Verdant Technology CORP
Form 10-Q
November 17, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

ü **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended: **March 31, 2005**

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from: _____________ to _____________

Commission File Number: **000-50993**

Verdant Technology Corporation

(Exact name of registrant as specified in its charter)

Delaware	**20-1680252**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

Two Allen Center, 1200 Smith Street, Suite 1600, Houston, Texas 77002

(Address of Principal Executive Office) (Zip Code)

(713) 546-9000

(*Registrant s telephone number, including area code)*

Securities registered under Section 12(g) of the Exchange Act: **Common Stock, $0.001 par value**

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

Yes ü No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Securities Exchange Act of 1934.

Large accelerated filer		Accelerated filer	
Non-accelerated filer		Smaller reporting company	ü

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Secuirities Exchange Act of 1934). Yes ü No

The number of shares outstanding of Common Stock, $0.001 par value at **November 17, 2008** was **67,502,887.**

DOCUMENTS INCORPORATED BY REFERENCE

None

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PART II - OTHER INFORMATION

Definitions

Acronyms and defined terms used in this text include the following:

APB

Accounting Principles Board

ARB

Accounting Review Board

Aureus

Aureus, LLC, a Florida limited liability company (formerly Packet Solutions LLC)

EITF

Emerging Issues Task Force

EnviroTank

EnviroTank International, LLC, a Louisiana limited liability company and a wholly owned subsidiary (as of May 18, 2006)

EnviroTank

Technology

A crude oil recovery unit/tank cleaning system, designed to deal with the problem of sludge buildup on the bottom of crude oil storage tanks.

FASB

Financial Accounting Standards Board

FSP

FASB Staff Position

JSW

Jewett, Schwartz, Wolfe & Associates

Legkow Technology

A concept utilizing surfactants and emulsions in the treatment and processing of crude oil, waste oils and oil slops

QTR 2005

the three months ended March 31, 2005

SAB

Staff Accounting Bulletin

SEC

Securities Exchange Commission

SFAS or FAS

Statement of Financial Accounting Standards

SynChem

SynChem Technologies, LLC, a Florida limited liability company, licensors of the V003 Technology and a wholly owned subsidiary (as of June 16, 2006)

V003 Technology

A 100% biodegradable, non-toxic, non-corrosive, proprietary compound that removes paraffin and asphaltene blockage at the well site

Verdant, VTC or

Company

Verdant Technology Corporation, Delaware corporation

Verdant, Inc.

Verdant, Inc. an affiliate through common ownership and directors

Forward-Looking Statements

Certain sections of this Quarterly Report discuss matters that are not historical facts, but expressions of management s expectations, estimates, projections and assumptions, are forward-looking statements. Words such as expects, intends, anticipates, plans, believes, scheduled, estimates and variations of these words and similar expressions are inter identify forward-looking statements, which include but are not limited to projections of revenues, plans, projections, earnings, product performance, cash flows, contracts, potential market, commercial viability of our technology, production and investment returns. These statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. Therefore, actual future results and trends may differ materially from what is forecast in forward-looking statements due to a variety of factors, including, without limitation:

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General U.S. and international political and economic conditions;

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Changing priorities in the regulatory environment;

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The ability of the Company to secure contracts for its products and services;

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The ability to protect our proprietary technology; and

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The ability to raise sufficient capital to successfully commercialize our technology.

All forward-looking statements speak only as of the date of this report. All subsequent written and oral forward-looking statements attributable to the company or any person acting on the company s behalf are qualified by the cautionary statements in this section. The Company does not undertake any obligation to update or publicly release any revisions to forward-looking statements to reflect events, circumstances or changes in expectations after the date of this report.

PART I FINANCIAL INFORMATION

General

The accompanying condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q. Therefore, they do not include all information and footnotes necessary for a complete presentation of financial position, results of operations, cash flow, and stockholders deficit in conformity with generally accepted accounting principles in the United States of America. Except as disclosed herein, there has been no material change in the information disclosed in the notes to the consolidated financial statements included in the Company s annual report on Form 10-KSB for the year ended December 31, 2004. In the opinion of management, all adjustments considered necessary for a fair presentation of the results of operations and financial position have been included and all such adjustments are of a normal recurring nature. Operating results for the quarter ended March 31, 2005 are not necessarily indicative of the results that can be expected for the year ended December 31, 2004 or December 31, 2008

ITEM 1.

FINANCIAL STATEMENTS.

VERDANT TECHNOLOGY CORPORATION

(FKA HeartSTAT Technology, Inc.)

BALANCE SHEETS

ASSETS		March 31, 2005 (Unaudited)		December 31, 2004 (Audited)
CURRENT ASSETS				
Cash	$		$	
Prepaid Expenses				1,517
TOTAL CURRENT ASSETS				1,517
PROPERTY AND EQUIPMENT, NET				
TOTAL ASSETS	$		$	1,517
LIABILITIES AND SHAREHOLDERS' DEFICIENCY				
CURRENT LIABILITIES				
Accounts Payable and Accrued Expenses	$	22,797	$	10,954
Accrued Interest - Related Parties		12,996		8,815
Other Payables - Related Parties		11,095		7,500
TOTAL CURRENT LIABILITIES		46,888		27,269
LONG TERM NOTES PAYABLE - RELATED PARTIES		209,066		209,066
TOTAL LIABILITIES		255,954		236,335
COMMITMENTS AND CONTINGENCIES				
SHAREHOLDERS' DEFICIENCY				
Common Stock, $.001 par value:				

Authorized 80,000,000 shares; issued and outstanding,				
48,402,887 shares (2005) and (2004)		48,403		48,403
Additional Paid In Capital				
Accumulated Deficit		(304,357)		(283,221)
TOTAL SHAREHOLDERS' DEFICIENCY		(255,954)		(234,818)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY	$		$	1,517

The accompanying notes are an integral part of these financial statements

VERDANT TECHNOLOGY CORPORATION

(FKA HeartSTAT Technology, Inc.)

STATEMENTS of OPERATIONS (Unaudited)

	Three Months Ended March 31, 2005	Three Months Ended March 31, 2004
REVENUES	$	$
COST OF SALES		
GROSS PROFIT		
OPERATING EXPENSES		
General and Administrative	3,481	7,263
Consulting R&D Fees		5,000
Corporate Management Fees	15,000	
Legal and Professional Fees	2,655	5,000
TOTAL OPERATING EXPENSES	21,136	17,263
LOSS FROM OPERATIONS	(21,136)	(17,263)
OTHER EXPENSES (INCOME)		
NET LOSS	$ (21,136)	$ (17,263)
Basic and Fully Diluted Net Loss Per Share	$ (0.00)	$ (0.00)
Weighted Average Shares Outstanding	48,402,887	15,831,458

The accompanying notes are an integral part of these financial statements

VERDANT TECHNOLOGY CORPORATION

(FKA HeartSTAT Technology, Inc.)

STATEMENTS of SHAREHOLDERS' DEFICIENCY
For the Three Months Ended March 31, 2005 and For the Year Ended December 31, 2004

	Common Stock			Additional Paid In		Accumulated		Total Stockholders'
	#		$	Capital		Deficit		Deficiency
Balances, December 31, 2003	10,402,887	$	10,403	$	$	(52,403)	$	(42,000)
Common stock transactions:								
Shares issued for acquisition of goodwill	38,000,000		38,000					38,000
Net loss for Q1 2004						(17,263)		(17,263)
Net loss for Q2 2004						(41,074)		(41,074)
Net loss for Q3 2004						(58,810)		(58,810)
Net loss for Q4 2004						(113,671)		(113,671)
Balances, December 31, 2004	48,402,887		48,403			(283,221)		(234,818)
Net loss for Q1 2005						(21,136)		(21,136)
Balances, March 31, 2005 (Unaudited)	48,402,887	$	48,403	$	$	(304,357)	$	(255,954)

The accompanying notes are an integral part of these financial statements

VERDANT TECHNOLOGY CORPORATION

(FKA HeartSTAT Technology, Inc.)

STATEMENTS of CASH FLOW (Unaudited)

For the Three Months Ended

March 31,

2005

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

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(Amounts in thousands of Euro except share data)	As of December 31, 2015	2014	2013	2012	2011
BALANCE SHEET DATA:					
Working Capital[1]	922,209	778,955	535,616	621,882	526,241
Total Assets	9,649,148	9,594,297	8,082,905	8,442,160	8,374,325
Total Debt[2]	1,870,436	2,466,506	2,079,430	2,452,463	2,936,712
Stockholders' Equity	5,412,524	4,921,479	4,142,828	3,981,372	3,612,928
Capital Stock	29,019	28,900	28,653	28,394	28,041
Total Number of Ordinary Shares (thousands)	483,653	481,672	477,561	473,238	467,352

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

(2) The current portion of Total Debt was Euro 155.3 million, Euro 778.1 million, Euro 363.0 million, Euro 400.4 million and Euro 692.1 million for the years ended December 31, 2015, 2014, 2013, 2012 and 2011, respectively.

DIVIDENDS

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

At our ordinary meeting of stockholders held on April 24, 2015, our stockholders approved the distribution of a cash dividend in the amount of Euro 1.44 per ordinary share and ADR. The total amount of the dividend paid to stockholders on May 20, 2015 was Euro 689.7 million. On March 1, 2016, the Board of Directors of the Company proposed to the ordinary meeting of stockholders to be convened on April 29, 2016 the distribution of a cash dividend in the amount of Euro 0.89 per ordinary share and ADR.

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

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

Year	Cash Dividends per Ordinary Share(1)(2)(3)	Translated into U.S. $ per Ordinary Share(4)
	(Euro)	(U.S. $)
2011	0.440	0.622
2012	0.490	0.615
2013	0.580	0.750
2014	0.650	0.888
2015	1.440(5)	1.598

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

(2) Each ADS represents one ordinary share.

(3) Our dividend policy is based upon, among other things, our consolidated net income for each fiscal year, and dividends for a fiscal year are paid in the immediately following fiscal year. The dividends

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reported in the table were declared and paid in the fiscal year for which they have been reported in the table.

(4) Holders of ADSs received their dividends denominated in U.S. dollars based on the conversion rate used by our paying agent, Deutsche Bank Trust Company Americas.

(5) The dividend consisting of an ordinary dividend of Euro 0.72 per ordinary share and an extraordinary dividend of Euro 0.72 per ordinary share was approved by our Board of Directors on March 2, 2015 and was voted upon and approved by our stockholders at the ordinary meeting of stockholders held on April 24, 2015.

EXCHANGE RATE INFORMATION

The following tables set forth, for 2011 through 2015, certain information regarding the Euro foreign exchange reference rate published by the European Central Bank (the "BCE Rate"), which is used by the Company for translating amounts denominated in currencies other than Euro. The information is expressed in U.S. dollars per Euro 1.00:

Year Ended December 31,	Low	High	Average(1)	End of Period
2011	1.2669	1.4882	1.4000	1.2939
2012	1.2053	1.3453	1.2859	1.3194
2013	1.2768	1.3814	1.3308	1.3791
2014	1.2141	1.3953	1.3211	1.2141
2015	1.0552	1.2043	1.1046	1.0887

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

Month	Low	High
October 2015	1.0930	1.1439
November 2015	1.0579	1.1032
December 2015	1.0600	1.0990
January 2016	1.0742	1.0920
February 2016	1.0884	1.1347
March 2016	1.0856	1.1385

On April 8, 2016, the BCE Rate was U.S. $1.1363 per Euro 1.00.

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

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

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RISK FACTORS

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

Risks Relating to Our Industry and General Economic Conditions

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

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

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

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

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

- exposure to local economic and political conditions;
- export and import restrictions;
- currency exchange rate fluctuations and currency controls;
- cash repatriation restrictions;
- application of the Foreign Corrupt Practices Act and similar laws;

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- difficulty in enforcing intellectual property and contract rights;
- disruptions of capital and trading markets;
- accounts receivable collection and longer payment cycles;
- potential hostilities and changes in diplomatic and trade relationships;
- legal or regulatory requirements;
- withholding and other taxes on remittances and other payments by subsidiaries;
- local antitrust and other market abuse provisions;
- investment restrictions or requirements; and
- local content laws requiring that certain products contain a specified minimum percentage of domestically produced components.

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

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

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

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

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

Risks Relating to Our Business and Operations

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

The mid- and premium-price categories of the prescription frame and sunglasses markets in which we compete are particularly vulnerable to changes in fashion trends and consumer preferences. Our historical success is attributable, in part, to our introduction of innovative products which are perceived to represent an improvement over products otherwise available in the market and our ability to develop and defend our brands, especially our Ray-Ban and Oakley proprietary brands. Our future success will depend on our continued ability to develop and introduce such innovative products and continued success in building our brands. If we are unable to continue to do so, our future sales could decline, inventory levels could rise, leading to additional costs for storage and potential write-downs relating to the value of excess inventory, and there could be a negative impact on production costs since fixed costs would represent a larger portion of

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total production costs due to the decline in quantities produced, which could materially adversely affect our results of operations.

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

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

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

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

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

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

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

The industry is also subject to rapidly changing consumer preferences and future sales may suffer if the fashion and consumer products industries do not continue to grow or if consumer preferences shift away from our products. Changes in fashion could also affect the popularity and, therefore, the value of the fashion licenses granted to us by designers. Any event or circumstance resulting in reduced market acceptance of one or more of these designers could reduce our sales and the value of our models from that designer. Unanticipated shifts in consumer preferences may also result in excess inventory and underutilized

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manufacturing capacity. In addition, our success depends, in large part, on our ability to anticipate and react to changing fashion trends in a timely manner. Any sustained failure to identify and respond to such trends could materially adversely affect our business, results of operations and financial condition and may result in the write-down of excess inventory and idle manufacturing facilities.

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

We have entered into license agreements that enable us to manufacture and distribute prescription frames and sunglasses under certain designer names, including *Chanel, Prada, Miu Miu, Dolce & Gabbana, Bvlgari, Tiffany & Co., Versace, Burberry, Ralph Lauren, DKNY, Paul Smith, Brooks Brothers, Tory Burch, Coach*, *Armani, Michael Kors* and *Starck Eyes.* These license agreements typically have terms of between four and ten years and may contain options for renewal for additional periods and require us to make guaranteed and contingent royalty payments to the licensor. We believe that our ability to maintain and negotiate favorable license agreements with leading designers in the fashion and luxury goods industries is essential to the branding of our products and, therefore, material to the success of our business. Accordingly, if we are unable to negotiate and maintain satisfactory license arrangements with leading designers, our growth prospects and financial results could materially suffer from a reduction in sales or an increase in advertising costs and royalty payments to designers. For the years ended December 31, 2015 and 2014, no single license agreement represented greater than 5.0% of total sales.

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

Compliance with European, U.S. and other laws and regulations that apply to our international operations increases our costs of doing business, including cost of compliance, in certain jurisdictions, and such costs may rise in the future as a result of changes in these laws and regulations or in their interpretation or enforcement. This includes, in particular, our manufacturing activities and services provided to us by third parties within our supply chain, which are subject to numerous workplace health and safety laws, environmental laws, labor laws and other similar regulations and restrictions on the sourcing of materials (including with respect to "conflict mineral" zones) that may vary from country to country and are continuously evolving. In certain countries, failure to comply with applicable laws and regulations relating to workplace health and safety protection and environmental matters could result in criminal and/or civil penalties being imposed on responsible individuals and, in certain cases, the Company. In addition, effective starting in 2016, the European Union has put in place new rules and regulations regarding privacy concerns, which impose fines and penalties for non-compliance that are calculated as a percentage of net sales. In certain circumstances, even if no fine or penalty is imposed for our failure to comply with an applicable law or regulation, we may suffer reputational harm if we fail to comply with applicable laws and regulations. We have implemented policies and procedures designed to facilitate our compliance with these laws and regulations, but there can be no assurance that our employees, contractors or agents will not violate such laws and regulations or our policies. Any such violations could individually, or in the aggregate, materially adversely affect our financial condition or operating results.

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

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

We rely on trade secret, unfair competition, trade dress, trademark, patent and copyright laws to protect our rights to certain aspects of our products and services, including product designs, brand names, proprietary manufacturing processes and technologies, product research and concepts and goodwill, all of which we believe are important to the success of our products and services and our competitive position. However, pending trademark or patent applications may not in all instances result in the issuance of a registered trademark or patent, and trademarks or patents granted may not be effective in thwarting competition or be held valid if subsequently challenged. In addition, the actions we take to protect our proprietary rights may be inadequate to prevent imitation of our products and services. Our proprietary information could become known to competitors, and we may not be able to meaningfully protect our rights to proprietary information. Furthermore, other companies may independently develop substantially equivalent or better products or services that do not infringe on our intellectual property rights or could assert rights in, and ownership of, our proprietary rights. Moreover, the laws of certain countries do not protect proprietary rights to the same extent as the laws of the United States or of the member states of the European Union.

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

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

Our sales depend in part on our relationships with the host stores that allow us to operate our retail licensed brands, including Sears Optical and Target Optical and other host relationships including our relationship with

Macy's. Our leases and licenses with Sears Optical are terminable upon short notice. If our relationship with Sears Optical, Target Optical or Macy's were to end, we would suffer a loss of sales and the possible impairment of certain intangible assets. This could have a material adverse effect on our business, results of operations, financial condition and prospects.

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

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

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

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

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

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

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

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

We rely on information technology systems both managed internally and outsourced to third parties across our operations, including for management of our supply chain, point-of-sale processing in our

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

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

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

Leonardo Del Vecchio, our chairman and principal stockholder, controls 61.90% of our voting power and is in a position to affect our ongoing operations, corporate transactions and any matters submitted to a vote of our stockholders, including the election of directors and a change in corporate control.

As of April 8, 2016, Mr. Leonardo Del Vecchio, the Chairman of our Board of Directors, through the company Delfin S.à r.l., has voting rights over 299,423,025 Ordinary Shares, or 61.90% of the issued share capital. See Item 7 "Major Shareholders and Related Party Transactions." As a result, Mr. Del Vecchio has the ability to exert significant influence over our corporate affairs and to control the outcome of virtually all matters submitted to a vote of our stockholders, including the election of our directors, the amendment of our Articles of Association or By-laws, and the approval of mergers, consolidations and other significant corporate transactions.

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

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

In October 2014, we announced the introduction of a management structure based on a co-CEO model, pursuant to which two co-chief executive officers are appointed to manage the principal executive officer responsibilities of the Group, with one chief executive officer focused on Markets and the other focused on Product and Operations. The co-CEO leadership structure allocates distinct yet complementary responsibilities between the two co-chief executive officers and is designed to promote

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stronger management of the Group, which has rapidly increased in size, complexity and global presence in recent years. In January 2016, our Board of Directors approved the assignment of executive responsibility for Markets, a role formerly held by Mr. Adil Mehboob-Khan, to Mr. Leonardo Del Vecchio, the Company's Chairman of the Board and majority shareholder, as Executive Chairman. Mr. Massimo Vian continues in his role of CEO for Product and Operations. If the new model proves ineffective, there may be delays in the implementation of the Group's strategic plans and reductions or slowdowns of our future growth and profitability.

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

Our annual report on Form 20-F includes a report from our management relating to its evaluation of our internal control over financial reporting, as required under Section 404 of the U.S. Sarbanes-Oxley Act of 2002, as amended. There are inherent limitations on the effectiveness of internal controls, including collusion, management override and failure of human judgment. In addition, control procedures are designed to reduce, rather than eliminate, business risks. Notwithstanding the systems and procedures we have implemented to comply with these requirements, we may uncover circumstances that we determine to be material weaknesses, or that otherwise result in disclosable conditions. Any identified material weaknesses in our internal control structure may involve significant effort and expense to remediate, and any disclosure of such material weaknesses or other conditions requiring disclosure may result in a negative market reaction to our securities.

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

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

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

Financial Risks

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

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

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

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

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

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

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

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

ITEM 4. INFORMATION ON THE COMPANY

OVERVIEW

We are a market leader in the design, manufacture and distribution of fashion, luxury, sport and performance eyewear. Due to the strong growth experienced throughout 2015, our total net sales reached over Euro 8.8 billion, net income attributable to Luxottica stockholders was Euro 804 million and headcount as of year-end was 78,930 employees. We operate in two segments: (i) manufacturing and wholesale distribution; and (ii) retail distribution. See Item 18 "Financial Statements" for additional disclosures about our operating segments. Founded in 1961 by Leonardo Del Vecchio and listed on the New York Stock Exchange since 1990 and Borsa Italiana since 2000, we are a vertically integrated organization whose manufacturing of sun and prescription eyewear is backed by a wide-reaching wholesale organization and a retail distribution network, located primarily in North America, Latin America and Asia-Pacific.

Product design, development and manufacturing take place in six production facilities in Italy, three factories in China, one in Brazil and one in the United States devoted to sports and performance eyewear. We also have a small plant in India serving the local market. In 2015, our worldwide production reached approximately 93 million units.

The design and quality of our products and our strong and well-balanced brand portfolio are recognized throughout the world. Proprietary brands include Ray-Ban, one of the world's best-known eyewear brands, Oakley, Vogue Eyewear, Persol, Oliver Peoples, Alain Mikli and Arnette. Licensed brands include Giorgio Armani, Bvlgari, Burberry, Chanel, Coach, Dolce&Gabbana, DKNY, Michael Kors, Miu Miu, Paul Smith, Prada, Ralph Lauren, Starck Eyes, Tiffany & Co., Tory Burch and Versace.

Our wholesale distribution network covers more than 150 countries across five continents and has more than 50 commercial subsidiaries providing direct operations in key markets.

Our direct wholesale operations are complemented by an extensive retail network comprised of over 7,200 stores worldwide as of December 31, 2015. We are a leader in the prescription business in North America with our LensCrafters and Pearle Vision retail brands, in Australia and New Zealand with

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our OPSM and Laubman & Pank brands, in China with our LensCrafters brand and in Latin America with our GMO brand. In North America, we also operate our retail licensed brands, Sears Optical and Target Optical. Additionally, we operate one of the largest managed vision care networks in the United States, through EyeMed and the second largest lens finishing network, with three central laboratories, over 900 on-site labs at LensCrafters stores, a fully dedicated Oakley lab and an additional facility based in China.

Luxottica is home to Sunglass Hut, the largest retailer of premium sunglasses with a global footprint in North America, Latin America, Asia-Pacific, South Africa, Europe and the Middle East. Retail brands including Oliver Peoples, ILORI and The Optical Shop of Aspen give Luxottica a foothold in the luxury space.

The Oakley brand provides a powerful wholesale and retail presence in both the performance optics and sport channels with its "O" stores, offering Oakley-branded eyewear as well as apparel, footwear, backpacks and accessories designed for athletic lifestyles.

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

In 2015, 44.2% of total sales of frames and lenses in Euros related to prescription eyewear and 55.8% related to sunglasses.

Our capital expenditures for our continuing operations were Euro 513.6 million for the year ended December 31, 2015 and Euro 99.9 million for the three-month period ended March 31, 2016. We expect 2016 aggregate capital expenditures to exceed 6.0% of the Group's net sales, excluding any additional investments for business acquisitions. The most significant investments planned are the remodeling of existing stores, the opening of new stores, the upgrade and expansion of our manufacturing and distribution facilities, including in Atlanta (U.S.) and Dongguan (China), as well as enhancement of our IT infrastructure. We expect to fund these future capital expenditures through cash flow generation primarily due to our operating leverage as well as working capital efficiencies. For a description of capital expenditures for the previous three years, see Item 5 "Operating and Financial Review and Prospects Liquidity and Capital Resources Cash Flows Investing Activities."

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

HISTORY

Incorporation

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

Expansion in Wholesale Distribution

In the early 1970s, we sold our frames exclusively through independent distributors. In 1974, after five years of sustained development of our manufacturing capacity, we started to pursue a strategy of vertical integration, with the goal of distributing frames directly to retailers. Our first step was the

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acquisition of Scarrone S.p.A., which had marketed our products since 1971, bringing with it a vital knowledge of the Italian eyewear market.

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

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

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

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

Moreover, in 1999 we acquired Ray-Ban, one of the world's best-known sunglasses brands along with its crystal sun lens technology.

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

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

Financial Markets

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

Retail Distribution

In 1995, we acquired The United States Shoe Corporation, which owned LensCrafters, one of North America's largest optical retail chains.

We became the world's first significant eyewear manufacturer to enter the retail market, maximizing synergies with our production and wholesale distribution and increasing penetration of our products through LensCrafters stores.

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

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expansion in Latin America by completing the acquisition of Multiópticas Internacional S.L. ("GMO" or "Multiópticas Internacional"), a leading retailer in Chile, Peru, Ecuador and Colombia.

DESIGN AND PRODUCT DEVELOPMENT

Emphasis on product design and the continuous development of new styles are key to Luxottica's success. During 2015, we added approximately 2,000 new styles to our eyewear collections. Each style is typically produced in two sizes and five colors.

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

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

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

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

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

Next comes the quality certification of the new model samples. After the samples are subjected to a sequence of tests to verify the quality of the engineering, a preliminary batch using certified tooling is produced in a pilot facility that closely resembles the plant chosen to produce the final product for consumers.

By using a launch calendar that focuses on customer and geographic demand, the engineering department has been able to shorten product development timelines in recent years.

Innovation is Luxottica's founding principle. From new materials research and product development to manufacturing, distribution and digital platforms, innovation can be found in every corner of the Company. While wearable technology is in its early stages, Luxottica has taken a leading role in exploring and developing smart eyewear through partnerships with Google and Intel. In January 2016, Luxottica and Intel introduced "Radar Pace," Oakley branded smart glasses with a voice-activated real time coaching system to improve the work-out experience and performance for runners and cyclists.

BRAND PORTFOLIO

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

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

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20 licensed brands, including some of the most well-known and prestigious names in the global fashion and luxury industries.

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

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

	Year Ended December 31,				
	2015	2014	2013	2012	2011
Designer brands	32.4%	30.6%	31.4%	29.7%	30.5%
Proprietary brands	67.6%	69.4%	68.6%	70.3%	69.5%

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

	Year Ended December 31,				
	2015	2014	2013	2012	2011
Prescription frames and lenses	44.2%	44.3%	46.1%	47.3%	46.3%
Sunglasses	55.8%	55.7%	53.9%	52.7%	53.7%

Proprietary Brands

In 2015, proprietary brands accounted for approximately 68% of total sales of frames. Ray-Ban and Oakley, the two largest eyewear brands in our portfolio based on sales, accounted for 26.8% and 11.3%, respectively, of the Group's 2015 net sales.

Ray-Ban

Timeless style, authenticity and freedom of expression are the core values of Ray-Ban, a leader in sun and prescription eyewear for generations. From its debut in 1937 with the now iconic Aviator created for the American Air Force until today, Ray-Ban has maintained a unique cultural relevance and has become a symbol of "cool", worn by celebrities and public figures all over the world.

Oakley

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

Arnette

Founded in 1992 and acquired by Luxottica in 1999, Arnette is an active lifestyle eyewear brand that appeals to young and "forever young" consumers with an easy going style. Key traits of Arnette are

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functional affordable quality designed for everyday use and an authentic love for popular freestyle action sports like surf and skate.

Vogue Eyewear

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

Persol

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

Oliver Peoples

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

Alain Mikli

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

Eye Safety Systems ("ESS")

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

Luxottica

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

Sferoflex

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

Licensed Brands

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

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Prada is the most significant license in our portfolio as measured by total sales. In 2015, sales realized through the Prada, Prada Linea Rossa and Miu Miu brand names together represented approximately 4% of total Group sales.

Armani Group

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

Giorgio Armani

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

Emporio Armani

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

Armani Exchange

A--X Armani Exchange is the youthful label created in 1991 by Giorgio Armani to capture the heritage of the Armani brand through the lens of its young fashion-forward urban spirit. Modern bold shapes in original shades reflect contemporary design with stylish details, and with an accessible price.

Brooks Brothers

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

Bvlgari

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

Burberry

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

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Chanel

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

Coach

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

Dolce&Gabbana

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

DKNY

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

Michael Kors

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

Paul Smith Spectacles

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

Prada Group

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

Prada

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

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

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Miu Miu

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

Ralph Lauren

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

Ralph Lauren

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

Polo Ralph Lauren

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

Ralph

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

Starck Eyes

Starck Eyes joined our portfolio as part of the Alain Mikli acquisition in 2013. Philippe Starck and Alain Mikli pooled their skills to create the Starck Eyes collection in 1996. This line marked a technological revolution: the "Biolink," a screwless hinge modeled after the human clavicle, which allows a full 360-degree movement for increased comfort and durability: Biomechanics in the service of vision.

Tiffany & Co.

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

Tory Burch

Tory Burch is an American attainable luxury lifestyle brand that embodies the unique sense of style of its chairman, CEO and designer, Tory Burch. Launched in 2004 with her now iconic Reva ballet flats and the tunic, the brand has expanded into accessories, apparel and beauty. Known for her bohemian preppy, aesthetic, Tory Burch expanded into eyewear with Luxottica in 2009. Her bold use of color, graphic prints and eclectic detailing are all signatures of the brand.

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Versace

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

MANUFACTURING

Plants and Facilities

In 2015, our manufacturing facilities located in Italy, China, India, the United States and Brazil produced a combined total of approximately 93 million prescription frames and sunglasses. Ongoing research, development and innovation has allowed us to strengthen our manufacturing processes, increase our capacity at each of our facilities and improve the overall quality of our products. Automation is also key in boosting the efficiency of our production.

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

Three manufacturing facilities in China and a small plant in India collectively represent another 45% of our total production output. From 1997 to 2001, we operated the Dongguan plant in China's Guangdong province through our 50%-owned joint venture (Tristar Optical Company Ltd.) with a Japanese partner. In 2001, Luxottica acquired the remaining 50% interest and, in 2006, we further increased manufacturing capacity in China through the construction of a new facility. In 2010, our Tristar facility started producing plastic sun lenses to be paired with frames manufactured in the same location. In 2013, Luxottica integrated a new state-of-the-art plant, primarily dedicated to frame details and decorations.

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

In 2012, we acquired the manufacturing facility in Campinas, Brazil, which produces both plastic and metal frames for the local market. In September 2012, we launched the first locally designed and produced Vogue Eyewear collection for Brazil, followed by select Ray-Ban, Arnette, Oakley and Armani Exchange collections. In 2015, the Campinas plant produced approximately 50% of the eyewear sold by Luxottica in the Brazilian market.

Over the years, we have progressively diversified our technology mix from traditional metal, plastic injection and acetate slabs to include aluminum, wood, die casting, fabrics and LiteForce material. This technology shift has reduced the weight of metal-based frames from 44% of total production output in 2010 to less than 30% in 2015.

The manufacturing process for all frames begins with the creation of precision tooling and molds based on prototypes developed by in-house designers and engineering staff.

Metal Frames

Our manufacturing process for metal frames has approximately 70 different phases, beginning with the production of basic components such as rims, temples and bridges, which are produced through a molding process. These components are then welded together to form frames over numerous stages of

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detailed assembly work. Once assembled, the metal frames are treated with various coatings to improve their resistance and finish, and then prepared for lens fitting and packaging.

Plastic Frames

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

Suppliers

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

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

Although, historically, prices of the raw materials used in our manufacturing process have been stable, in 2015, we continued to utilize a process to hedge the risk of price fluctuations for gold and palladium, in order to minimize the related impact. In November 2014, we entered into a jet fuel commodity swap transaction to hedge the risk of price fluctuations associated with fuel costs incurred in connection with our distribution operations. Regarding other raw materials and components used in our manufacturing process, we negotiate prices directly with our suppliers.

We have continued to build strong relationships with our major strategic suppliers. In 2015, we continued to monitor the risk management initiatives in our purchasing function to identify potential risks (impact and probability) and implemented mitigation plans if not already in place. With most suppliers, we maintain agreements that prohibit disclosure of our proprietary information or technology to third parties. Although our Oakley subsidiary relies on outside suppliers for most of the specific molded components of its glasses and goggles, it generally retains ownership of the molds used in the production of the components. Most of the components used in our products can be obtained from one or more alternative sources within a relatively short period of time, if necessary or desired. In addition, we have strengthened the in-house injection molding capability for sunglass lenses and built new ones utilizing crystal lenses.

Essilor International ("Essilor") is one of the largest suppliers of our global retail operations, accounting for a significant portion of total North America retail lens merchandise purchases and related processing costs in 2015. We have entered into a number of long-term contracts with Essilor governing new products and services and have additional agreements directly with lens casters to ensure that we maintain adequate access to suppliers. Luxottica Retail North America Inc. ("Luxottica Retail N.A.")

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

Luxottica and Essilor have formed a long-term joint venture for the Australian and New Zealand markets. This alliance (which is majority controlled by Essilor) manages Eyebiz Laboratories Pty. Ltd., which provides lens manufacturing, finished lenses, and fitting services for Australia and New Zealand.

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This joint venture invested in a new, state-of-the-art facility in Thailand capable of providing 24-hour production seven days a week.

Quality Control

The satisfaction of wholesale clients and retail consumers is one of Luxottica's primary objectives. At Luxottica, achieving this objective depends on the continuous improvement of every phase of the production and distribution cycles. While increasing production capacity in both developed and emerging countries, we are pursuing a crucial goal: delivering the same "Made in Luxottica" quality everywhere in the world.

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

We manufacture products of the highest quality. Most of the equipment that we use is specially designed and adapted for our manufacturing processes. This facilitates a rapid response to customer demand and observance of strict quality control standards. The teams regularly inspect semi-finished products, verifying the feasibility of prototypes in the design phase, controlling standards in both the product development and production phases, subsequently checking for resistance to wear and tear and reviewing optical properties in relation to type of use. The manufacturing processes and materials used by primary suppliers are also controlled and certified.

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

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

In 2014, our Italian, Chinese and U.S. manufacturing facilities were granted accreditation by the American Association for Laboratory Accreditation (A2LA) for performing ISO 8624 and ISO 12870 tests on eyewear. The A2LA accreditation program provides formal recognition of the technical competence and quality management utilized in performing these specific tests. Every year, we enhance the performance criteria used in our standards tests and introduce new requirements. As a result, the return rate for defective merchandise manufactured by us has remained stable at approximately 1% in 2015.

DISTRIBUTION

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

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Our Principal Markets

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

(Amounts in thousands of Euro)	Year Ended December 31, 2015	2014	2013
European Retail	264,504	211,818	170,000
European Wholesale	1,360,782	1,295,283	1,272,789
North America Retail	4,097,272	3,445,481	3,360,783
North America Wholesale	1,053,906	841,290	763,000
Asia-Pacific Retail	659,554	616,998	618,180
Asia-Pacific Wholesale	518,369	432,910	386,365
Latam Retail(*)	193,798	155,583	146,012
Latam Wholesale(*)	349,185	350,428	324,228
Other Retail	28,904	28,679	26,339
Other Wholesale	310,301	273,847	244,914
Total	8,836,578	7,652,317	7,312,611

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

Logistics

Our distribution system, which serves both the retail and wholesale businesses, is globally integrated and fed by a centralized manufacturing platform. The network linking the logistics and sales centers to the production facilities in Italy, China, the United States and Brazil provides daily monitoring of global sales performance and inventory levels to meet local market demand. This system, comprised of 18 distribution centers with 11 in the Americas, five in Asia-Pacific and two in Europe, is one of the most advanced and efficient in the industry and allows the Group to reduce worldwide logistics lead time year after year.

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

The Sedico hub was opened in 2001 and is one of the most technically advanced in the industry. In 2015, it managed approximately 20,000 orders per day, including eyeglasses and spare parts. Sedico ships approximately 235,000 units daily to customers in Europe, the Middle East, Africa, select U.S. markets and to the Group's distribution centers in the rest of the world, where they are then delivered to local customers. In addition, Sedico manages customized services, such as Ray-Ban Remix, providing direct global deliveries of these products.

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

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The Dongguan hub was opened in 2006 and manages an average of 190,000 units per day. The growth in the Asia-Pacific region has made this hub a strategic part of the Group's distribution network. We continue to invest in ways to improve services and increase capacity in order to create even greater efficiencies in the region.

In 2013, the Group opened a distribution center in Jundiaí, Brazil, close to São Paulo, which offers targeted distribution services to customers and serves the local market.

Wholesale Distribution

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

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

In 2002, we introduced the STARS (Superior Turn Automatic Replenishment System) program within our wholesale segment that leverages our knowledge of local markets and brands to deliver fresh, high-turnover products to customers and maintain optimal inventory levels at each point of sale. Strengthening the partnership between Luxottica and its customers, this program directly manages product selection activities, assortment planning and automatic replenishment of our products in the store, utilizing ad hoc systems, tools and state-of-the-art planning techniques. At the end of 2015, STARS served approximately 6,300 stores in the major European markets, the United States, the Middle East and emerging markets.

Retail Distribution

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

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As of March 31, 2016, our retail business consisted of 6,539 corporate stores and 696 franchised locations as follows:

	North America	Asia-Pacific	China / Hong Kong	Europe	Africa and Middle East	Latam	Total
LensCrafters	926		287				1,213
Pearle Vision	112						112
Sunglass Hut(1)	1,874	302	43	367	137	283	3,006
Oakley retail locations(2)	176	32		10			218
Sears Optical	619						619
Target Optical	389						389
OPSM		308					308
Laubman & Pank		25					25
David Clulow(3)				115			115
GMO(4)						482	482
Oliver Peoples Group(5)	41	9		2			52
Franchised locations(6)	421	202		3	58	12	696