan—reassignment of STR 2006 plans for citizens resident in the U.S.	15.11	Euro	50,000	—	—	(25,000)	—	25,000
2010 Ordinary Plan—for citizens not resident in the U.S.	20.72	Euro	115,000	—	—	(37,000)	—	78,000
2010 Ordinary Plan—for citizens resident in the U.S.	21.23	Euro	33,000	—	—	—	—	33,000
2011 Ordinary Plan—for citizens not resident in the U.S.	22.62	Euro	135,000	—	—	(41,500)	—	93,500
2011 Ordinary Plan—for citizens resident in the U.S.	23.18	Euro	84,000	—	—	(13,000)	—	71,000
2012 Ordinary Plan—for citizens not resident in the U.S.	26.94	Euro	439,000	—	(33,500)	(88,500)	—	317,000
2012 Ordinary Plan—for citizens resident in the U.S.	28.32	Euro	158,750	—	(5,000)	(24,500)	—	129,250
PSP 2012	—	Euro	—	—	—	—	—	—
PSP 2013	—	Euro	1,066,680	—	(236,626)	(830,054)	—	—
PSP 2014	—	Euro	1,083,180	—	(82,920)	—	—	1,000,260
PSP 2015 (ordinary)	—	Euro	848,880	—	(92,640)	—	—	756,240
PSP 2015 (extraordinary)	—	Euro	601,200	—	(327,600)	—	—	273,600
Total			5,261,640	—	(788,286)	(1,352,804)	—	3,120,550

**Notes to the
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33. SHARE-BASED PAYMENTS (Continued)

Options exercisable on December 31, 2016 are summarized in the following table:

	Number of options exercisable as of December 31, 2016
2007 Plan	—
2008 Plan	39,700
2009 Ordinary plan—for citizens not resident in the U.S.	24,000
2009 Ordinary plan—for citizens resident in the U.S.	13,000
2009 Plan—reassignment of 2006/2007 plans for citizens not resident in the U.S.	43,000
2009 Plan—reassignment of 2006/2007 plans for citizens resident in the U.S.	10,000
2009 Plan—reassignment of 2006 plans for citizens not resident in the U.S.	214,000
2009 Plan—reassignment of 2006 plans for citizens resident in the U.S.	25,000
2010 Plan—for citizens not resident in the U.S.	78,000
2010 Plan—for citizens resident in the U.S.	33,000
2011 Plan—for citizens not resident in the U.S.	93,500
2011 Plan—for citizens resident in the U.S.	71,000
2012 Plan—for citizens not resident in the U.S.	317,000
2012 Plan—for citizens resident in the U.S.	129,250
Total	1,090,450

The remaining contractual life of plans in effect on December 31, 2016 is highlighted in the following table:

	Remaining contractual life in years
2008 Ordinary Plan	0.20
2009 Ordinary plan for citizens not resident in the U.S.	1.35
2009 Ordinary plan for citizens resident in the U.S.	1.35
2009 Plan—reassignment of 2006/2007 plans for citizens resident in the U.S.	0.25
2009 Plan—reassignment of 2006/2007 plans for citizens not resident in the U.S.	1.35
2009 Plan—reassignment of 2006 plans for citizens not resident in the U.S.	1.35
2009 Plan—reassignment of 2006 plans for citizens resident in the U.S.	1.45
2010 Ordinary Plan—for citizens not resident in the U.S.	2.33
2010 Ordinary Plan—for citizens resident in the U.S.	2.33
2011 Ordinary Plan—for citizens not resident in the U.S.	3.33
2011 Ordinary Plan—for citizens resident in the U.S.	3.33
2012 Ordinary Plan—for citizens not resident in the U.S.	4.35
2012 Ordinary Plan—for citizens resident in the U.S.	4.35

With regards to the options exercised during the course of 2016, the weighted average share price of the shares in 2016 was equal to Euro 47.715.

**Notes to the
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33. SHARE-BASED PAYMENTS (Continued)

The Group did not record expenses for the ordinary stock option plans in 2016 as options were all vested as of the end of 2015. The Group recorded an expense of Euro 1.6 million and Euro 6.1 million in 2015 and 2014, respectively. For the 2010, 2011, 2012, 2013, 2014 and 2015 PSPs, the Group recorded an expense of Euro 9.5 million, Euro 40.7 million and Euro 24.9 million in 2016, 2015 and 2014, respectively.

The PSP plans are conditional upon satisfying service as well as performance conditions.

34. DIVIDENDS

In May 2016, the Company distributed aggregate dividends to its stockholders of Euro 427.7 million equal to Euro 0.89 per ordinary share. Dividends distributed to non-controlling interests totaled Euro 2.3 million. During 2015, the Company distributed aggregate dividends to its stockholders of Euro 689.7 million equal to Euro 1.44 per ordinary share. Dividends distributed to non-controlling interests totaled Euro 2.1 million.

35. 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 2016 and 2015 as follows:

	(amounts in millions of Euro	
	2016	2015
Total borrowings (notes 16, 17 and 22)	2,043.9	1,870.4
Less cash and cash equivalents (note 6)	(866.9)	(864.9)
Net financial position (note 22)	1,177.0	1,005.6
Total equity (note 26)	5,754.4	5,417.7
Capital	6,931.4	6,423.3
Gearing ratio	17.0%	15.7%

36. SUBSEQUENT EVENTS

On January 15, 2017, Luxottica's controlling shareholder, Delfin S.à r.l. ("Delfin"), and Essilor entered into a combination agreement, pursuant to which Delfin and Essilor have agreed to a strategic combination of Luxottica's and Essilor's respective businesses (the "Combination"). As part of the transaction, Delfin has agreed to contribute its entire equity stake in Luxottica to Essilor in exchange for

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36. SUBSEQUENT EVENTS (Continued)

newly-issued Essilor shares (the “Contribution”), and Essilor (to be renamed “EssilorLuxottica” after completion of the contemplated Contribution) will subsequently make an offer to acquire all of the remaining issued and outstanding shares of Luxottica in accordance with Italian law (the “Offer”). In addition, as part of the transaction, Essilor is expected to implement a “hive-down” or similar contribution of substantially all its activities to a wholly-owned subsidiary to be renamed “Essilor International,” following which Essilor will become a holding company for the combined business under the new name “EssilorLuxottica.” Immediately following the transaction, Delfin is expected to own between 31% and 38% of the outstanding shares of EssilorLuxottica on a fully diluted basis (depending on the acceptance rate of the Offer) and be the largest shareholder of the combined company. The voting rights of each shareholder of EssilorLuxottica will be capped at 31%, subject to a formula, and any double voting rights in respect of the Essilor shares will be cancelled. Completion of the transaction is subject to Essilor’s Works Councils’ information and consultation procedure in accordance with French law (which was successfully completed on March 6, 2017) and the satisfaction of certain other conditions, including (i) written confirmation from the *Autorité des marchés financiers* (the “AMF”) that the transaction will not require Delfin to make a mandatory tender offer for Essilor’s shares (which was received on April 12, 2017), (ii) completion of the hive-down, (iii) clearances (including as a result of the expiration of the relevant waiting period) from competition authorities in the European Union, the United States, China, Brazil and Canada and (iv) the requisite approvals from Essilor’s shareholders.

The combination agreement will terminate automatically if (i) Essilor has failed to convene its general shareholders’ meeting to approve, among other things, the Contribution (which meeting is to be held no later than May 30, 2017), (ii) Essilor’s general shareholders’ meeting has failed to approve, among other things, the Contribution or (iii) Essilor’s special meeting of shareholders (to be held no later than May 30, 2017) has failed to approve the cancellation of double voting rights in respect of the Essilor shares. Either Delfin or Essilor may elect to terminate the combination agreement if (i) the conditions precedent (other than those relating to obtaining the requisite approval of Essilor’s shareholders) have not been waived or satisfied and the Contribution has not been completed by June 30, 2018 or (ii) any of the necessary competition authority approvals has been denied (and such denial has become final, binding and non-appealable) or an order permanently preventing the consummation of the transaction or the satisfaction of any conditions precedent has become final, binding and non-appealable.

Upon consummation of the Combination, Luxottica’s Executive Chairman, Leonardo Del Vecchio, is intended to serve as Executive Chairman and CEO of EssilorLuxottica. Essilor’s Chairman and CEO, Hubert Sagnières, is intended to serve as Executive Vice-Chairman and Deputy CEO of EssilorLuxottica with equal powers as the Executive Chairman and CEO. Leonardo Del Vecchio and Hubert Sagnières are also intended to keep their positions of Executive Chairman of Luxottica and Chairman and CEO of Essilor International, respectively. The EssilorLuxottica Board of Directors will consist of sixteen members: eight members nominated by Essilor (comprising Hubert Sagnières, two Essilor employee representatives, one representative of Valoptec Association, an organization whose members are employee-shareholders of Essilor, and four independent members from the current Board of Directors of Essilor) and eight members nominated by Delfin (comprising Leonardo Del Vecchio, three Delfin representatives and four independent members designated by Delfin after consultation with Essilor (unless those directors are chosen from among the current Luxottica board members, in which case no consultation is required)). Essilor International, after completion of the hive-down described above, and Luxottica will each maintain its Board of Directors.

**Notes to the
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36. SUBSEQUENT EVENTS (Continued)

On January 29, 2017 Luxottica U.S. Holding repaid its Series D Notes that were issued in a private placement on January 29, 2010. For further details, please refer to Note 22—Long-Term Debt.

On January 30, 2017 the Board of Directors of Luxottica Group authorized the early repayment of Luxottica U.S. Holdings' Series I Notes that were issued in a private placement on December 15, 2011. For further details, please refer to Note 22—Long-Term Debt.

On January 30, 2017, Luxottica Group signed an agreement with the current shareholders of Óticas Carol under which Luxottica will acquire 100% of Óticas Carol, one of the largest optical franchisors in Brazil with approximately 950 locations. Established in 1997, Óticas Carol sells a broad range of prescription frames and sunglasses. The transaction, which is valued at Euro 110 million, remains subject to customary regulatory approvals and is expected to close in the second half of 2017.

On February 9, 2017, Salmoiraghi & Viganò prepaid and cancelled its revolving credit facilities. For further details, please refer to Note 22—Long-Term Debt.

On February 23, 2017, the Group announced the signing of a multi-year licensing agreement with Ferrari S.p.A. for the design, manufacture, distribution and sale of a range of Ferrari and Ray-Ban branded eyewear.

On February 24, 2017, the Company received notice from the French Competition Authority regarding its decision about the legal proceeding described in Note 29. Please refer to Note 29 for additional details.

On March 10, 2017, the Company entered into two Euro 250 million term facility agreements, each of which is guaranteed by our subsidiary, Luxottica U.S. Holdings Corp. One of the facilities is with Banca IMI S.p.A. as mandated lead arranger and Intesa Sanpaolo S.p.A. as original lender. The other is with Natixis S.A.—Milan Branch as both mandated lead arranger and original lender. The final maturity of each term facility is March 10, 2022. As of March 31, 2017, an aggregate of Euro 500 million was borrowed under these credit facilities. Interest accrues at EURIBOR (as defined in the respective agreements) plus an average margin of 0.70% and 0.62% for the IMI/Intesa facility and the Natixis facility, respectively. During the first quarter of 2017, the Company entered into two interest rate swap transactions with an aggregate notional amount of Euro 500 million with Intesa Sanpaolo S.p.A. and Natixis S.A.—Milan Branch. The swaps were entered into as cash flow hedges. Each of the swaps exchanges the floating rate of EURIBOR for an average fixed rate of 0.1185% per annum.

Attachment 1

EXCHANGE RATES USED TO TRANSLATE FINANCIAL STATEMENTS PREPARED IN CURRENCIES OTHER THAN THE EURO

	Average exchange rate for the year ended December 31, 2016	Final exchange rate as of December 31, 2016	Average exchange rate for the year ended December 31, 2015	Final exchange rate as of December 31, 2015
Argentine Peso	16.3420	16.7488	10.2599	14.0972
Australian Dollar	1.4883	1.4596	1.4777	1.4897
Brazilian Real	3.8561	3.4305	3.7004	4.3117
Canadian Dollar	1.4659	1.4188	1.4186	1.5116
Chilean Peso	748.4766	704.9450	726.4062	772.7130
Chinese Renminbi	7.3522	7.3202	6.9733	7.0608
Colombian Peso	3,376.9331	3,169.4900	3,048.5271	3,456.0100
Croatian Kuna	7.5337	7.5597	7.6137	7.6380
Danish Krone	7.4452	7.4344	7.4587	7.4626
Great Britain Pound	0.8195	0.8562	0.7259	0.7340
Hong Kong Dollar	8.5922	8.1751	8.6014	8.4376
Hungarian Forint	311.4379	309.8300	309.9956	315.9800
Indian Rupee	74.3717	71.5935	71.1956	72.0215
Israeli Shekel	4.2489	4.0477	4.3122	4.2481
Japanese Yen	120.1967	123.4000	134.3140	131.0700
Malaysian Ringgit	4.5835	4.7287	4.3373	4.6959
Mexican Peso	20.6673	21.7719	17.6157	18.9145
Namibian Dollar	16.2645	14,4570	14.1723	16.9530
New Zealand Dollar	1.5886	1.5158	1.5930	1.5923
Norwegian Krona	9.2906	9.0863	8.9496	9.6030
Peruvian Nuevo Sol	3.7356	3.5402	3.5324	3.7083
Polish Zloty	4.3632	4.4103	4.1841	4.2639
Russian Ruble	74.1446	64.3000	68.0720	80.6736
Saudi Riyal	4.1517	3.9545	4.1620	4.0862
Singapore Dollar	1.5275	1.5234	1.5255	1.5417
South African Rand	16.2645	14.4570	14.1723	16.9530
South Korean Won	1,284.1811	1,269.3600	1,256.5444	1,280.7800
Swedish Krona	9.4689	9.5525	9.3535	9.1895
Swiss Franc	1.0902	1.0739	1.0679	1.0835
Taiwan Dollar	35.6892	33.9995	35.2501	35.7908
Thai Baht	39.0428	37.7260	38.0278	39.2480
Turkish Lira	3.3433	3.7072	3.0255	3.1765
U.S. Dollar	1.1069	1.0541	1.1095	1.0887
United Arab Emirates Dirham	4.0634	3.8696	4.0733	3.9966

ITEM 19. EXHIBITS

EXHIBITS. The following documents are filed as exhibits herewith, unless otherwise specified and incorporated herein by reference:

Exhibit Number	Exhibits
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. (filed herewith).
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 Depositary, 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	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).
4.4	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).
4.5	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).
4.6	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).
4.7	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).

**Exhibit
Number****Exhibits**

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- 4.8 Amendment Letter to Note Purchase Agreement dated June 30, 2008, dated April 14, 2016, by and among Luxottica U.S. Holdings Corp., Luxottica Group S.p.A. and each of the holders identified therein (incorporated herein by reference to our Annual Report on Form 20-F for the year ended December 31, 2015, as filed with the Commission on April 21, 2016).
- 4.9 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).
- 4.10 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).
- 4.11 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).
- 4.12 Amendment to Note Purchase Agreement, dated April 14, 2016, by and among Luxottica U.S. Holdings Corp., Luxottica Group S.p.A. and each of the holders identified therein (incorporated herein by reference to our Annual Report on Form 20-F for the year ended December 31, 2015, as filed with the Commission on April 21, 2016).
- 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).
- 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 Amendment to Note Purchase Agreement, dated April 14, 2016, by and between Luxottica Group S.p.A. and each of the holders identified therein (incorporated herein by reference to our Annual Report on Form 20-F for the year ended December 31, 2015, as filed with the Commission on April 21, 2016).
- 4.17 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).
- 4.18 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).
- 4.19 Amendment Letter to Note Purchase Agreement dated December 15, 2011, dated April 14, 2016, by and among Luxottica U.S. Holdings Corp., Luxottica Group S.p.A. and each of the holders identified therein (incorporated herein by reference to our Annual Report on Form 20-F for the year ended December 31, 2015, as filed with the Commission on April 21, 2016).

Exhibit Number	Exhibits
4.20	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).
4.21	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).
4.22	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).
4.23	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).
4.24	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).
4.25	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).
4.26	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).
4.27	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).
4.28	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).
4.29	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).

Exhibit Number	Exhibits
4.30	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 (incorporated herein by reference to our Annual Report on Form 20-F for the year ended December 31, 2014, as filed with the Commission on April 24, 2015).
4.31	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 (incorporated herein by reference to our Annual Report on Form 20-F for the year ended December 31, 2014, as filed with the Commission on April 24, 2015).
4.32	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 (incorporated herein by reference to our Annual Report on Form 20-F for the year ended December 31, 2014, as filed with the Commission on April 24, 2015).
4.33	€250,000,000 Term Facility Agreement, dated March 8, 2017, by and among Luxottica Group S.p.A., as Borrower, Luxottica U.S. Holdings Corp., as Original Guarantor, Banca IMI S.p.A., as Mandated Lead Arranger, and Intesa Sanpaolo S.p.A., as Original Lender (filed herewith).
4.34	€250,000,000 Term Facility Agreement, dated March 8, 2017, by and among Luxottica Group S.p.A., as Borrower, Luxottica U.S. Holdings Corp., as Original Guarantor, and Natixis S.A.—Milan Branch, as Mandated Lead Arranger and Original Lender (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).

