

LUXOTTICA GROUP SPA  
Form 6-K  
August 01, 2014

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

**FORM 6-K**

**REPORT OF FOREIGN PRIVATE ISSUER  
PURSUANT TO RULE 13a-16 OR 15d-16 UNDER  
THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarter ended June 30, 2014  
COMMISSION FILE NO. 1 - 10421**

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

**VIA C. CANTÙ 2, MILAN, 20123 ITALY**  
(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or  
Form 40-F.      Form 20-F       Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to  
the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes  No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-\_\_\_\_\_

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Corporate Management

**Board of Directors**

*In office until the approval of the financial statements as of and for the year ending December 31, 2014.*

<b>Chairman</b>	Leonardo Del Vecchio
<b>Deputy Chairman</b>	Luigi Francavilla
<b>Chief Executive Officer</b>	Andrea Guerra
<b>Directors</b>	Roger Abravanel*
	Mario Cattaneo*
	Enrico Cavatorta**
	Claudio Costamagna*
	Claudio Del Vecchio
	Elisabetta Magistretti*
	Marco Mangiagalli*
	Anna Puccio*
	Marco Reboa* (Lead Independent Director)

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\*  
Independent director

\*\*  
General Manager Central Corporate Functions

**Human Resources Committee**

Claudio Costamagna (Chairman)  
Roger Abravanel  
Anna Puccio

**Control and Risk Committee**

Mario Cattaneo (Chairman)  
Elisabetta Magistretti  
Marco Mangiagalli  
Marco Reboa

**Board of Statutory Auditors**

*In office until the approval of the financial statements as of and for the year ending December 31, 2014*

**Regular Auditors**

Francesco Vella (Chairman)  
Alberto Giussani  
Barbara Tadolini  
Giorgio Silva  
Fabrizio Riccardo di Giusto

**Alternate Auditors**

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

Enrico Cavatorta  
**PricewaterhouseCoopers SpA**

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

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

Headquarters and registered office Via C. Cantù 2, 20123 Milan, Italy

**Capital Stock € 28,831,981.08**

authorized and issued

ITEM 1. MANAGEMENT REPORT ON THE INTERIM  
FINANCIAL RESULTS AS OF JUNE 30, 2014  
(UNAUDITED)

The following should be read in connection with the disclosure contained in the consolidated financial statements as of December 31, 2013, which includes a discussion of risks and uncertainties that can influence the Group's operational results or financial position. During the first six months of 2014, there were no changes to the risks reported as of December 31, 2013.

**1. OPERATING PERFORMANCE FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2014**

The Group's growth in the second quarter and in the first half of 2014 was significantly affected by the weakening of certain currencies in which it operates. At constant exchange rates<sup>(1)</sup>, the Group delivered solid growth in the main markets in which it conducts business.

In the first half of 2014 net sales increased to Euro 3,902.3 million from Euro 3,881.7 million (+0.5 percent at current exchange rates and +5.6 percent at constant exchange rates<sup>(1)</sup>). In the second quarter of 2014 net sales increased to Euro 2,060.0 million from Euro 2,017.6 million in the same period of 2013 (+2.1 percent at current exchange rates and +7.0 percent at constant exchange rates<sup>(1)</sup>).

Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA")<sup>(2)</sup> in the first six months of 2014 increased by 3.5 percent to Euro 848.0 million from Euro 819.1 million in the same period of 2013. EBITDA in the first half of 2014 increased by 2.4 percent as compared to *Adjusted EBITDA*<sup>(2)</sup> of Euro 828.1 million in the same period of 2013.

EBITDA<sup>(2)</sup> in the second quarter of 2014 increased by 7.6 percent to Euro 488.2 million from Euro 453.7 million in the same period of 2013. EBITDA in the second quarter of 2014 increased by 5.5 percent as compared to *Adjusted EBITDA*<sup>(2)</sup> of Euro 462.7 million in the same period of 2013.

*Operating income* for the first half of 2014 increased by 4.7 percent to Euro 666.3 million from Euro 636.5 million during the same period of the previous year. The Group's *operating margin*<sup>(3)</sup> in the first six months of 2014 was 17.1 percent as compared to 16.4 percent in the same period of last year. *Operating income* for the first half of 2014 increased by 3.2 percent as compared to *adjusted operating income*<sup>(4)</sup> of Euro 645.5 million in the same period of last year. The Group's *operating margin*<sup>(3)</sup> in the first six months of 2014 was 17.1 percent as compared to an *adjusted operating margin*<sup>(3)</sup> of 16.6 percent in the same period of last year.

*Operating income* for the second quarter of 2014 increased by 9.5 percent to Euro 396.1 million from Euro 361.7 million during the same period of the previous year. The Group's *operating margin*<sup>(3)</sup> in the second quarter of 2014 was 19.2 percent as compared to 17.9 percent in the same period of last year. *Operating income* for the second quarter of 2014 increased by 6.9 percent as compared to *adjusted operating*

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(1) We calculate constant exchange rates by applying to the current period the average exchange rates between the Euro and the relevant currencies of the various markets in which we operated during the three-month and six-month periods ended June 30, 2013. Please refer to Attachment 1 for further details on exchange rates.

(2) For a further discussion of EBITDA and adjusted EBITDA, see page 18 "Non-IFRS Measures."

(3) For a further discussion of operating margin and adjusted operating margin, see page 18 "Non-IFRS Measures."

(4) For a further discussion of adjusted operating income, see page 18 "Non-IFRS Measures."



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*income*<sup>(4)</sup> of Euro 370.7 million in the same period of last year. The Group's operating margin<sup>(3)</sup> in the second quarter of 2014 was 19.2 percent as compared to an *adjusted operating margin*<sup>(3)</sup> of 18.4 percent in the same period of last year.

In the first six months of 2014, *net income attributable to Luxottica Stockholders* increased by 5.8 percent to Euro 392.5 million from Euro 371.2 million in the same period of 2013. In the first six months of 2014 *net income attributable to Luxottica Stockholders* increased by 4.1 percent as compared to *adjusted net income attributable to Luxottica Stockholders*<sup>(5)</sup> of Euro 377.1 million in the same period of 2013. Earnings per share ("EPS") was Euro 0.83 and EPS expressed in USD was 1.13 (at an average rate of Euro/USD of 1.3703).

In the second quarter of 2014, *net income attributable to Luxottica Stockholders* increased by 11.0 percent to Euro 235.2 million from Euro 212.0 million in the same period of 2013. In the second quarter of 2014 *net income attributable to Luxottica Stockholders* increased by 8.0 percent as compared to *adjusted net income attributable to Luxottica Stockholders*<sup>(5)</sup> of Euro 217.9 million in the same period of 2013. EPS was Euro 0.49 and EPS expressed in USD was 0.68 (at an average rate of Euro/USD of 1.3711).

By carefully controlling working capital, the Group generated positive *free cash flow*<sup>(6)</sup> in the first six months of 2014 equal to Euro 381 million, of which Euro 321 million was generated in the second quarter of 2014. After paying dividends of Euro 308 million *net debt*<sup>(7)</sup> as of June 30, 2014 was Euro 1,429 million (Euro 1,461 million at the end of 2013), with a ratio of *net debt to adjusted EBITDA*<sup>(7)</sup> of 1.0x (1.0x as of December 31, 2013).

## **2. SIGNIFICANT EVENTS DURING THE SIX MONTHS ENDED JUNE 30, 2014**

### *January*

Luxottica Group S.p.A. announced that Standard & Poor's raised its long-term credit rating to A- from BBB+. The outlook is stable. Standard & Poor's disclosed that Luxottica improved its credit metrics since its long-term rating outlook was increased to positive on March 27, 2013.

On January 31, 2014, the Group closed the acquisition of glasses.com from WellPoint Inc. The transaction was previously announced on January 7, 2014.

### *March*

On March 24, 2014, the Group and Google Inc. announced they are joining forces to design, develop and distribute a new breed of eyewear for Glass products. Luxottica's two major proprietary brands, Ray-Ban and Oakley, will be a part of the collaboration for Glass. In particular, the two companies will establish a team of experts devoted to working on the design, development, tooling and engineering of Glass products that straddle the line between high-fashion, lifestyle and innovative technology.

### *April*

On April 15, 2014, Luxottica Group and Michael Kors Holdings Limited announced they signed a new and exclusive eyewear license agreement for the Michael Kors Collection and MICHAEL Michael Kors eyewear with a term of 10 years. The first collection produced with Luxottica will launch in January 2015. The brand's two luxury eyewear collections will be carried around the world in Michael Kors stores, department stores, select travel retail locations, independent optical locations and Luxottica's retail stores.

At the Stockholders' Meeting on April 29, 2014, Group's stockholders approved the Statutory Financial Statements as of December 31, 2013, as proposed by the Board of Directors and the distribution

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(5) For a further discussion of adjusted net income attributable to Luxottica Stockholders, see page 18 "Non-IFRS Measures."

(6) For a further discussion of free cash flow, see page 18 "Non-IFRS Measures."

(7) For a further discussion of net debt and net debt to adjusted EBITDA, see page 18 "Non-IFRS Measures."



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of a cash dividend of Euro 0.65 per ordinary share. The aggregate dividend amount of Euro 308.3 million was fully paid in May 2014.

**3. FINANCIAL RESULTS**

We are a global leader in the design, manufacture and distribution of fashion, luxury and sport eyewear, with net sales reaching Euro 7.3 billion in 2013, over 73,400 employees and a strong global presence. We operate in two industry segments: (i) manufacturing and wholesale distribution; and (ii) retail distribution. See Note 5 to the Condensed Consolidated Financial Report as of June 30, 2014 (unaudited) for additional disclosures about our operating segments. Through our manufacturing and wholesale distribution segment, we are engaged in the design, manufacture, wholesale distribution and marketing of proprietary and designer lines of mid- to premium-priced prescription frames and sunglasses. We operate our retail distribution segment principally through our retail brands, which include, among others, LensCrafters, Sunglass Hut, OPSM, Laubman & Pank, Oakley "O" Stores and Vaults, David Clulow, GMO and our Licensed Brands (Sears Optical and Target Optical).

As a result of our numerous acquisitions and the subsequent expansion of our business activities in the United States through various acquisitions, our results of operations, which are reported in Euro, are susceptible to currency rate fluctuations between the Euro and the U.S. dollar. The Euro/U.S. dollar exchange rate has fluctuated to an average exchange rate of Euro 1.00 = U.S. \$1.3703 in the first six months of 2014 from Euro 1.00 = U.S. \$1.3129 in the same period of 2013. Since the acquisition of OPSM, our results of operations have also been rendered susceptible to currency fluctuations between the Euro and the Australian dollar. Additionally, we incur part of our manufacturing costs in Chinese Yuan; therefore, the fluctuation of the Chinese Yuan relative to other currencies in which we receive revenues could impact the demand of our products or our consolidated profitability. Although we engage in certain foreign currency hedging activities to mitigate the impact of these fluctuations, they have impacted our reported revenues and expenses during the periods discussed herein. This discussion should be read in conjunction with the risk factor discussion in Section 8 of the Management Report included with the 2013 Consolidated Financial Statements.



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**RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013 (UNAUDITED)**

*In accordance with IFRS*

(Amounts in thousands of Euro)	Six months ended June 30,			
	2014	% of net sales	2013	% of net sales
<b>Net sales</b>	<b>3,902,313</b>	<b>100.0%</b>	<b>3,881,728</b>	<b>100.0%</b>
Cost of sales	1,349,814	34.6%	1,323,878	34.1%
<b>Gross profit</b>	<b>2,552,499</b>	<b>65.4%</b>	<b>2,557,849</b>	<b>65.9%</b>
Selling	1,120,103	28.7%	1,144,519	29.5%
Royalties	75,629	1.9%	76,333	2.0%
Advertising	248,794	6.4%	245,318	6.3%
General and administrative	441,627	11.3%	455,189	11.7%
<b>Total operating expenses</b>	<b>1,886,153</b>	<b>48.3%</b>	<b>1,921,359</b>	<b>49.5%</b>
<b>Income from operations</b>	<b>666,346</b>	<b>17.1%</b>	<b>636,491</b>	<b>16.4%</b>
<b>Other income/(expense)</b>				
Interest income	5,840	0.1%	5,037	0.1%
Interest expense	(53,318)	(1.4)%	(52,839)	(1.4)%
Other net	(353)	(0.0)%	(4,107)	(0.1)%
<b>Income before provision for income taxes</b>	<b>618,514</b>	<b>15.8%</b>	<b>584,582</b>	<b>15.1%</b>
Provision for income taxes	(222,667)	(5.7)%	(210,499)	(5.4)%
<b>Net income</b>	<b>395,847</b>	<b>10.2%</b>	<b>374,081</b>	<b>9.6%</b>
Attributable to				
<b>Luxottica Group stockholders</b>	<b>392,541</b>	<b>10.1%</b>	<b>371,197</b>	<b>9.6%</b>
non-controlling interests	3,306	0.1%	2,885	0.0%
<b>NET INCOME</b>	<b>395,847</b>	<b>10.2%</b>	<b>374,081</b>	<b>9.6%</b>

In order to provide the reader of this report with a meaningful comparison of the information included in the condensed consolidated financial statements as of June 30, 2014, certain prior year comparative information has been revised to conform to the current year presentation. The revision relates to the reclassification of the warehouse and shipping expenses of certain subsidiaries of the Company from general and administrative expenses to cost of sales. The Company has determined that the revision, totaling Euro 30.5 million, is immaterial to the previously reported financial statements.

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For the first six months of 2014, there are no adjustments that needed to be made to Income from operations, EBITDA or Net Income attributable to Luxottica Group Stockholders. In the first six months of 2013, the Group incurred non-recurring expenses of Euro 9.0 million (Euro 5.9 million net of the tax effect), related to the reorganization of Alain Mikli International.

<b>Adjusted Measures<sup>(8)</sup></b>	<b>2013</b>	<b>% of net sales</b>
Adjusted income from operations	645,491	16.6%
Adjusted EBITDA	828,059	21.3%
Adjusted net income attributable to Luxottica Group stockholders	377,101	9.7%

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(8) For a further discussion of Adjusted Measures, see page 18 "Non-IFRS Measures."

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**Net Sales.** Net sales increased by Euro 20.6 million, or 0.5 percent, to Euro 3,902.3 million in the first six months of 2014 from Euro 3,881.7 million in the same period of 2013. Net sales in the manufacturing and wholesale distribution segment in the first six months of 2014 as compared to the same period in 2013 increased by Euro 78.4 million, whereas net sales in the retail distribution segment decreased by Euro 57.8 million for the same period.

Net sales for the retail distribution segment decreased by Euro 57.8 million, or 2.6 percent, to Euro 2,162.9 million in the first six months of 2014 from Euro 2,220.7 million in the same period in 2013. Although there was an overall decrease, the retail segment recorded a 3.3 percent improvement in comparable store sales<sup>(9)</sup>. In particular, comparable store sales for the North American retail operations increased in the first six months of 2014 as compared to the same period of last year (+2.0 percent). During the same periods the Australian/New Zealand retail operations increased 4.0 percent. The effects from currency fluctuations between the Euro (which is our reporting currency) and other currencies in which we conduct business, in particular the weakening of the U.S. dollar and Australian dollar compared to the Euro, decreased net sales in the retail distribution segment by Euro 124.1 million during the period.

Net sales to third parties in the manufacturing and wholesale distribution segment increased by Euro 78.4 million, or 4.7 percent, to Euro 1,739.4 million in the first six months of 2014 from Euro 1,661.0 million in the same period in 2013. This growth was mainly attributable to increased sales of most of our proprietary brands, in particular Ray-Ban and of certain licensed brands such as Armani. Almost all of the primary geographic markets in which the Group operates recorded an increase in net sales. These positive effects were partially offset by negative currency fluctuations, in particular the weakening of the U.S. Dollar and the Brazilian Real, which decreased net sales to third parties in the manufacturing and wholesale distribution segment by Euro 74.4 million.

In the first six months of 2014, net sales in the retail distribution segment accounted for approximately 55.4 percent of total net sales, as compared to approximately 57.2 percent of total net sales for the same period in 2013.

In the first six months of 2014, net sales in our retail distribution segment in the United States and Canada comprised 77.8 percent of our total net sales in this segment as compared to 78.4 percent of our total net sales in the same period of 2013. In U.S. dollars, retail net sales in the United States and Canada slightly increased by 0.8 percent to USD 2,306.0 million in the first six months of 2014 from USD 2,286.8 million for the same period in 2013. During the first six months of 2014, net sales in the retail distribution segment in the rest of the world (excluding the United States and Canada) comprised 22.2 percent of our total net sales in the retail distribution segment and increased by 0.3 percent to Euro 480.2 million in the first six months of 2014 from Euro 478.9 million, or 21.6 percent of our total net sales in the retail distribution segment for the same period in 2013.

In the first six months of 2014, net sales to third parties in our manufacturing and wholesale distribution segment in Europe increased by Euro 42.5 million, or 5.8 percent, to Euro 778.2 million, comprising 44.7 percent of our total net sales in this segment, compared to Euro 735.7 million, or 44.3 percent of total net sales in the segment, for the same period in 2013. Net sales to third parties in our manufacturing and wholesale distribution segment in the United States and Canada were USD 597.3 million and comprised 25.1 percent of our total net sales in this segment for the first six months of 2014, compared to USD 555.7 million, or 25.5 percent of total net sales in the segment, for the same period of 2013. The increase in net sales in the United States and Canada was primarily due to a general increase in consumer demand. In the first six months of 2014, net sales to third parties in our manufacturing and wholesale distribution segment in the rest of the world increased by Euro 23.3 million or 4.6 percent to Euro 525.3 million, comprising 30.2 percent of our total net sales in this segment,

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<sup>(9)</sup> Comparable store sales reflects the change in sales from one period to another that, for comparison purposes, includes in the calculation only stores open in the more recent period that also were open during the comparable prior period in the same geographic area, and applies to both periods the average exchange rate for the prior period.

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compared to Euro 502.1 million, or 30.2 percent of our net sales in this segment, in the same period of 2013.

**Cost of Sales.** Cost of sales increased by Euro 25.9 million, or 2.0 percent, to Euro 1,349.8 million in the first six months of 2014 from Euro 1,323.9 million in the same period of 2013. As a percentage of net sales, cost of sales increased to 34.6 percent in the first six months of 2014 as compared to 34.1 percent in the same period of 2013. In the first six months of 2014, the average number of frames produced daily in our facilities was approximately 293,000 as compared to approximately 305,100 in the same period of 2013.

**Gross Profit.** Our gross profit decreased by Euro 5.4 million, or 0.2 percent, to Euro 2,552.5 million in the first six months of 2014 from Euro 2,557.8 million for the same period of 2013. As a percentage of net sales, gross profit decreased to 65.4 percent in the first six months of 2014 as compared to 65.9 percent for the same period of 2013, due to the factors noted above.

**Operating Expenses.** Total operating expenses decreased by Euro 35.2 million, or 1.8 percent, to Euro 1,886.2 million in the first six months of 2014 from Euro 1,921.4 million in the same period of 2013. As a percentage of net sales, operating expenses decreased to 48.3 percent in the first six months of 2014, from 49.5 percent in the same period of 2013.

Adjusted operating expenses<sup>(10)</sup> in the first six months of 2013, excluding non-recurring expenses related to the reorganization of Alain Mikli International amounting to approximately Euro 9.0 million, were Euro 1,912.4 million. As a percentage of net sales, adjusted operating expenses<sup>(10)</sup> were at 49.3 percent.

Please find the reconciliation between adjusted operating expenses and operating expenses in the following table:

(Amounts in millions of Euro)	2014	2013
<b>Operating expenses</b>	<b>1,886.2</b>	<b>1,921.4</b>
> Adjustment for Alain Mikli reorganization		(9.0)
<b>Adjusted operating expenses</b>	<b>1,886.2</b>	<b>1,912.4</b>

Selling and advertising expenses (including royalty expenses) decreased by Euro 21.6 million, or 1.5 percent, to Euro 1,444.5 million in the first six months of 2014 from Euro 1,466.2 million in the same period of 2013. Selling expenses decreased by Euro 24.4 million, or 2.1 percent which was primarily due to the weakening of the main currencies in which the group operates, in particular the U.S. dollar and the Australian dollar. Advertising expenses increased by Euro 3.5 million, or 1.4 percent. Royalties decreased by Euro 0.7 million, or 0.9 percent. As a percentage of net sales, selling and advertising expenses (including royalty expenses) were 37.0 percent in the first six months of 2014 and 37.8 percent in the same period of 2013.

General and administrative expenses, including intangible asset amortization decreased by Euro 13.6 million, or 3.0 percent, to Euro 441.6 million in the first six months of 2014 as compared to Euro 455.2 million in the same period of 2013. The decrease is mainly due to non-recurring expenses of Euro 9.0 million incurred in the first six months of 2013 relating to the reorganization of Alain Mikli International. As a percentage of net sales, general and administrative expenses were 11.3 percent in the first six months of 2014 as compared to 11.7 percent in the same period of 2013.

Adjusted general and administrative expenses<sup>(11)</sup>, including intangible asset amortization and excluding, in the first six months of 2013, the non-recurring expenses related to the reorganization of Alain

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<sup>(10)</sup> For a further discussion of Adjusted operating expenses, see page 18 "Non-IFRS Measures."

<sup>(11)</sup> For a further discussion of Adjusted general and administrative expenses, see page 18 "Non-IFRS Measures."

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Mikli International amounting to Euro 9.0 million, totaled Euro 446.2 million. As a percentage of net sales, adjusted general and administrative expenses<sup>(11)</sup> were 11.5 percent in the first six months of 2013.

Please find the reconciliation between adjusted general and administrative expenses<sup>(11)</sup> and general and administrative expenses in the following table:

(Amounts in millions of Euro)	2014	2013
<b>General and administrative expense</b>	<b>441.6</b>	<b>455.2</b>
> Adjustment for Alain Mikli reorganization		(9.0)
<b>Adjusted general and administrative expense</b>	<b>441.6</b>	<b>446.2</b>

**Income from Operations.** For the reasons described above, income from operations increased by Euro 29.9 million, or 4.7 percent, to Euro 666.3 million in the first six months of 2014 from Euro 636.5 million in the same period of 2013. As a percentage of net sales, income from operations increased to 17.1 percent in the first six months of 2014 as compared to 16.4 percent in the same period of 2013.

Adjusted income from operations<sup>(12)</sup>, excluding, in the first six months of 2013, the above mentioned non-recurring expenses related to the reorganization of Alain Mikli International for Euro 9.0 million, amounted to Euro 645.5 million. As a percentage of net sales, adjusted income from operations<sup>(12)</sup> was at 16.6 percent in the first six months of 2013.

Please find the reconciliation between adjusted income from operations<sup>(12)</sup> and income from operations in the following table:

(Amounts in millions of Euro)	2014	2013
<b>Income from operations</b>	<b>666.3</b>	<b>636.5</b>
> Adjustment for Alain Mikli reorganization		9.0
<b>Adjusted income from operations</b>	<b>666.3</b>	<b>645.5</b>

**Other Income (Expense) Net.** Other income (expense) net was Euro (47.8) million in the first six months of 2014 as compared to Euro (51.9) million in the same period of 2013. Net interest expense was Euro 47.5 million in the first six months of 2014 as compared to Euro 47.8 million in the same period of 2013.

**Net Income.** Income before taxes increased by Euro 33.9 million, or 5.8 percent, to Euro 618.5 million in the first six months of 2014 from Euro 584.6 million in the same period of 2013, for the reasons described above. As a percentage of net sales, income before taxes was 15.8 percent in the first six months of 2014 as compared to 15.1 percent in the same period of 2013.

Adjusted income before taxes<sup>(13)</sup> amounted to Euro 593.6 million in the first six months of 2013. As a percentage of net sales, adjusted income before taxes<sup>(13)</sup> was 15.3 percent in the first six months of 2013.

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(12) For a further discussion of Adjusted income from operations, see page 18 "Non-IFRS Measures."

(13) For a further discussion of Adjusted income before taxes, see page 18 "Non-IFRS Measures."

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Please find the reconciliation between adjusted income before taxes<sup>(13)</sup> and income before taxes in the following table:

(Amounts in millions of Euro)	2014	2013
<b>Net Income before taxes</b>	<b>618.5</b>	<b>584.6</b>
> Adjustment for Alain Mikli reorganization		9.0
<b>Adjusted income before taxes</b>	<b>618.5</b>	<b>593.6</b>

Net income attributable to non-controlling interests in the first six months of 2014, increased to Euro 3.3 million from Euro 2.9 million in the first six months of 2013. The expected tax rate was 36.0 percent in the first six months of 2014 and 2013.

Net income attributable to Luxottica Group stockholders increased by Euro 21.3 million, or 5.8 percent, to Euro 392.5 million in the first six months of 2014 from Euro 371.2 million in the same period of 2013. Net income attributable to Luxottica Group stockholders as a percentage of net sales was 10.1 percent in the first six months of 2014 and 9.6 percent in the same period of 2013.

Adjusted net income attributable to Luxottica Group stockholders<sup>(14)</sup> for the six month period ended June 30, 2013 was Euro 377.1 million. As a percentage of net sales, adjusted net income attributable to Luxottica Group stockholders<sup>(14)</sup> 9.7 percent in the first six months of 2013.

Please find the reconciliation between adjusted net income attributable to Luxottica Group stockholders<sup>(14)</sup> in the following table:

(Amounts in millions of Euro)	2014	2013
<b>Net Income attributable to Luxottica Group stockholders</b>	<b>392.5</b>	<b>371.2</b>
> Adjustment for Alain Mikli reorganization		5.9
<b>Adjusted Net Income attributable to Luxottica Group stockholders</b>	<b>392.5</b>	<b>377.1</b>

Basic earnings per share were Euro 0.83 and 0.79 in the first six months of 2014 and 2013. Diluted earnings per share were Euro 0.82 and 0.78 in the first six months of 2014 and 2013.

Adjusted basic and diluted earnings per share<sup>(15)</sup> were Euro 0.80 and Euro 0.79 in the first six months of 2013.

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(14) For a further discussion of Adjusted net income to Luxottica Group stockholders, see page 18 "Non-IFRS Measures."

(15) For a further discussion of Adjusted earnings per share, see page 18 "Non-IFRS Measures."

Table of Contents**RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED JUNE 30, 2014 AND 2013 (UNAUDITED)***In accordance with IFRS*

(Amounts in thousands of Euro)	Three months ended June 30,			
	2014	% of net sales	2013	% of net sales
<b>Net sales</b>	<b>2,059,979</b>	<b>100.0%</b>	<b>2,017,608</b>	<b>100.0%</b>
Cost of sales	685,672	33.3%	663,283	32.9%
<b>Gross profit</b>	<b>1,374,307</b>	<b>66.7%</b>	<b>1,354,325</b>	<b>67.1%</b>
Selling	572,435	27.8%	582,500	28.9%
Royalties	39,626	1.9%	40,163	2.0%
Advertising	140,290	6.8%	133,764	6.6%
General and administrative	225,823	11.0%	236,225	11.7%
<b>Total operating expenses</b>	<b>978,175</b>	<b>47.5%</b>	<b>992,651</b>	<b>49.2%</b>
<b>Income from operations</b>	<b>396,132</b>	<b>19.2%</b>	<b>361,674</b>	<b>17.9%</b>
<b>Other income/(expense)</b>				
Interest income	3,009	0.1%	2,490	0.1%
Interest expense	(27,289)	(1.3)%	(26,284)	(1.3)%
Other net	(1,698)	(0.1)%	(4,285)	(0.2)%
<b>Income before provision for income taxes</b>	<b>370,154</b>	<b>18.0%</b>	<b>333,594</b>	<b>16.5%</b>
Provision for income taxes	(133,285)	(6.5)%	(120,133)	(6.0)%
<b>Net income</b>	<b>236,869</b>	<b>11.5%</b>	<b>213,461</b>	<b>10.6%</b>
Attributable to				
<b>Luxottica Group stockholders</b>	<b>235,214</b>	<b>11.4%</b>	<b>211,963</b>	<b>10.5%</b>
non-controlling interests	1,655	0.1%	1,498	0.1%
<b>NET INCOME</b>	<b>236,869</b>	<b>11.5%</b>	<b>213,461</b>	<b>10.6%</b>

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In order to provide the reader of this report with a meaningful comparison of the information included in the condensed consolidated financial statements as of June 30, 2014, certain prior year comparative information has been revised to conform to the current year presentation. The revision relates to the reclassification of the warehouse and shipping expenses of certain subsidiaries of the Company from general and administrative expenses to cost of sales. The Company has determined that the revision, totaling Euro 15.6 million, is immaterial to the previously reported financial statements.

For the second quarter of 2014, there are no adjustments that needed to be made to Income from operations, EBITDA or Net income attributable to Luxottica Group Stockholders. In the three months ended June 30, 2013, the Group incurred non-recurring expenses of Euro 9.0 million (Euro 5.9 million net of the tax effect).

<b>Adjusted Measures<sup>(16)</sup></b>	<b>Three months ended June 30, 2013</b>	<b>% of net sales</b>
Adjusted income from operations	370,674	18.4%
Adjusted EBITDA	462,713	22.9%
Adjusted net income attributable to Luxottica Group stockholders	217,867	10.8%

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(16)

For a further discussion of Adjusted Measures, see page 18 "Non-IFRS Measures."



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**Net Sales.** Net sales increased by Euro 42.4 million, or 2.1 percent, to Euro 2,060.0 million in the three months ended June 30, 2014 from Euro 2,017.6 million in the same period of 2013. The increase in the manufacturing and wholesale distribution segment in the three months ended June 30, 2014 of Euro 54.8 million compared to the same period in 2013 was partially offset by the decrease in net sales in the retail distribution segment of Euro 12.4 million for the same period.

Net sales for the retail distribution segment decreased by Euro 12.4 million, or 1.1 percent, to Euro 1,125.2 million in the three months ended June 30, 2014 from Euro 1,137.6 million in the same period in 2013. Although there was an overall decrease, the retail segment recorded a 4.8 percent improvement in comparable store sales<sup>(17)</sup>. In particular, we saw a 3.8 percent increase in comparable store sales<sup>(17)</sup> for the North American retail operations, and a 4.6 percent increase for the Australian/New Zealand retail operations. The effects from currency fluctuations between the Euro (which is our reporting currency) and other currencies in which we conduct business, in particular the weakening of the U.S. dollar and Australian dollar compared to the Euro, decreased net sales in the retail distribution segment by Euro 61.7 million during the period.

Net sales to third parties in the manufacturing and wholesale distribution segment increased by Euro 54.8 million, or 6.2 percent, to Euro 934.8 million in the three months ended June 30, 2014 from Euro 880.0 million in the same period in 2013. This growth was mainly attributable to increased sales of most of our proprietary brands, in particular Ray-Ban and Oakley and of some licensed brands such as Prada. Almost all of the primary geographic markets in which the Group operates recorded an increase in net sales. These positive effects were partially offset by negative currency fluctuations, in particular the weakening of the U.S. dollar and other currencies including but not limited to the Japanese Yen and the Australian dollar, the effect of which was to decrease net sales to third parties in the manufacturing and wholesale distribution segment by Euro 36.2 million.

In the three months ended June 30, 2014, net sales in the retail distribution segment accounted for approximately 54.6 percent of total net sales, as compared to approximately 56.4 percent of total net sales for the same period in 2013.

In the three months ended June 30, 2014, net sales in our retail distribution segment in the United States and Canada comprised 77.8 percent of our total net sales in this segment as compared to 78.7 percent of our total net sales in the same period of 2013. In U.S. dollars, retail net sales in the United States and Canada increased by 2.6 percent to USD 1,199.9 million in the three months ended June 30, 2014 from USD 1,169.9 million for the same period in 2013. During the three months ended June 30, 2014, net sales in the retail distribution segment in the rest of the world (excluding the United States and Canada) comprised 22.2 percent of our total net sales in the retail distribution segment and increased by 3.3 percent to Euro 250.0 million in the three months ended June 30, 2014 from Euro 241.9 million, or 21.3 percent of our total net sales in the retail distribution segment for the same period in 2013.

In the three months ended June 30, 2014, net sales to third parties in our manufacturing and wholesale distribution segment in Europe increased by Euro 23.3 million to Euro 424.4 million, comprising 45.4 percent of our total net sales in this segment, compared to Euro 401.1 million of total net sales in the segment, for the same period in 2013. Net sales to third parties in our manufacturing and wholesale distribution segment in the United States and Canada were USD 311.4 million and comprised 24.3 percent of our total net sales in this segment for the three months ended June 30, 2014, compared to USD 285.5 million, or 24.8 percent of total net sales in the segment, for the same period of 2013. In the three months ended June 30, 2014, net sales to third parties in our manufacturing and wholesale distribution segment in the rest of the world increased by Euro 22.9 million, or 8.8 percent, in the three months ended June 30, 2014 as compared to the same period of 2013, to Euro 283.2 million, comprising 30.3 percent of our total net sales in this segment, compared to Euro 260.3 million, or 29.6 percent of our net sales in this segment, in the same period of 2013.

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<sup>(17)</sup> Comparable store sales reflects the change in sales from one period to another that, for comparison purposes, includes in the calculation only stores open in the more recent period that also were open during the comparable prior period in the same geographic area, and applies to both periods the average exchange rate for the prior period.

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**Cost of Sales.** Cost of sales increased by Euro 22.4 million, or 3.4% percent, to Euro 685.7 million in the three months ended June 30, 2014 from Euro 663.3 million in the same period of 2013. As a percentage of net sales, cost of sales increased to 33.3 percent in the three months ended June 30, 2014 as compared to 32.9 percent in the same period of 2013. In the three months ended June 30, 2014, the average number of frames produced daily in our facilities decreased to approximately 295,000 as compared to approximately 307,100 in the same period of 2013.

**Gross Profit.** Our gross profit increased by Euro 20.0 million, or 1.5 percent, to Euro 1,374.3 million in the three months ended June 30, 2014 from Euro 1,354.3 million for the same period of 2013. As a percentage of net sales, gross profit decreased to 66.7 percent in the three months ended June 30, 2014 as compared to 67.1 percent for the same period of 2013, due to the factors noted above.

**Operating Expenses.** Total operating expenses decreased by Euro 14.5 million, or 1.5 percent, to Euro 978.2 million in the three months ended June 30, 2014 from Euro 992.7 million in the same period of 2013. As a percentage of net sales, operating expenses decreased to 47.5 percent in the three months ended June 30, 2014, from 49.2 percent in the same period of 2013.

Adjusted operating expenses<sup>(18)</sup> in the three months ended June 30, 2013, excluding non-recurring expenses related to the reorganization of the Alain Mikli business amounting to approximately Euro 9.0 million, were Euro 983.7 million. As a percentage of net sales, adjusted operating expenses<sup>(18)</sup> equaled 48.8 percent.

Please find the reconciliation between adjusted operating expenses<sup>(18)</sup> and operating expenses in the following table:

(Amounts in millions of Euro)	2014	2013
<b>Operating expenses</b>	<b>978.2</b>	<b>992.7</b>
> Adjustment for Alain Mikli reorganization		(9.0)
<b>Adjusted operating expenses</b>	<b>978.2</b>	<b>983.7</b>

Selling and advertising expenses (including royalty expenses) decreased by Euro 4.1 million, or 0.5 percent, to Euro 752.4 million in the three months ended June 30, 2014 from Euro 756.4 million in the same period of 2013. Selling expenses decreased by Euro 10.1 million, or 1.7 percent. The decrease was primarily due to the weakening of the main currencies in which the group operates, in particular the U.S. dollar and the Australian dollar. Advertising expenses increased by Euro 6.5 million, or 4.9 percent. Royalties decreased by Euro 0.5 million, or 1.3 percent. As a percentage of net sales, selling and advertising expenses were 36.5 percent in the three months ended June 30, 2014 and 37.5 percent in the same period of 2013.

General and administrative expenses, including intangible asset amortization decreased by Euro 10.4 million, or 4.4 percent, to Euro 225.8 million in the three months ended June 30, 2014 as compared to Euro 236.2 million in the same period of 2013. The decrease is primarily due to non-recurring expenses of Euro 9.0 million incurred in the first six months of 2013 relating to the reorganization of Alain Mikli International. As a percentage of net sales, general and administrative expenses were 11.0 percent in the three months ended June 30, 2014 as compared to 11.7 percent in the same period of 2013.

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<sup>(18)</sup> For a further discussion of adjusted operating expenses, see page 18 "Non-IFRS Measures."

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Adjusted general and administrative expenses<sup>(19)</sup>, including intangible asset amortization and excluding, in the three months ended June 30, 2013, non-recurring expenses related to the reorganization of the Alain Mikli business amounting to Euro 9.0 million, totaled Euro 227.2 million. As a percentage of net sales, adjusted general and administrative expenses<sup>(19)</sup> were 11.3 percent in the three months ended June 30, 2013.

Please find the reconciliation between adjusted general and administrative expenses<sup>(19)</sup> and general and administrative expenses in the following table:

(Amounts in millions of Euro)	2014	2013
<b>General and administrative expenses</b>	<b>225.8</b>	<b>236.2</b>
> Adjustment for Alain Mikli reorganization		(9.0)
<b>Adjusted general and administrative expenses</b>	<b>225.8</b>	<b>227.2</b>

**Income from Operations.** For the reasons described above, income from operations increased by Euro 34.5 million, or 9.5 percent, to Euro 396.1 million in the three months ended June 30, 2014 from Euro 361.7 million in the same period of 2013. As a percentage of net sales, income from operations increased to 19.2 percent in the three months ended June 30, 2014 from 17.9 percent in the same period of 2013.

Adjusted income from operations<sup>(20)</sup>, excluding, in the three months ended June 30, 2013, non-recurring expenses related to the reorganization of the Alain Mikli business for Euro 9.0 million, amounted to Euro 370.7 million. As a percentage of net sales, adjusted income from operations<sup>(20)</sup> was at 18.4 percent in the three months ended June 30, 2013.

Please find the reconciliation between adjusted income from operations<sup>(20)</sup> and income from operations in the following table:

(Amounts in millions of Euro)	2014	2013
<b>Income from operations</b>	<b>396.1</b>	<b>361.7</b>
> Adjustment for Alain Mikli reorganization		9.0
<b>Adjusted income from operations</b>	<b>396.1</b>	<b>370.7</b>

**Other Income (Expense) Net.** Other income (expense) net was Euro (26.0) million in the three months ended June 30, 2014 as compared to Euro (28.1) million in the same period of 2013. Net interest expense was Euro 24.3 million in the three months ended June 30, 2014 as compared to Euro 23.8 million in the same period of 2013.

**Net Income.** Income before taxes increased by Euro 36.6 million, or 11.0 percent, to Euro 370.2 million in the three months ended June 30, 2014 from Euro 333.6 million in the same period of 2013, for the reasons described above. As a percentage of net sales, income before taxes increased to 18.0 percent in the three months ended June 30, 2014 from 16.5 percent in the same period of 2013. Adjusted income before taxes<sup>(21)</sup> excluding, in the three months ended June 30, 2013, expenses related to the reorganization of the Alain Mikli business for Euro 9.0 million, amounted to Euro 342.6 million in the three months ended June 30, 2013. As a percentage of net sales, adjusted income before taxes<sup>(21)</sup> was 17.0 percent in the three months ended June 30, 2013.

(19) For a further discussion of adjusted general and administrative expenses, see page 18 "Non-IFRS Measures."

(20) For a further discussion of adjusted income from operations, see page 18 "Non-IFRS Measures."

(21) For a further discussion of adjusted income before taxes, see page 18 "Non-IFRS Measures."

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Please find the reconciliation between adjusted income before taxes<sup>(21)</sup> and income before taxes in the following table:

(Amounts in millions of Euro)	2014	2013
<b>Income before provision for taxes</b>	<b>370.2</b>	<b>333.6</b>
> Adjustment for Alain Mikli reorganization		9.0
<b>Adjusted income before provision for taxes</b>	<b>370.2</b>	<b>342.6</b>

Net income attributable to non-controlling interests in the three months ended June 30, 2014, increased to Euro 1.7 million from Euro 1.5 million in the three months ended June 30, 2013.

Net income attributable to Luxottica Group stockholders increased by Euro 23.3 million, or 11.0 percent, to Euro 235.2 million in the three months ended June 30, 2014 from Euro 212.0 million in the same period of 2013. Net income attributable to Luxottica Group stockholders as a percentage of net sales increased to 11.4 percent in the three months ended June 30, 2014 from 10.5 percent in the same period of 2013. Adjusted net income attributable to Luxottica Group stockholders<sup>(22)</sup> excluding non-recurring expenses related to the reorganization of the Alain Mikli business for Euro 5.9 million, was Euro 217.9 million in the second quarter of 2013. As a percentage of net sales, adjusted net income attributable to Luxottica Group stockholders<sup>(22)</sup> equaled 10.8 percent in the three months ended June 30, 2013.

Please find the reconciliation between adjusted net income attributable to Luxottica Group stockholders<sup>(22)</sup> in the following table:

(Amounts in millions of Euro)	2014	2013
<b>Net income attributable to Group stockholders</b>	<b>235.2</b>	<b>212.0</b>
> Adjustment for Alain Mikli reorganization		5.9
<b>Adjusted net income attributable to Group stockholders</b>	<b>235.2</b>	<b>217.9</b>

Basic earnings per share and diluted earnings per share were Euro 0.49 in the three months ended June 30, 2014. Basic earnings per share were Euro 0.45 and diluted earnings per share were Euro 0.44 in the three months ended June 30, 2013.

Adjusted basic and diluted earnings per share<sup>(23)</sup> in the three months ended June 30, 2013 were Euro 0.46.

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(22) For a further discussion of adjusted net income attributable to Luxottica Group stockholders, see page 18 "Non-IFRS Measures."

(23) For a further discussion of adjusted basic and diluted earnings per share, see page 18 "Non-IFRS Measures."

Table of Contents**OUR CASH FLOWS**

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

(Amounts in thousands of Euro)	As of June 30, 2014	As of June 30, 2013 (unaudited)
A) Cash and cash equivalents at the beginning of the period	617,995	790,093
B) Cash provided by operating activities (net)	513,417	306,078
C) Cash used in investing activities	(213,754)	(272,552)
D) Cash provided by/(used in) financing activities	259,740	(439,268)
E) Effect of exchange rate changes on cash and cash equivalents	5,801	(10,971)
F) Net change in cash and cash equivalents	565,204	(416,715)
<b>G) Cash and cash equivalents at the end of the period</b>	<b>1,183,200</b>	<b>373,378</b>

**Operating activities.** Cash provided by operating activities was Euro 513.4 million and Euro 306.1 million for the first six months of 2014 and 2013, respectively.

Depreciation and amortization were Euro 181.7 million in the first six months of 2014 as compared to Euro 182.6 million in the same period of 2013.

Cash used in accounts receivable was Euro (249.3) million in the first six months of 2014, compared to Euro (269.1) million in the same period of 2013. This change was primarily due to the improved timing of accounts receivable collections in the first six months of 2014 as compared to the same period of 2013. Cash generated/(used) in inventory was Euro 51.0 million in the first six months of 2014 as compared to Euro (6.9) million in the same period of 2013. The change in inventory in the first six months of 2014 was due to better inventory management within the group. The change in inventory in the first six months of 2014 was mainly due to the better management of the Group's inventory and warehouses. Cash used in accounts payable was Euro (27.8) million in the first six months of 2014 compared to Euro (4.4) million in the same period of 2013. The decrease in cash used for accounts payable in 2014 as compared to 2013 is due to better payment terms negotiated by the Group beginning in 2012. Cash generated/(used) in other assets and liabilities, risk funds and employee benefits was Euro 37.7 million and Euro (35.5) million in the first six months of 2014 and 2013, respectively. The cash used in the first six months of 2013 was mainly due to the payments made for advances on royalties. Income taxes paid were Euro (134.3) million in the first six months of 2014 as compared to Euro (167.2) million in the same period of 2013. Interest paid was Euro (43.9) million and Euro (50.9) million in the first six months of 2014 and 2013, respectively.

**Investing activities.** Our cash used in investing activities was Euro (213.8) million for the first six months of 2014 as compared to Euro (272.6) million for the same period in 2013. The cash used in investing activities in the first six months of 2014 primarily consisted of (i) Euro (117.2) million in capital expenditures mainly related to routine technology upgrades to the manufacturing infrastructure, opening of new stores and the remodeling of older stores with leases that were extended during the period, (ii) Euro (57.0) million for the acquisition of intangible assets related to the creation of a new IT platform, and (iii) Euro (39.5) million (net of cash acquired), related to the acquisition of glasses.com for Euro (29.2) million and other minor acquisitions in the retail segment for Euro (10.3) million. Cash used in investing activities in the first six months of 2013 primarily consisted of (i) Euro (102.2) million in capital expenditures, mainly related to routine technology upgrades to the manufacturing infrastructure, opening of new stores and the remodeling of older stores with leases that were extended during the period, (ii) Euro (54.0) million for the acquisition of intangible assets, (iii) Euro (71.3) million (net of cash acquired), mainly related to the acquisition of Alain Mikli International, and (iv) Euro (45.0) million, related to the acquisition of a 36.33 percent stake in Salmoiraghi & Viganò.



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**Financing activities.** Our cash provided by/(used) in financing activities for the first six months of 2014 and 2013 was Euro 259.7 million and Euro (439.3) million, respectively. Cash provided by/(used in) financing activities for the first six months of 2014 consisted primarily of (i) Euro 500 million related to the issuance of a new bond, (ii) Euro (308.3) million used to pay dividends to the shareholders of the Company and (iii) Euro 51.2 million related to the exercise of stock options. Cash provided by/(used in) financing activities for the first six months of 2013 consisted primarily of (i) Euro (216.5) million in cash used to repay short and long-term debt expiring during the first six months of 2013, (ii) Euro (273.7) million used to pay dividends to the shareholders of the Company and (iii) Euro 61.8 million related to the exercise of stock options.



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

ASSETS (Amounts in thousands of Euro)	June 30, 2014 (unaudited)	December 31, 2013 (audited)
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	1,183,200	617,995
Accounts receivable net	943,895	680,296
Inventories net	657,968	698,950
Other assets	232,995	238,761
<b>Total current assets</b>	<b>3,018,058</b>	<b>2,236,002</b>
<b>NON-CURRENT ASSETS:</b>		
Property, plant and equipment net	1,196,858	1,183,236
Goodwill	3,107,312	3,045,216
Intangible assets net	1,273,113	1,261,137
Investments	58,032	58,108
Other assets	116,979	126,583
Deferred tax assets	190,961	172,623
<b>Total non-current assets</b>	<b>5,943,256</b>	<b>5,846,903</b>
<b>TOTAL ASSETS</b>	<b>8,961,313</b>	<b>8,082,905</b>

LIABILITIES AND STOCKHOLDERS' EQUITY	June 30, 2014 (unaudited)	December 31, 2013 (audited)
<b>CURRENT LIABILITIES:</b>		
Short term borrowings	80,907	44,921
Current portion of long-term debt	303,966	318,100
Accounts payable	658,329	681,151
Income taxes payable	95,433	9,477
Short term provisions for risks and other charges	140,278	123,688
Other liabilities	559,354	523,050
<b>Total current liabilities</b>	<b>1,838,267</b>	<b>1,700,386</b>
<b>NON-CURRENT LIABILITIES:</b>		
Long-term debt	2,226,839	1,716,410
Employee benefits	103,387	76,399
Deferred tax liabilities	248,465	268,078
Long term provisions for risks and other charges	106,461	97,544
Other liabilities	76,525	74,151

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<b>Total non-current liabilities</b>	<b>2,761,678</b>	<b>2,232,583</b>
STOCKHOLDERS' EQUITY:		
Luxottica Group stockholders' equity	4,351,970	4,142,828
Non-controlling interests	9,399	7,107
<b>Total stockholders' equity</b>	<b>4,361,369</b>	<b>4,149,936</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>8,961,313</b>	<b>8,082,905</b>

As of June 30, 2014, total assets increased by Euro 878.4 million to Euro 8,961.3 million, compared to Euro 8,082.9 million as of December 31, 2013.

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In the first six months of 2014, non-current assets increased by Euro 96.4 million, due to increases in intangible assets (including goodwill) of Euro 74.1 million, in tangible assets of Euro 13.6 million and deferred tax assets of Euro 18.3 million, partially offset by decreases in other assets of Euro 9.6 million.

The increase in intangible assets was due to capitalized software and other intangible asset additions of Euro 57.0 million, acquisitions that occurred in the first six months of 2014 of Euro 32.5 million, effects of foreign currency fluctuations from December 2013 to June 2014 of Euro 60.4 million, all of which were partially offset by amortization of assets in the period of Euro 75.2 million.

The increase in property, plant and equipment was due to additions in the period of Euro 117.2 million, to the impact of foreign currency fluctuations from December 2013 to June 2014 of Euro 5.9 million, to the acquisitions that occurred in the first six months of 2014 of Euro 4.7 million, all of which were partially offset by depreciation for the period of Euro 106.5 million and to disposals for the period of Euro 7.6 million.

As of June 30, 2014 as compared to December 31, 2013:

Accounts receivable increased by Euro 263.6 million, primarily due to the increase in net sales during the first six months of 2014 in line with the seasonality of the Group's business which is generally characterized by higher sales in the first half of the year and collection of the related receivables in the second half of the year;

Inventories decreased by 41.0 million. The reduction is mainly due to improved inventory turns in the first six months of 2014 as compared to December 31, 2013;

Accounts payable decreased by Euro 22.8 million, primarily due to payments made in the first six months of 2014;

Current taxes payable increased by Euro 86.0 million due to the timing of tax payments made by the Group in various jurisdictions;

Employee benefits increased by Euro 27.0 million which was primarily due to a decrease in the discount rate used to determine employee benefit liabilities.

Our net financial position as of June 30, 2014 and December 31, 2013 was as follows:

(Amounts in thousands of Euro)	June 30, 2014 (unaudited)	December 31, 2013 (audited)
Cash and cash equivalents	1,183,200	617,995
Bank overdrafts	(80,907)	(44,921)
Current portion of long-term debt	(303,966)	(318,100)
Long-term debt	(2,226,839)	(1,716,410)
<b>Total</b>	<b>(1,428,512)</b>	<b>(1,461,435)</b>

Bank overdrafts consist of the utilized portion of short-term uncommitted revolving credit lines borrowed by various subsidiaries of the Group and the applicable interest rate is usually variable and depends on the currency in which the loan is drawn.

As of June 30, 2014, Luxottica together with our wholly-owned Italian subsidiaries, had credit lines aggregating Euro 357.9 million. The interest rate is a floating rate of EURIBOR plus a margin on average of approximately 90 basis points. At June 30, 2014, Euro 0.1 million was utilized under these credit lines.

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As of June 30, 2014, our wholly-owned subsidiary Luxottica U.S. Holdings Corp. maintained unsecured lines of credit with an aggregate maximum availability of Euro 94.8 million (USD 130.0 million). At June 30, 2014, Euro 4.8 million was utilized under these credit lines.

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However, there was Euro 40.2 million in aggregate face amount of standby letters of credit outstanding related to guarantees on these lines of credit.

**4. RELATED PARTY TRANSACTIONS**

Our related party transactions are neither atypical nor unusual and occur in the ordinary course of our business. Management believes that these transactions are fair to the Company. For further details regarding related party transactions, please refer to Note 29 to the Condensed Consolidated Financial Statements as of June 30, 2014 (unaudited).

On January 29, 2013, the Company elected to avail itself of the options provided by Article 70, Section 8, and Article 71, Section 1- bis, of CONSOB Issuers' Regulations and, consequently, will no longer comply with the obligation to make available to the public an information memorandum in connection with transactions involving significant mergers, spin-offs, increases in capital through contributions in kind, acquisitions and disposals.

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. The lease will be for a period of six years and 5 months and will be renewable for an additional six years.

The building is owned by Beni Stabili SIQ S.p.A., which through Delfin S.à.r.l. is ultimately controlled by the Company's Chairman Leonardo Del Vecchio, and therefore the lease agreement is a transaction with related parties. In accordance with the procedure on related parties adopted by the Company and the Consob regulation n. 17221/2010 and in light of the contract balance, the agreement qualifies as a minor transaction with related parties.

On March 31, 2014 the Risk and Control Committee, solely composed of independent directors, unanimously expressed a favorable opinion regarding the Company's interest in entering in such transaction as well as on the convenience and fairness of the related conditions.

**5. SUBSEQUENT EVENTS**

For further details regarding subsequent events, please refer to Note 35 to the Condensed Consolidated Financial Statements as of June 30, 2014 (unaudited).

**6. 2014 OUTLOOK**

The financial results reported for the first six months of 2014 lead management to an optimistic outlook for the full fiscal year.

**NON-IFRS MEASURES**

*Adjusted measures*

In this Management Report we refer to 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 on 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.

Such measures are not defined terms under IFRS and their definitions should be carefully reviewed and understood by investors. Such non-IFRS measures are explained in detail and reconciled to their most comparable IFRS measures below.

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

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For the first six months of 2014 there were no such adjustments to Group's IFRS measures. In 2013, we made adjustments to the following measures: operating income, operating margin, EBITDA and EBITDA margin. We have also adjusted net income, earnings per share, operating expenses, selling expenses and general and administrative expenses. We adjusted the above items by excluding non-recurring costs related to (i) the reorganization of the Alain Mikli business for Euro 9.0 million (Euro 5.9 million net of the tax effect), (ii) the tax audit of Luxottica S.r.l. (fiscal year 2007) for Euro 26.7 million and (iii) the tax audit of Luxottica S.r.l. (fiscal years subsequent to 2007) for Euro 40.0 million.

The adjusted measures referenced above are not measures of performance in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board and endorsed by the European Union. The Group believes that these adjusted measures are useful to both management and investors in evaluating the Group's operating performance compared with that of other companies in its industry in order to provide a supplemental view of operations that exclude items that are unusual, infrequent or unrelated to our ongoing operations.

Non-IFRS measures such as EBITDA, EBITDA margin, free cash flows and the ratio of net debt to EBITDA are included in this Management Report in order to:

improve transparency for investors;

assist investors in their assessment of the Group's operating performance and its ability to refinance its debt as it matures and incur additional indebtedness to invest in new business opportunities;

assist investors in their assessment of the Group's cost of debt;

ensure that these measures are fully understood in light of how the Group evaluates its operating results and leverage;

properly define the metrics used and confirm their calculation; and

share these measures with all investors at the same time.

See the tables below for a reconciliation of the adjusted measures discussed above to their most directly comparable IFRS financial measures or, in case of adjusted EBITDA, to EBITDA which is also a non-IFRS measure.

#### **Non-IAS/IFRS Measures: reconciliation between reported and adjusted P&L items.**

<i>Luxottica Group</i>	Net Sales	EBITDA	6M13 Operating Income	Net Income	EPS
<b>Reported</b>	<b>3,881.7</b>	<b>819.1</b>	<b>636.5</b>	<b>371.2</b>	<b>0.79</b>
> Adjustment for Alain Mikli restructuring		9.0	9.0	5.9	0.01
<b>Adjusted</b>	<b>3,881.7</b>	<b>828.1</b>	<b>645.5</b>	<b>377.1</b>	<b>0.80</b>

<i>Luxottica Group</i>	Net Sales	EBITDA	2Q13 Operating Income	Net Income	EPS
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<b>Reported</b>	<b>2,017.6</b>	<b>453.7</b>	<b>361.7</b>	<b>212.0</b>	<b>0.45</b>
> Adjustment for Alain Mikli restructuring		9.0	9.0	5.9	0.01
<b>Adjusted</b>	<b>2,017.6</b>	<b>462.7</b>	<b>370.7</b>	<b>217.9</b>	<b>0.46</b>

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*EBITDA and EBITDA margin*

EBITDA represents net income attributable to Luxottica Group stockholders, before non-controlling interest, provision for income taxes, other income/expense, depreciation and amortization. EBITDA margin means EBITDA divided by net sales. We believe that EBITDA is useful to both management and investors in evaluating our operating performance compared to that of other companies in our industry. Our calculation of EBITDA allows us to compare our operating results with those of other companies without giving effect to financing, income taxes and the accounting effects of capital spending, which items may vary for different companies for reasons unrelated to the overall operating performance of a company's business. For additional information on Group's non-IFRS measures used in this report, see "NON-IFRS MEASURES *Adjusted Measures*" set forth above.

EBITDA and EBITDA margin are not meant to be considered in isolation or as a substitute for items appearing on 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 Group.

The Group cautions that these measures are not defined terms under IFRS and their definitions should be carefully reviewed and understood by investors.

Investors should be aware that our method of calculating EBITDA may differ from methods used by other companies. We recognize that the usefulness of EBITDA has certain limitations, including:

EBITDA does not include interest expense. Because we have borrowed money in order to finance our operations, interest expense is a necessary element of our costs and ability to generate profits and cash flows. Therefore, any measure that excludes interest expense may have material limitations;

EBITDA does not include depreciation and amortization expense. Because we use capital assets, depreciation and amortization expense is a necessary element of our costs and ability to generate profits. Therefore, any measure that excludes depreciation and amortization expense may have material limitations;

EBITDA does not include provision for income taxes. Because the payment of income taxes is a necessary element of our costs, any measure that excludes tax expense may have material limitations;

EBITDA does not reflect cash expenditures or future requirements for capital expenditures or contractual commitments;

EBITDA does not reflect changes in, or cash requirements for, working capital needs;

EBITDA does not allow us to analyze the effect of certain recurring and non-recurring items that materially affect our net income or loss.



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We compensate for the foregoing limitations by using EBITDA as a comparative tool, together with IFRS measurements, to assist in the evaluation of our operating performance and leverage. The following table provides a reconciliation of EBITDA to net income, which is the most directly comparable IFRS financial measure, as well as the calculation of EBITDA margin on net sales:

**Non-IAS/IFRS Measure: EBITDA and EBITDA margin**

Millions of Euro	2Q 2013	2Q 2014	6M 2013	6M 2014	FY 2013	LTM June 2014
Net income/(loss) (+)	212.0	235.2	371.2	392.5	544.7	566.0
Net income attributable to non-controlling interest (+)	1.5	1.7	2.9	3.3	4.2	4.6
Provision for income taxes (+)	120.1	133.3	210.5	222.7	407.5	419.7
Other (income)/expense (+)	28.1	26.0	51.9	47.8	99.3	95.2
Depreciation and amortization (+)	92.0	92.0	182.6	181.7	366.6	365.7
EBITDA (=)	453.7	488.2	819.1	848.0	1,422.3	1,451.3
Net sales (/)	2,017.6	2,060.0	3,881.7	3,902.3	7,312.6	7,333.2
EBITDA margin (=)	22.5%	23.7%	21.1%	21.7%	19.5%	19.8%

**Non-IAS/IFRS Measure: Adjusted EBITDA and Adjusted EBITDA margin**

Millions of Euro	2Q 2013 <sup>(2)</sup>	2Q 2014	6M 2013 <sup>(2)</sup>	6M 2014	FY 2013 <sup>(1,2)</sup>	LTM June 2014 <sup>(1,2)</sup>
Adjusted net income/(loss) (+)	217.9	235.2	377.1	392.5	617.3	632.7
Net income attributable to non-controlling interest (+)	1.5	1.7	2.9	3.3	4.2	4.6
Adjusted provision for income taxes (+)	123.2	133.3	213.6	222.7	343.9	353.0
Other (income)/expense (+)	28.1	26.0	51.9	47.8	99.3	95.2
Depreciation and amortization	92.0	92.0	182.6	181.7	366.6	365.7

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