



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

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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, 2017*

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

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Independent director

<b>Human Resources Committee</b>	Andrea Zappia (President)
	Marina Brogi
	Mario Notari

<b>Internal Control Committee</b>	Elisabetta Magistretti (Chairperson)
	Luciano Santel
	Cristina Scocchia

**Board of Statutory Auditors**

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

<b>Regular Auditors</b>	Francesco Vella (Chairman)
	Alberto Giussani
	Barbara Tadolini

<b>Alternate Auditors</b>	Maria Venturini
	Roberto Miccù

<b>Officer Responsible for Preparing the Company's Financial Reports</b>	Stefano Grassi
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<b>Auditing Firm</b>	<b>PricewaterhouseCoopers SpA</b>
<i>Until approval of the financial statements as of and for the year ending December 31, 2020</i>	

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

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

**Capital Stock € 29,007,115.98**

authorized and issued

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

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

**1. OPERATING PERFORMANCE FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2015**

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

Net sales increased from Euro 5,785.3 million in the first nine months of 2014 to Euro 6,821.7 million in the first nine months of 2015 (+17.9 percent at current exchange rates and +5.0 percent at constant exchange rates<sup>(1)</sup>). Adjusted net sales<sup>(2)</sup> increased to Euro 6,951.7 million in the first nine months of 2015 (+19.7 percent at current exchange rates and +6.4 percent at constant exchange rates<sup>(1)</sup>). Adjusted net sales were impacted, starting from July 1, 2014, by the modification of an EyeMed reinsurance agreement with an existing underwriter whereby the Company assumes less reinsurance revenues and less claims expense. The impact of this contract for the nine-month periods ended September 30, 2015 and 2014 is a reduction in net sales with a corresponding reduction in cost of sales of Euro 130.0 million and Euro 22.7 million, respectively (the "EyeMed Adjustment").

Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA")<sup>(3)</sup> in the first nine months of 2015 increased by 26.1 percent to Euro 1,548.5 million from Euro 1,227.6 in the first nine months of 2014.

Adjusted Earnings before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA")<sup>(3)</sup>, which in 2015 excludes Oakley's integration and other minor projects costs and in 2014 excludes the non-recurring expenses related to the termination of the former Group CEO, in the first nine months of 2015 increased by Euro 340.0 million or 27.4 percent, to Euro 1,582.6 million from Euro 1,242.6 in the first nine months of 2014.

Operating income for the first nine months of 2015 increased by 26.2 percent to Euro 1,196.2 million from Euro 947.5 million during the same period of the previous year. The Group's operating margin continued to grow, rising from 16.4 percent in 2014 to 17.5 percent in 2015.

Adjusted operating income<sup>(4)</sup> for the first nine months of 2015 increased by 27.8 percent to Euro 1,230.3 million compared to adjusted operating income<sup>(4)</sup> for the same period in 2014 of Euro 962.5 million. The Group's adjusted operating margin<sup>(5)</sup> continued to grow, rising from 16.6 percent in 2014 to 17.7 percent in 2015.

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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 nine-month period ended September 30, 2014. Please refer to Attachment 1 for further details on exchange rates.

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

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

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

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

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In the first nine months of 2015, net income attributable to Luxottica Stockholders increased by 27.0 percent to Euro 704.8 million from Euro 555.0 million in the same period of 2014. Earnings per share ("EPS") was Euro 1.47.

In the first nine months of 2015, adjusted net income attributable to Luxottica Stockholders<sup>(6)</sup> increased by 29.7 percent to Euro 733.7 million from Euro 565.9 million in the comparable period in 2014. Adjusted earnings per share<sup>(7)</sup> ("Adjusted EPS") was Euro 1.53.

Careful control of our working capital as well as a significant improvement in our operating results lead to strong free cash flow<sup>(8)</sup> generation equal to Euro 695.0 million. Net debt as of September 30, 2015 was Euro 1,050.1 million (Euro 1,012.9 million at the end of 2014), with a ratio of net debt to EBITDA<sup>(9)</sup> of 0.6 (0.7x as of December 31, 2014).

**2. SIGNIFICANT EVENTS DURING THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2015**

*January*

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

*April*

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

*May*

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

On May 19, 2015, the Company announced the grant of free treasury shares to the Group's employees in Italy in honor of the 80th birthday of its Chairman and Founder, Mr. Leonardo Del Vecchio. This share award is a gift from the Founder with an aggregate amount of 119,755 Luxottica Group treasury shares distributed. Delfin S.à.r.l. assumed all costs and expenses of the share grant.

*June*

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

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

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

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

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

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*July*

On July 1, 2015, the Series B Senior Unsecured Notes issued in a private placement by Luxottica U.S. Holdings Corp. on July 1, 2008 matured and were fully repaid in the amount of U.S.\$ 127.0 million.

On July 29, 2015, the Company and Burberry Group announced the renewal of an exclusive license agreement for the development, production and worldwide distribution of sunglasses and prescription frames under the Burberry name. The 10-year agreement will extend to December 31, 2025.

**3. FINANCIAL RESULTS**

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

As a result of our numerous acquisitions and the subsequent expansion of our business activities in the United States through these acquisitions, our results of operations, which are reported in Euro, are susceptible to currency rate fluctuations between the Euro and the U.S. dollar. The Euro/U.S. dollar exchange rate has fluctuated to an average exchange rate of Euro 1.00 = U.S. \$1.1144 in the first nine months of 2015 from Euro 1.00 = U.S. \$1.3549 in the first nine months of 2014. With the acquisition of OPSM and other businesses, our results of operations have been rendered more susceptible to currency fluctuations between the Euro and the Australian Dollar. Additionally, we incur part of our manufacturing costs in Chinese Yuan; therefore, the fluctuation of the Chinese Yuan could impact the demand of our products or our consolidated profitability. Although we engage in certain foreign currency hedging activities to mitigate the impact of these fluctuations, they have impacted our reported revenues and expenses during the periods discussed herein. The Group does not engage in long-term hedging activities to mitigate translation risk. This discussion should be read in conjunction with the risk factor discussion in Section 8 of the Management Report included with the 2014 Consolidated Financial Statements.

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#### RESULTS OF OPERATIONS FOR THE NINE-MONTHS ENDED SEPTEMBER 30, 2015 AND 2014

(Amounts in thousands of Euro)	Nine months ended September 30,			
	2015	% of net sales	2014	% of net sales
<b>Net sales</b>	<b>6,821,688</b>	<b>100%</b>	<b>5,785,282</b>	<b>100.0%</b>
Cost of sales	2,165,220	31.7%	1,955,366	33.8%
<b>Gross profit</b>	<b>4,656,468</b>	<b>68.3%</b>	<b>3,829,916</b>	<b>66.2%</b>
Selling	2,088,281	30.6%	1,710,560	29.6%
Royalties	130,644	1.9%	112,352	1.9%
Advertising	441,294	6.5%	381,202	6.6%
General and administrative	800,099	11.7%	678,260	11.7%
<b>Total operating expenses</b>	<b>3,460,318</b>	<b>50.7%</b>	<b>2,882,375</b>	<b>49.8%</b>
<b>Income from operations</b>	<b>1,196,150</b>	<b>17.5%</b>	<b>947,541</b>	<b>16.4%</b>
<b>Other income/(expense)</b>				
Interest income	7,967	0.1%	8,994	0.2%
Interest expense	(84,347)	(1.2)%	(80,764)	(1.4)%
Other net	531	0.0%	(367)	(0.0)%
<b>Income before provision for income taxes</b>	<b>1,120,301</b>	<b>16.4%</b>	<b>875,405</b>	<b>15.1%</b>
Provision for income taxes	(413,411)	(6.1)%	(316,373)	(5.5)%
<b>Net income</b>	<b>706,891</b>	<b>10.4%</b>	<b>559,031</b>	<b>9.7%</b>
Attributable to				
<b>Luxottica Group stockholders</b>	<b>704,768</b>	<b>10.3%</b>	<b>554,982</b>	<b>9.6%</b>
non-controlling interests	2,123	0.0%	4,049	0.1%
<b>NET INCOME</b>	<b>706,891</b>	<b>10.4%</b>	<b>559,031</b>	<b>9.7%</b>

In order to represent the Group's operating performance on a consistent basis in this Management Report, net sales and operating expenses in 2015 as represented in the Group's Consolidated Financial Statements have been adjusted in the tables below to take into account the following events:

EyeMed Adjustment (as defined above) which is equal to Euro 130.0 million for the nine-month period ended September 30, 2015; and

The Group incurred costs of Euro 34.1 million related to the reorganization of Oakley and for other minor projects for the nine-month period ended September 30, 2015.

Additional adjustments for other periods included in this report are described in the " Non-IFRS Measures" section.

**Net Sales.** Net sales increased by Euro 1,036.4 million, or 17.9% to Euro 6,821.7 million in the first nine months of 2015 from Euro 5,785.3 million in the same period of 2014. Euro 344.5 million and Euro 691.9 million of this increase was attributable to increased sales in the manufacturing and wholesale distribution segment and the retail distribution segment, respectively. Euro 746.8 million of the total increase of Euro 1,036.4 million is due to the strengthening of certain currencies compared to the Euro. Adjusted net sales<sup>(10)</sup> for the nine-month period in

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2015, which include the EyeMed Adjustment of Euro 130.0 million, were Euro 6,951.7 million.

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(10)

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

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

(Amounts in million of Euro)	September 30, 2015	September 30, 2014
<b>Net sales</b>	<b>6,821.7</b>	<b>5,785.3</b>
> EyeMed Adjustment	130.0	22.7
<b>Adjusted net sales</b>	<b>6,951.7</b>	<b>5,808.0</b>

Net sales for the retail distribution segment increased by Euro 691.9 million, or 21.0%, to Euro 3,987.6 million in the first nine months of 2015 from Euro 3,295.8 million in the same period of 2014. The effects from currency fluctuations between the Euro, which is our reporting currency, and the other currencies in which we conduct business, in particular the strengthening of the U.S. dollar and the Australian dollar compared to the Euro, increased net sales in the retail distribution segment by Euro 573.8 million. In addition, the increase in net sales for the period was partially attributable to a 4.5% increase in comparable store<sup>(11)</sup> sales. Adjusted net sales<sup>(10)</sup> of the retail division in the first nine months of 2015, which include the Eyemed Adjustment of Euro 130.0 million, were Euro 4,117.7 million.

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

(Amounts in millions of Euro)	September 30, 2015	September 30, 2014
<b>Net sales retail division</b>	<b>3,987.6</b>	<b>3,295.8</b>
> EyeMed Adjustment	130.0	22.7
<b>Adjusted net sales retail division</b>	<b>4,117.7</b>	<b>3,318.4</b>

Net sales to third parties in the manufacturing and wholesale distribution segment increased in the first nine months of 2015 by Euro 344.5 million, or 13.8%, to Euro 2,834.1 million from Euro 2,489.5 million in the same period of 2014. This increase occurred in most geographic areas in which the Group operates and was impacted by positive currency fluctuations, in particular the strengthening of the U.S. dollar and Australian dollar compared to the Euro, which increased net sales in the wholesale distribution segment by Euro 173.0 million. Additionally, sales increased for most of our proprietary brands, in particular Ray-Ban and Oakley and for certain designer brands including Prada, Polo Ralph Lauren, Armani and Michael Kors.

In the first nine months of 2015, net sales in the retail distribution segment accounted for approximately 58.5% of total net sales, as compared to approximately 57.0% of total net sales in the same period of 2014.

In the first nine months of 2015 and 2014, net sales in our retail distribution segment in the United States and Canada comprised 78.6% and 77.5%, respectively, of our total net sales in this segment. In U.S. dollars, retail net sales in the United States and Canada increased by 1.9% to U.S. \$ 3,525.2 million in the first nine months of 2015 from U.S. \$ 3,458.5 million in the same period of 2014. During the first nine months of 2015, net sales in the retail distribution segment in the rest of the world (excluding the United States and Canada) comprised 21.4% of our total net sales in the retail distribution segment and increased by 14.9% to Euro 854.0 million in the first nine months of 2015 from Euro 743.2 million, or 22.5% of our total net sales in the retail distribution segment, in the same period of 2014, mainly due to positive currency fluctuations.

(11)

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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In the first nine months of 2015, net sales to third parties in our manufacturing and wholesale distribution segment in Europe were Euro 1,105.0 million, comprising 39.0% of our total net sales in this segment, compared to Euro 1,046.0 million, or 42.0% of total net sales in this segment in the same period of 2014, increasing by Euro 59.0 million or 5.6% in 2015 as compared to the same period of 2014. Net sales to third parties in our manufacturing and wholesale distribution segment in the United States and Canada were U.S. \$943.7 million and comprised 29.4% of our total net sales in this segment in the first nine months of 2015, compared to U.S. \$878.8 million, or 26.1% of total net sales in this segment, in the same period of 2014. The increase in net sales in the United States and Canada was primarily due to a general increase in consumer demand. In the first nine months of 2015, net sales to third parties in our manufacturing and wholesale distribution segment in the rest of the world were Euro 895.8 million, comprising 31.6% of our total net sales in this segment, compared to Euro 794.9 million, or 31.9% of our net sales in this segment, in the same period of 2014, with an increase of Euro 100.9 million, or 12.7%, as of September 30 2015 as compared to the same period of 2014.

**Cost of Sales.** Cost of sales increased by Euro 209.9 million, or 10.7%, to Euro 2,165.2 million in the first nine months of 2015 from Euro 1,955.4 million in the same period of 2014. As a percentage of net sales, cost of sales was 31.7% and 33.8% in the first nine months of 2015 and 2014, respectively, with the percentage year-over-year change primarily driven by production efficiencies and the Eyemed Adjustment. In the first nine months of 2015, the average number of frames produced daily in our facilities increased to approximately 354,000 as compared to approximately 295,000 in the same period of 2014. Adjusted cost of sales<sup>(12)</sup> of the retail distribution segment in the first nine months of 2015, which include the EyeMed Adjustment of Euro 130.0 million, was Euro 2,295.2 million.

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

(Amounts in millions of Euro)	September 30, 2015	September 30, 2014
<b>Cost of sales</b>	<b>2,165.2</b>	<b>1,955.4</b>
> Eyemed Adjustment	130.0	22.7
<b>Adjusted cost of sales</b>	<b>2,295.2</b>	<b>1,978.0</b>

**Gross Profit.** Our gross profit increased by Euro 826.6 million, or 21.6%, to Euro 4,656.5 million in the first nine months of 2015 from Euro 3,829.9 million in the same period of 2014. As a percentage of net sales, gross profit increased to 68.3% in the first nine months of 2015 from 66.2% in the same period of 2014.

**Operating Expenses.** Total operating expenses increased by Euro 577.9 million, or 20.1%, to Euro 3,460.3 million in the first nine months of 2015 from Euro 2,882.4 million in the same period of 2014. As a percentage of net sales, operating expenses increased to 50.7% in the first nine months of 2015 from 49.8% in the same period of 2014. The increase is due to (i) the costs incurred for Oakley's integration and other minor projects; and (ii) the overall growth of the Group's business. Adjusted operating expenses<sup>(13)</sup>, excluding for 2015 Oakley's integration and other minor project costs of Euro 34.1 million, and for 2014 the non-recurring expenses of Euro 15.0 million related to the termination of the former Group CEO, increased by Euro 558.8 million to Euro 3,426.2 million. As a percentage of adjusted net sales<sup>(10)</sup>, adjusted operating expenses<sup>(13)</sup> were 49.3% and 49.4% in the first nine months of 2015 and 2014, respectively.

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

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

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Please find the reconciliation between adjusted operating expenses<sup>(13)</sup> and operating expenses in the following table:

(Amounts in millions of Euro)	September 30, 2015	September 30, 2014
<b>Operating expenses</b>	<b>3,460.3</b>	<b>2,882.4</b>
> Adjustment for termination of the former Group CEO		(15.0)
> Oakley's integration and other minor project costs	(34.1)	
<b>Adjusted operating expenses</b>	<b>3,426.2</b>	<b>2,867.4</b>

Selling and advertising expenses (including royalty expenses) increased by Euro 456.1 million, or 20.7%, to Euro 2,660.2 million in the first nine months of 2015 from Euro 2,204.1 million in the same period of 2014. Selling expenses increased by Euro 377.7 million, or 22.1%. Advertising expenses increased by Euro 60.1 million, or 15.8%. Royalties increased by Euro 18.3 million, or 16.3%. As a percentage of net sales selling and advertising expenses were 39.0% and 38.1% in the first nine months of 2015 and 2014, respectively. This increase is mainly due to the strengthening of certain currencies in which the Group operates.

Adjusted selling and advertising expenses<sup>(14)</sup> (including royalty expenses), excluding for 2015 Oakley's integration and other minor project costs of Euro 1.0 million, were Euro 2,659.2 million. As a percentage of adjusted net sales<sup>(10)</sup> adjusted selling and advertising expenses<sup>(14)</sup> were 38.3% and 37.9% in the first nine months of 2015 and 2014, respectively.

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

(Amounts in millions of Euro)	September 30, 2015	September 30, 2014
<b>Selling and advertising expenses</b>	<b>2,660.2</b>	<b>2,204.1</b>
> Oakley's integration and other minor project costs	(1.0)	
<b>Adjusted Selling and advertising expenses</b>	<b>2,659.2</b>	<b>2,204.1</b>

General and administrative expenses, including intangible asset amortization, increased by Euro 121.8 million, or 18.0%, to Euro 800.1 million in the first nine months of 2015, as compared to Euro 678.3 million in the same period of 2014. As a percentage of net sales, general and administrative expenses were 11.7% in the first nine months of 2015, in line with the same period of 2014. The increase is mainly due to the integration costs of Oakley and other minor project costs of Euro 33.1 million, the strengthening of certain currencies in which the Group operates and to the overall growth of the business of the Group.

Adjusted general and administrative expenses<sup>(15)</sup>, including intangible asset amortization and excluding for 2015 Oakley's integration and other minor project costs of Euro 33.1 million and for 2014 the non-recurring expenses of Euro 15.0 million related to the termination of the former Group CEO, were Euro 767.0 million and Euro 663.3 million in the first nine months of 2015 and in 2014, respectively. As a percentage of adjusted net sales<sup>(10)</sup>, adjusted general and administrative expenses<sup>(15)</sup> were 11.0% in the first nine months of 2015 and 2014, respectively.

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

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

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

(Amounts in millions of Euro)	September 30, 2015	September 30, 2014
<b>General and administrative expenses</b>	<b>800.1</b>	<b>678.3</b>
> Adjustment for termination of the former Group CEO		(15.0)
> Oakley's integration and other minor project costs	(33.1)	
<b>Adjusted general and administrative expenses</b>	<b>767.0</b>	<b>663.3</b>

**Income from Operations.** For the reasons described above, income from operations increased by Euro 248.7 million to Euro 1,196.2 million in the first nine months of 2015 from Euro 947.5 million in the same period of 2014. As a percentage of net sales, income from operations increased to 17.5% in 2015 from 16.4% in 2014. Adjusted income from operations<sup>(16)</sup>, excluding for 2015 Oakley's integration costs and the costs of other minor projects of Euro 34.1 million and for 2014 the non-recurring expenses of Euro 15.0 million related to the termination of the former Group CEO, increased by Euro 267.8 million to Euro 1,230.3 million in the first nine months of 2015 from Euro 962.5 million in the same period of 2014. As a percentage of adjusted net sales<sup>(10)</sup>, adjusted income from operations<sup>(16)</sup> was 17.7% and 16.6% in the first nine months of 2015 and 2014, respectively.

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

(Amounts in millions of Euro)	September 30, 2015	September 30, 2014
<b>Income from operations</b>	<b>1,196.2</b>	<b>947.5</b>
> Adjustment for termination of the former Group CEO		15.0
> Oakley's integration and other minor project costs	34.1	
<b>Adjusted Income from operations</b>	<b>1,230.3</b>	<b>962.5</b>

**Other Income (Expense) Net.** Other income (expense) net was Euro (75.8) million in the first nine months of 2015 as compared to Euro (72.1) million in the same period of 2014. Net interest expense was Euro 76.4 million in the first nine months of 2015 as compared to Euro 71.8 million in the same period of 2014. The increase was mainly due to the strengthening of the U.S. dollar against the Euro and cancellation of the revolving credit facility in the amount of Euro 500 million, which resulted in the write-down of approximately Euro 3.9 million of capitalized financing costs.

**Net Income.** Income before taxes increased by Euro 244.9 million, or 28.0% to Euro 1,120.3 million in the first nine months of 2015 from Euro 875.4 million in the same period of 2014. As a percentage of net sales, income before taxes increased to 16.4% in 2015, from 15.1% in 2014.

Our effective tax rate was 36.9% and 36.1% in the first nine months of 2015 and 2014, respectively.

Net income attributable to non-controlling interests was equal to Euro 2.1 million and Euro 4.0 million, in the first nine months of 2015 and 2014, respectively.

Net income attributable to Luxottica Group stockholders increased by Euro 149.8 million, or 27.0% to Euro 704.8 million in the first nine months of 2015 from Euro 555.0 million in the same period of 2014. Net income attributable to Luxottica Group stockholders as a percentage of net sales increased to 10.3% in the first nine months of 2015 from 9.6% in 2014. Adjusted net income attributable to Luxottica Group

(16)

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



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stockholders<sup>(17)</sup>, excluding for 2015 Oakley's integration and other minor project costs of Euro 28.9 million and for 2014 non-recurring expenses of Euro 10.9 million related to the termination of the former Group CEO, increased by Euro 167.8 million to Euro 733.7 million from Euro 565.9 million. As a percentage of adjusted net sales<sup>(10)</sup>, adjusted net income attributable to Luxottica Group stockholders<sup>(17)</sup> was 10.6%.

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

(Amounts in millions of Euro)	September 30, 2015	September 30, 2014
<b>Net income attributable Luxottica Stockholders</b>	<b>704.8</b>	<b>555.0</b>
> Adjustment for termination of the former Group CEO		10.9
> Oakley's integration and other minor project costs	28.9	
<b>Adjusted Net income attributable Luxottica Stockholders</b>	<b>733.7</b>	<b>565.9</b>

Basic earnings per share were Euro 1.47 in the first nine months of 2015 and Euro 1.17 in the same period of 2014. Adjusted basic earnings per share<sup>(18)</sup> was Euro 1.53 in the first nine months of 2015 and Euro 1.19 in the same period of 2014.

### OUR CASH FLOWS

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

(Amounts in thousands of Euro)	As of September 30, 2015	As of September 30, 2014
A) Cash and cash equivalents at the beginning of the period	1,453,587	617,995
B) Net cash provided by operating activities	1,020,438	935,910
C) Cash provided/(used) in investing activities	(371,338)	(311,227)
D) Cash provided/(used) in financing activities	(828,944)	11,069
E) Effect of exchange rate changes on cash and cash equivalents	40,689	44,302
F) Net change in cash and cash equivalents	(139,155)	680,054
<b>G) Cash and cash equivalents at the end of the period</b>	<b>1,314,432</b>	<b>1,298,049</b>

**Operating Activities.** The Company's net cash provided by operating activities in the first nine months of 2015 and 2014 was Euro 1,020.4 million and Euro 935.9 million, respectively.

Depreciation and amortization were Euro 352.4 million in the first nine months of 2015 as compared to Euro 280.0 million in the same period of 2014. The increase is mainly due to the strengthening of certain currencies in which the Groups operates.

(17)

For a further discussion of adjusted net income attributable to Luxottica Stockholders, see page 13 "Non-IFRS Measures."

(18)

For a further discussion of adjusted basic earning per share, see page 13 "Non-IFRS Measures."



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The change in accounts receivable was Euro (99.2) million in the first nine months of 2015 as compared to Euro (79.2) million in the same period of 2014. This change in the first nine months of 2015 as compared to 2014 was primarily due to the higher volume of sales. The change in inventory was Euro (88.2) million in the first nine months of 2015 as compared to Euro 21.9 million in the first nine months of 2014. The increase in inventory in 2015 is aimed at improving the quality of the customer experience by having inventory levels in line with customer demand. The change in accounts payable was Euro 50.6 million in the first nine months of 2015 as compared to Euro 0.3 million in the same period of 2014. The change as compared to previous year was primarily due to the continuous improvement in payment terms and conditions and to the overall growth of the Group's business. The change in other assets and liabilities was Euro (22.3) million in the first nine months of 2015 and Euro (37.5) million in the first nine months of 2014, respectively. The change in the first nine months of 2015 as compared to the same period of 2014 was primarily due to the timing of payments of salaries to store personnel in the retail division in North America. Income taxes paid in the first nine months of 2015 were Euro (349.7) million as compared to Euro (183.8) million in the same period of 2014. The increase in income taxes paid in the first nine months of 2015 was due to the Italian entities of the Group and, in particular, 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 (80.6) million as compared to Euro (62.0) million in the first nine months of 2015 and 2014, respectively. The increase is mainly due to interest accruing on bonds that were issued by the Group during the first nine months of 2014 with payments being made with respect to these securities for the first time in the first nine months of 2015.

**Investing Activities.** The Company's net cash used in investing activities was Euro (371.3) million and Euro (311.2) million in the first nine months of 2015 and 2014, respectively. The primary investment activities in the first nine months of 2015 were related to (i) the purchase of tangible assets for Euro (239.6) million, (ii) the acquisition of intangible assets for Euro (113.8) million and (iii) the acquisition of the remaining 49% of Luxottica Netherlands for Euro (19.0) million. The primary investment activities in the first nine months of 2014 were related to (i) the purchase of tangible assets for Euro (177.3) million, (ii) the acquisition of intangible assets for Euro (94.6) million and (iii) Euro (29.5) million related to the acquisition of glasses.com and other minor acquisitions related to the Retail segment for Euro (9.9) million.

**Financing Activities.** The Company's net cash provided by/(used in) financing activities was Euro (828.9) million and Euro 11.1 million in the first nine months of 2015 and 2014, respectively. Cash used in financing activities in the first nine months of 2015 consisted (i) primarily of (689.7) million related to the payment of dividends to the Company's shareholders and (ii) of Euro (138.4) million related to the payment of existing debt. Cash generated in the first nine months of 2014 was due to (i) Euro 500 million related to the issuance of bonds and (ii) Euro 55.5 million related to the exercise of stock options. This was offset in 2014 by (i) Euro (318.3) million related to the payment of existing debt and (ii) Euro (308.3) million used to pay dividends to the shareholders of the Company.

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

ASSETS (Amounts in thousands of Euro)	September 30, 2015	December 31, 2014
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	1,314,432	1,453,587
Accounts receivable net	837,618	754,306
Inventories net	822,849	728,404
Other assets	192,714	231,397
<b>Total current assets</b>	<b>3,167,614</b>	<b>3,167,695</b>
<b>NON-CURRENT ASSETS:</b>		
Property, plant and equipment net	1,372,162	1,317,617
Goodwill	3,489,986	3,351,263
Intangible assets net	1,410,001	1,384,501
Investments	62,269	61,176
Other assets	107,670	123,848
Deferred tax assets	195,949	188,199
<b>Total non-current assets</b>	<b>6,638,037</b>	<b>6,426,603</b>
<b>TOTAL ASSETS</b>	<b>9,805,650</b>	<b>9,594,297</b>

LIABILITIES AND STOCKHOLDERS' EQUITY	September 30, 2015	December 31, 2014
<b>CURRENT LIABILITIES:</b>		
Short term borrowings	110,663	151,303
Current portion of long-term debt	554,557	626,788
Accounts payable	784,671	744,272
Income taxes payable	174,685	42,603
Short term provisions for risks and other charges	127,318	187,719
Other liabilities	616,057	636,055
<b>Total current liabilities</b>	<b>2,367,951</b>	<b>2,388,740</b>
<b>NON-CURRENT LIABILITIES:</b>		
Long-term debt	1,699,265	1,688,415
Employee benefits	145,923	138,475
Deferred tax liabilities	254,175	266,896
Long term provisions for risks and other charges	91,240	99,223
Other liabilities	89,578	83,770
<b>Total non-current liabilities</b>	<b>2,280,182</b>	<b>2,276,778</b>
<b>STOCKHOLDERS' EQUITY:</b>		
Luxottica Group stockholders' equity	5,153,171	4,921,479
Non-controlling interests	4,347	7,300
<b>Total stockholders' equity</b>	<b>5,157,519</b>	<b>4,928,779</b>

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<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>9,805,650</b>	<b>9,594,297</b>
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As of September 30, 2015, total assets increased by Euro 211.4 million to Euro 9,805.7 million, compared to Euro 9,594.3 million as of December 31, 2014.

In the first nine months of 2015, non-current assets increased by Euro 211.4 million, mainly due to an increase in intangible assets (including goodwill) of Euro 164.2 million, an increase in property, plant and

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equipment of Euro 54.5 million and an increase in deferred tax assets of Euro 7.7 million and it is partially offset by the decrease in other assets of Euro (16.2) million.

The increase in intangible assets was due to the positive effects of foreign currency fluctuations of Euro 210.1 million and to the additions in the period of Euro 107.3 million which were partially offset by amortization in the period of Euro 151.0 million.

The increase in property, plant and equipment was due to the positive currency fluctuation effects of Euro 46.3 million as of September 30, 2015 compared to December 31, 2014, to the additions in the period of Euro 225.4 million and partially offset by depreciation in the period of Euro 201.4 million.

As of September 30, 2015 as compared to December 31, 2014:

Accounts receivable increased by Euro 83.3 million, primarily due to (i) the increase in net sales during the first nine months of 2015 and (ii) the seasonality of the Group's business which is generally characterized by higher sales in the first part of the year and collection of the related receivables in the second part of the year;

Inventories increased by Euro 94.4 million which is aimed at improving the quality of the customer experience by having at any time inventory levels in line with customer demand;

Accounts payable increased by Euro 40.4 million, primarily due to the increase in volumes in the first nine months of 2015 and to the strengthening of certain currencies in which the Group operates;

Current taxes payable increased by Euro 132.1 million due to the timing of tax payments made by the Group in various jurisdictions; and

Employee benefits increased by Euro 7.4 million which was primarily due to the strengthening of the US Dollar compared to the Euro during the first nine months of 2015.

Our net financial position as of September 30, 2015 and December 31, 2014 was as follows:

(Amounts in thousands of Euro)	September 30, 2015	December 31, 2014
Cash and cash equivalents	1,314,432	1,453,587
Bank overdrafts	(110,663)	(151,303)
Current portion of long-term debt	(554,557)	(626,788)
Long-term debt	(1,699,265)	(1,688,415)
<b>Total net financial position</b>	<b>(1,050,054)</b>	<b>(1,012,918)</b>

Bank overdrafts consist of the utilized portion of short-term uncommitted revolving credit lines borrowed by various subsidiaries of the Group. The interest rate applied to these credit lines depends on the currency and is usually floating.

As of September 30, 2015, Luxottica together with our wholly-owned Italian subsidiaries had credit lines aggregating Euro 246.3 million. The interest rate is a floating rate of EURIBOR plus a margin on average of approximately 137 basis points. At September 30, 2015, Euro 0.6 million was utilized under these credit lines.

As of September 30, 2015, our wholly-owned subsidiary Luxottica U.S. Holdings Corp. maintained unsecured lines of credit with an aggregate maximum availability of Euro 116.0 million (USD 130.0 million converted at the applicable exchange rate for the period ended September 30, 2015). The interest is at a floating rate of approximately LIBOR plus 50 basis points. At September 30, 2015, these credit lines

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were not utilized but Euro 43.8 million in aggregate face amount of standby letters of credit were outstanding as of period end.

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**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. These transactions are managed as arms-length market transactions. For further details regarding related party transactions, please refer to Note 29 of the Notes to the Consolidated Financial Statements as of September 30, 2015.

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.

**5. SUBSEQUENT EVENTS**

For further details regarding any subsequent events, please refer to Note 35 to the Condensed Consolidated Financial Statements as of September 30, 2015.

**6. 2015 OUTLOOK**

The financial results reported for the first nine months of 2015 lead management to an optimistic outlook for the full fiscal year primarily driven by the strong performance of the Group's brand portfolio.

**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.

In the first nine months of 2015, we made adjustments to the following measures: net sales, cost of sales, selling expenses, general and administrative expenses, EBITDA, operating income, net income, income taxes and earnings per share. We adjusted the above items for the modification of the EyeMed reinsurance agreement referenced above (the "EyeMed Adjustment") with an impact for the nine-month period ended September 30, 2015 equal to Euro 130.0 million and for Oakley integration costs and other minor project costs of Euro 34.1 million (Euro 28.9 million net of tax).

In the first nine months of 2014, we made adjustments to the following measures: net sales, cost of sales, general and administrative expenses, EBITDA, operating income, net income, income taxes and earnings per share. We adjusted the above items for the EyeMed Adjustment for the nine-month period ended September 30, 2014 equal to Euro 22.7 million and for non-recurring expenses related to the termination of the former Group CEO for Euro 15.0 million (Euro 10.9 million net of taxes).

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

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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 flow 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. For a reconciliation of EBITDA to its most directly comparable IFRS measure, see the pages following the tables below (Amounts in millions of Euro):

#### *Luxottica Group*

	Net sales	Cost of Sales	9M 2015 EBITDA	Operating Income	Net Income	Base EPS
<b>Reported</b>	<b>6,821.7</b>	<b>(2,165.2)</b>	<b>1,548.5</b>	<b>1,196.2</b>	<b>704.8</b>	<b>1.47</b>
> EyeMed Adjustment	130.0	(130.0)				
> Oakley's integration and other minor project costs			34.1	34.1	28.9	0.06
<b>Adjusted</b>	<b>6,951.7</b>	<b>(2,295.3)</b>	<b>1,582.6</b>	<b>1,230.3</b>	<b>733.7</b>	<b>1.53</b>

#### *Luxottica Group*

	Net sales	Cost of Sales	9M 2014 EBITDA	Operating Income	Net Income	Base EPS
<b>Reported</b>	<b>5,785.3</b>	<b>(1,955.4)</b>	<b>1,227.6</b>	<b>947.5</b>	<b>555.0</b>	<b>1.17</b>
> EyeMed Adjustment	22.7	(22.7)				
> Termination of the former Group CEO			15.0	15.0	10.9	0.02
<b>Adjusted</b>	<b>5,808.0</b>	<b>(1,978.0)</b>	<b>1,242.6</b>	<b>962.5</b>	<b>565.9</b>	<b>1.19</b>

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### *EBITDA and EBITDA margin*

EBITDA represents net income attributable to Luxottica Group stockholders, before non-controlling interests, 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.

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EBITDA and EBITDA margin 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 Group. For additional information on the Group's non-IFRS measures used in this report, see "NON-IFRS MEASURES *Adjusted Measures*" set forth above.

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.

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

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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-IFRS Measure: EBITDA and EBITDA margin**

Millions of Euro	9M 2014	9M 2015	FY 2014	LTM September 30, 2015
Net income/(loss) (+)	555.0	704.8	642.6	792.4
Net income attributable to non-controlling interest (+)	4.0	2.1	3.4	1.5
Provision for income taxes (+)	316.4	413.4	414.1	511.1
Other (income)/expense (+)	72.1	75.8	97.5	101.2
Depreciation and amortization (+)	280.0	352.4	384.0	456.3
EBITDA (=)	1,227.6	1,548.5	1,541.6	1,862.6
Net sales (/)	5,785.3	6,821.7	7,652.3	8,688.7
EBITDA margin (=)	21.2%	22.7%	20.1%	21.4%

#### **Non-IFRS Measure: Adjusted EBITDA and Adjusted EBITDA margin**

Millions of Euro	9M 2014 <sup>(1,3)</sup>	9M 2015 <sup>(1,4)</sup>	FY 2014 <sup>(1,2,3)</sup>	LTM September 30, 2015 <sup>(1,2,3,4)</sup>
Adjusted net income/(loss) (+)	565.9	733.7	687.4	855.2
Net income attributable to non-controlling interest (+)	4.0	2.1	3.4	1.5
Adjusted provision for income taxes (+)	320.5	418.6	389.2	487.3
Other (income)/expense (+)	72.1	75.8	97.5	101.2
Depreciation and amortization (+)	280.0	352.4	384.0	456.3
Adjusted EBITDA				