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Alessandra Senici

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Good morning to everyone and welcome to our Investor Day focused on our North American Retail operations. After the very positive feedback we received last year at our Investor Day in Agordo which was fully dedicated to our Italian manufacturing operations, we decided to organize a day and a half to focus on our North American business.

North America is our biggest market. It's continued to be a growing market and today, we will talk about the long-term opportunity for the optical and sun industry, for our wholesale business, for Oakley, for the optical retail chains and for Sunglass Hut as well.

This morning, during the presentation, there will be a lot of speakers. I'm not going to introduce them all now, but I'll ask Mark for RONA, Fabio for Sunglass Hut and Colin for Oakley to do it later. This afternoon and tomorrow morning, will be dedicated to a store tour and thanks to our colleagues and friends from OneSight we will take part in a local mission.

So before starting with Andrea, I would like to remind you that this presentation is being recorded and is also available via video webcast. Andrea

Andrea Guerra

Good morning to all of you. I'm very happy being here, very happy to see all of you, very happy to be in Mason, in Cincinnati in our retail headquarters as Alessandra was talking about.

So we will spend the next two days going through a lot of different things, a lot of different projects, a lot of different evolutions. As you know, we have been talking about this new world many different times. This new world is offering unbelievable new experiences, new opportunities, new facts. On the other side, we also have some more challenges, different challenges and here we are. I think we are proud and we are very relaxed in showing you our good spots, our challenging spots, our tough things, our fantastic things, and we are on a journey.

On a journey about what? About a consumer that is always on, a consumer that expects more, a consumer that understands much better what they can choose, a consumer that pretends to be served always and when they wish and where they want; and on the other side, the opportunity of technology, technologies today allowing us to do whatever we want.

The real thing is: are we able to do whatever we want and are we able to connect and to put together all different technologies in order for the famous consumer to be happy about us?

So it's a journey, a journey that started many years ago. And we are really proud to show all of this. Where are we as Luxottica Group? We just finished and finalized Q3 and we are now entering Q4. As you all know Q4 which is basically October, November is a no news quarter and then we have a little bit of December. For some of our business, December is still very important. For some of our business, just a portion of December is important, but all in all, I would say that when the first nine months have been solid and good as they have been, we normally look to the last three months with a positive attitude.

This quarter was good. We're happy, another solid quarter in terms of top line. As usual some businesses better than others, some geographies better than others, some over exceeding expectations, sometimes below our expectations, but all in all another very solid quarter. So we expect profitability also to be in line with this good solid quarter.

What is the issue today? The issue today are these unbelievable currency fluctuations. There is not much we can do and it's not just the dollar, the US dollar, its many different currencies moving at the same time and pretty widely. And this thing started some months ago, so it's not new. We had communicated that we would have gone through a quarter where last year, in terms of the Euro and in terms of our numbers was the best comparison possible, so Q3 has a tough comparison, has a tough comparison on many different currencies, but even the United States dollar is down somewhere around 7% and that is pretty strong in our numbers.

So sometimes it's tough to work hard, execute well and then look to your numbers and don't see much. But there are other moments in life where you're not doing much and your numbers are over inflated by currency. So you need to be happy at that time and you need not to be sad in these other times. But all in all we are extremely happy.

So I would start from the headline that we have given to this presentation because you could be surprised. North America is the largest optical market in the world. North America is the largest market for Luxottica. Luxottica is a leader in this industry and over these two days you'll understand why North America is a structurally growing market. There are many different reasons, many different opportunities.

We are working and leading a very strange industry. This is a 200 year old, new industry. It's not a mature industry, not at all. It's not an industry which is structurally saturated and constantly we have to invent a new path. No, this is an industry which is completely new. And there are at least four reasons why I define this as a very new industry.

The first reason is the emotional connection between ourselves, between American consumers and prescription frames or sunglasses. That relationship is completely new, it was a pure, pure functional, pragmatic relationship.

Today, it is obviously a functional relationship, but added on top of that, there is a huge emotional part which allows us to think about the way we choose our glasses that is completely different, the way we wear sunglasses is completely different, the way we choose what to wear on a Saturday compared to a Tuesday is completely different. So, all of this new emotional status around the relationship between glasses and consumers is allowing us to state that this is a completely new industry.

The second reason: a huge demographic wave. There is a huge social evolution, and there is a huge behavioral change. And I could define it very easily saying, "Look, baby boomers are into the optical industry today heavy and on the other side Millennials are into the sunglass market, new and heavy.

These are the two reasons why I feel this is a new industry, the connection, the choice, the wish of these two generations in those two segments of our industries are making a difference and will make a huge difference.

On the other side, demographic and social behaviors are changing in terms of understanding vision correction, vision need, the need of an eye exam and understanding that eyes are important to see, but eyes are the first and main window of your health.

Some of you, many of you will go through our new eye exams and you will see how the words I'm using today are facts, are reality. Today we really can detect a lot. And as you know and hear talking a little bit wider about United States, healthcare, expenses and costs, vision is absolutely a minor, small part of it and through vision, we can help a lot. We can help a lot in detecting many different things, diseases, illness, and we can detect a lot of weaknesses and we can help a lot in optimizing healthcare expenses in this country.

So you will go through that and I'm sure that everyone that goes through these exams will say, "Yes, those were not just words but those were facts."

The third reason why I'm defining this industry as new, it's the famous premiumization. So we all know that the habits of Americans have always been pretty pragmatic, pretty functional. And you can see how Hollywood has changed, how TV has changed. It's easy to observe how people walking by the 10 gateway cities of United States 10 years ago and today are dressed. It's easy. It's easy to understand and read the statistics about malls and downtowns and look what are the brands occupying certain alleys of malls and certain streets downtown.

Who was Coach 10 years ago? Who was Tory Burch 10 years ago? Who was Michael Kors 10 years ago? And things are changing; changing fast in this environment and this is a constant and continuing evolution of the premiumization. And you know and I've been repeating this for my past decade or so, this is the wildest and biggest opportunity for us in premium Sun.

If you ask me, what is the market, which is the market, which is the region? This is the region. And this is why we have invested, this is why we have begun 7, 8 years ago, a complete transformation of what Sunglass Hut was. From being a destination for men to adding ladies. If you want to be glamour, if you want to be fashion, if you want to be sexy, I mean, it's easier to go this direction rather than that the other, but the most important thing is to hold on to a home which hosts both.

And I think that this is keeping on. And what did we do in the last decade? Ray-Ban just started at the beginning of the decade. Then to the portfolio, we added Oakley. Then to the portfolio, we added Ralph Lauren. Then to the portfolio we added Tiffany. Then to the portfolio we added Tory Burch. Then to the portfolio we added Coach. That was so important, so critical in order to allow us to have the best portfolio to influence the American consumer in the premiumization journey.

I think all of these are very important factors why I'm defining this as a new industry in the United States.

The fourth reason is the technological breakthrough. It's huge. Think how just on lenses, on using anti-reflection options, the United States was behind the world. Think about how digital surfacing allowed for a completely different sun prescription. Whoever was wearing sun prescription 10 years ago, you could spot them right away, very straight forward, very rectangular, very flat glasses.

Today, 80-85% of what you see in Sunglass Hut is "RXable". That's why, that's completely new. And we have a new generation coming into prescription desiring those kinds of glasses. So all of this allows me to say that we are in a new industry, if we can go, this says how I can go up but I cannot go behind.

How is the United States today in 2013? So it's a good market, it's a positive market with some caveats: the consumer today is ready to shop and we all know that cash was basically for free in the United States over the last couple of years. Unfortunately authorities also said that at certain time, "It's not for free anymore." And after a month, they said, "Maybe it's for free again." I think this is one of the reasons for the huge currencies mess that we have in the world. But what happened is if I have cash for free, I go for my car. I go for my washing machine. I go for something more durable. And we had a little bit of softness during 2013 in mall traffic. I think that that was the only item that we disliked about the United States in 2013.

Then we had one small thing that instead was a little bit more painful for us which is -- and I use the American word because, I mean, I would never know, the budget sequestration (which means budget reduction to people that don't get it like me). So we had a little bit of our Oakley military budget reduced.

So we are fine. We still have our issues. Am I 100% happy of LensCrafters performance? No. Are we on a journey? Yes. Am I 100% happy about Sunglass Hut? I am 101% happy about Sunglass Hut. Am I happy with the journey of Pearle? Yes, I am. Am I happy of the journey of Target? Yes, I am. What about Sears? Sears is pretty easy to be detected. When we get the promotion right, we're happy. When we don't get it, we're unhappy. So Q1, we were ok, Q2 we were happy, Q3 we are unhappy. And I hope that with the leadership of Mary Anne, Mary Anne was appointed to Sears beginning of the year, and we said -- as you all know, we had some strategic thoughts about Sears that we were not able to accomplish and complete and we said, "Let's go back. Let's apply our best talent. Let's rethink it. Let's re-dream it and let's go." And I think that today the team is there. Momentum is there. We know what we have to do. We don't have to make mistakes. And I think that we will be happier going forward with Sears as well.

So this is what we're doing. We are really moving on. I think this is obvious. I mean, on e-commerce, things are finally moving. Sun is a much easier subject than Optical. Optical has still many different tries and tests across the ocean, across the world and in the United States as well. Many people are saying, "Okay. Let's go in and do optical retail online." After 6, 9, 12 months, either they sell sun or they sell contact lenses or they close, with some exceptions.

But it's still a sector where we, as well, have a number of tests going on. We have not been successful with all of them. We're learning a lot. And I think that that will lead you to success. This is sun. This is the trajectory of sun. This is the journey on sun. It's an easy one today. It's obvious. Why did it start later than what we could have imagined at the beginning? Because there are no sizes with sunglasses and you know better than me that the curve of 1 mm makes your face look completely different from what you expected when you were looking at a frame.

So it's moving. It's moving fast. Oakley.com, SunglassHut.com, and Ray-Ban.com, two of the three are just 2-3 years old. Oakley.com has almost a decade of life. And things are moving pretty fast and we do not expect anything to be lower than what we had so far in percentage increases in those two to three years.

As we said, and I will repeat this, these are both our estimates and numbers provided by different sources. And this is about premiumization of sunglasses. This is about premiumization of lenses and this about baby boomers coming into the optical market.

So when we go and look to a part, an asset of our business where we have done a wonderful job in the last few years is the wholesale division. So I will take care of that. Many of you heard how we had been slow for a long time between 1995 and 2005, we basically went to sleep. We didn't really tackle wholesale. Why was that? Because we had acquired LensCrafters in '95. We had a few people not very happy between our customers and we gave it up.

We didn't service them anymore. We weren't -- proactive anymore. We were not happy. We were not nice. We were not efficient. We were not, nothing. We began to re-work wholesale in 2005, 2006; it took some years to take it back to where we wished and now it's three, four years of rapid, fantastic, wonderful growth. Is this finished? Absolutely, not.

If you ask me, how many of our top five markets can double in the next five, six years? There is one for sure which is Brazil. And I would bet on the United States. It's a tough bet but I could bet on it. Why is that? Because we are much stronger than before. Some of our competitors are a little bit weaker than what they were some years ago. Some of the brands have shifted from one organization from another. There are always in the markets people who do not like us, fine. I mean, the doctor is not prescribing that they have to work with LensCrafters, with Luxottica.

I mean, it's a pity because we can service them, we can allow them to understand how to brand, how to live in this world. But all the rest understood it. We're happy. We're moving. We're investing more and more. Our teams are absolutely motivated and the brand portfolio is outstanding.

Ray-Ban. Think about Ray-Ban. Ray-Ban is American. Ray-Ban suffered across the world in the '90s pretty heavily. And you know better than me that when a brand suffers, the sickness, the illness, the pain is tougher in the home country. So when we saw Ray-Ban coming back in 2002, 2003, 2004 in Europe, nothing was happening in the United States. We have seen some of it in 2006, 2007, and then we began to see Ray-Ban coming back. And today it's pretty visible. And it's a constant growth. And we do not yet have the market share that we wish. And this is sun, this is prescription. And this is the happiness of all our consumers.

Oakley on the other hand, is in its home country, never a crisis. Here we are the core consumer, performers, technology, sports; a little bit wider circle of consumers, active, weekend warriors, a little bit wider consumer, lifestyle, happy people. And I think that the connection between these three dots has been paramount in these many years and we'll continue to be.

And we always say, "Can Oakley grow over time at 10%?" Yes, it can because this is a market that can grow. This is a market that needs premiumization. And the premiumization of Oakley and Ray-Ban is very clear. It comes exactly from what consumers have been asking us for the last 20 years; functionality, technology, performance; adding on to it, a little bit of design, style, colors. This is what we are doing and this is what the consumer is asking us for.

So nothing goes in wholesale without service. And this is the big investment we have made over the last three years. It's a constant and continuous big highway between ourselves and our customers, allowing them to pick, allowing them to understand what they want, allowing them a flawless, constant and continuous service level on products, lenses, and spare parts.

And I think that this has been really the asset that did not allow us to win in the last three years because this is new. This is six, eight months old. But this is allowing us to look to the next three years with completely different new eyes.

So everything I said leads me to Mark and to Retail Optical North America. And I really hope that this next couple of days really allows you to understand that this is a very ancient new industry and that we can really expand it and make it a land of opportunities. Thank you very much and have a wonderful day.

Mark Weikel

Thanks, Andrea. First off, welcome everybody to Cincinnati. It is a thrill to have you here. We're excited that everybody's been able to make it in even if you got in at 3 o'clock in the morning from New York last night.

So I wanted to tell you quickly about two and a half years ago, Andrea asked me to lead LensCrafters, and at the time I knew virtually nothing about the Optical industry. So I took it on like a due diligence and said, "What research can I get? What can I learn about this company? What can I learn about this category?" And then I also talked to everybody that I could find in the world that could help me better understand it.

And I found the same thing that I'm sure that you have is that we recognize it's a very fragmented industry, very fragmented. But there's tremendous untapped potential to grow this category through a multi-brand strategy. The other thing you recognize about the optical category in North America is the increasingly diverse and unique customers that exist out there. They're unique, diverse, and emerging.

And RONA has a very unique set of assets to tap into and serve these very unique and emerging customers. And if you combine this idea about these unique, diverse and emerging consumers and this untapped potential, you can see that the optical category is absolutely ripe for change, ripe for change.

Today the optical category in North America is about US\$35.5 billion, right, US. Huge growth in this category that Andrea alluded to; one, is increasing the frequency of eye exams; and, two, the frequency of the purchase of eyeglasses, two critical areas. There are 183 million adults in the United States that require vision correction today.

You know what percentage of those adults received an eye exam last year? 41%. That's incredibly low when you compare it to other categories; 74 million people got their eyes examined last year. Think about this scenario, if we increased that just from 41% to 50%, the eye exam category would grow by US\$1.4 billion every year.

Now the other thing that's interesting about this is you play the scenario out, we know when a patient or a customer has an eye exam, over 70% of the time they convert to purchasing a pair of eyeglasses. So play the scenario out, 41% to just 50% and they buy eyeglasses 70% of the time, it's another US\$4.6 billion in the frame category every year. Pretty interesting.

The other thing that happens is now you've got instead of 74 million people, we've got 91 million people getting the quality eyecare that they deserve. I think the other thing that's interesting if you just look out a little bit 2020, seven years from now, there will be many more people, 196 million people that need vision correction in the United States. And again if you apply the same formula, it's another US\$1.8 billion of growth.

The interesting thing is we've seen this type of growth and a shift in customer behaviors in other categories that were also ripe for change.

So, if you look at the dental hygiene category for a second it has skyrocketed in the last few years. Part of this is primarily due to teeth whitening and digital procedures. Now this category, this segment alone is forecasted to grow in 2017 up to over US\$2 billion. And you have to ask yourself, "Why is this? Why would you talk about this analogue?"

Well, dentists have clearly done a couple of things differently, one is they have elevated and transformed the experience but you're smile and your teeth aren't just functional; they are health, wellness, and beauty. And that same change can occur today in the eyecare and eyewear industry as we shift from function to a premium fashion accessory.

So you ask yourself, how are we addressing this huge potential? RONA's multi-brand strategy is uniquely positioned to tap into this diverse and emerging customer basis. So think about just the way that we all use the products and services that we have. We're all customers so we have different things for different lifestyle occasions. So you may have a coat on today, Friday night you may wear jeans and a t-shirt. We're all like that, right?

In the United States, we get a kick out of looking at women that have on average 10 handbags. You know how many eyeglasses those women have on average? Two. So, if we as RONA, which did US\$2.5 billion last year, convert from function to fashion, so if we consider one additional eyeglass to each customer, we'd realize another US\$2.2 billion of growth. So you can just begin to see what can happen in this category in North America.

RONA is uniquely positioned as the number one optical retailer to tap into these different categories. If you think about the number two Optical retailer in North America, it's Wal-

Mart Optical. They have over 3,000 stores and they do about a little over US\$1.4 billion in sales every year. Now they're firmly entrenched in the discount and value niche. They do a great job.

We have LensCrafters, we have Pearle Vision, we have Sears Optical, and we have Target Optical. We have a wide variety of brands that can tap into this unique set of customer's desires that our competitors just can't reach. The wide variety of segments that we can tap into, we can also do at scale.

LensCrafters, our biggest brand, is fully focused on introducing innovative digital technology to change the game in the optical category. LensCrafters had a challenging summer sun season and back to school that you will be very excited about and we're confident about the results and the brand improvements that we're seeing through things like AccuExam, Omni Channel, and others.

If you think about the customers that LensCrafters serves, these are the style-conscious customers and the performance-focused customers. Now the style-conscious customer is easy. These are customers that already get the idea of premium fashion accessories. The performance-focused customer really cares about not just correcting their vision correction needs, but enhancing the activity that they're involved in. What's fascinating about this for us is you can see that this will lead to continuing personalization requirements over the next few years to be able to help move this forward. And I think Colin will probably talk about that in a few minutes.

The other piece that's really interesting to think about is the Pearle Vision customer. This customer wants to have a relationship with the neighborhood doctor, is really into eyecare and the medical side of this, and is going to come back for an eye exam to their same doctor year after year. And they love the Pearle Vision experience that Srinu and team have developed.

The Target Optical consumer reaches the busy, financially comfortable 30-something female that is very savvy. She knows that value is more than just the lowest price and she wants a simple and fun environment to purchase her optical and sun products in.

Sears reaches the value-focused consumer. That's really a legacy consumer, 45 to 65 years old, a bit more function than fashion and has the trust and confidence in Sears to provide the quality and service that he or she desires.

I like to think about other companies, it's interesting. In this case what other company has utilized this type of strategy? I stop at Starbucks every morning, Starbucks has done this between Starbucks and Seattle's Best. They are doing the same thing to the tea category today tapping into a diverse and emerging customer base.

So when you think about the reach and the brand and the scale that we have, you can understand why we believe that Retail Optical North America will transform the eyewear and eyecare experience and grow the category.

One of the things I think about, that is showing some of the preferential differences, the shopping pattern differences for our consumer here in North America, is to know that 3% of prescription frames are sold online today. That's the free-to-choose customer. Now if

you think about this and you look at the managed vision care consumer, and what could be online, it's about 9% of the market that is ripe to go online. Ripe. And what's interesting is if you think about this, everyone in the room knows that number is going to increase.

Everyone here knows that a multichannel consumer is more loyal and spends more money. The other thing that's really fascinating is that there is emerging research that's showing in the optical category in North America, when consumers activate Omni Channel in-store and activate digitally online, they accelerate their purchase frequency, which is back to one of the two things we talked about that really has a chance to grow the category in a tremendous way. And this is one of the reasons that LensCrafters is fully dedicated to an Omni Channel experience which you will experience today in one of our stores.

LensCrafters and RONA are fully committed to enabling digital technology at scale that changes the game in the experience for eyewear and eyecare and grows the category.

LensCrafters growth strategies include digital technology at scale, a 1,400-store premium optical chain delivering personal and digital experiences that delight the customer through AccuExam, Omni Channel and more, and is becoming the destination for prescription sun.

Pearle Vision: their growth strategy includes 1000-store network primarily franchised operators that will be capable of going international by 2018. And Srini and team have done a spectacular job in positioning the brand and has already put in place an "Eyecare Center 1.0" in Cleveland which Srini will talk about in just a few minutes.

Target, our host, is a serious company. I mean they've got a robust online experience. They did US\$72 billion last year, we're in 331 of their 1,770 stores in North America and we're very excited to be able to grow with them to up to 400 stores by 2016. In fact, our intentions are to triple the size of Target Optical by 2018.

Part of the way we're doing this is Target Optical has done a great job in pioneering our Prescription.com for us, for RONA. And they've done a great job. In fact they're now the third largest volume prescription optical retailer in the United States. They offer a variety of options, one of which is obviously appointments, another is contact lenses and now frames. They also offer the option that if you want to try and have delivered to your home four frames, you can pick out what you like, order them online, or go to the store and pick them up. So the growth strategy is there.

The other thing that's really fascinating for us is some of the innovative ideas that we're talking about with the host that would improve our footprint further.

And Sears Optical, if you think about Sears as host, there are over 2,500 stores that are in-line. This is the home of "Shop Your Way," where over two thirds of the Sears sales go through this loyalty site that provides benefits and points to the participants, two thirds. And Sears Optical is firmly looking at the Sears Optical brand positioning and tapping into the growth that does exist in Sears host, that's "Shop Your Way," top DMAs, top 50 stores, and the ethnic consumer. And Mary Anne and team are also keenly focused on simplifying the experience in Sears.

So, I think you can see the tremendous growth potential that RONA has to grow from US\$2.5 billion last year to over US\$3 billion in 2016 which will include e-commerce up to 5%

of our sales around US\$100 million to US\$150 million. Since 2010, we have significantly grown our profitability and we expect our profitability to grow by another 200 bps by 2016.

And to elevate this experience and achieve this growth, we'll invest about US\$250 million in Retail Optical North America over the next three years. Part of this obviously will be the digital journey that we have talked about, including Omni Channel, and all brands will benefit from this. And some of the capabilities that we'll work on as a part of that will be our customer relationship management, our mobile and dot-com enhancements, 3D facial imaging, and prescription e-commerce.

All of these investments allow us to have a more intimate and close relationship with our customers to elevate the game and provide them their desires and what they're looking for and transform their experience. The other thing that's interesting to me after having been here for almost four years between Sunglass Hut, LensCrafters and Retail Optical North America is how resilient this business has become. We are more resilient today than we have ever been.

We're doing strategic restructuring that puts us right on point with the consumer against our resources, against our forward-facing strategies, and we're more efficient. That also allows us to focus on infusing the optical category with great capabilities around customer relationship management, digital retail technology, and investing so that we're ahead of and consistent with the consumers' desires, not reacting to their desires.

I am really excited about RONA's growth potential. If you think about the portfolio, if you think about the scale and the platforms, we have the ability to transform the eyewear and eyecare experience and tap into this incredible opportunity and grow this category in the future, super excited.

Now what I'd like to do is I'd like to introduce Eric Anderson, the President and General Manager of LensCrafters North America. Eric.

Eric Anderson

Thank you, Mark. And thanks to all of you for coming out today. As Mark mentioned, my name is Eric Anderson and this is my 16th year with Luxottica. And I've had a front row seat to Luxottica's growth in North America. I started with LensCrafters back in 1998 and I've held leadership roles at Ray-Ban, Sunglass Hut, Pearle Vision, Target Optical, and most recently I was in Santiago, Chile, helping to integrate the GMO Latin American business into the Group.

I'm very excited to be back at LensCrafters today, and on the frontlines we're growing the Optical Retail category and positively impacting the lives of our customers, patients, associates and doctors.

Thirty years ago, LensCrafters' founder, Dean Butler, knew there had to be a better way to give customers a better service, and provide accurate glasses that could be delivered faster than a couple of weeks, the industry standard at that time.

LensCrafters revolutionized the industry by creating the first "Super Optical" store right here in Cincinnati, they combined the Doctor's Office, Retail Dispensary, and for the first time, the Optical Lab. This enabled us to provide a wider selection of frames at reasonable

prices and deliver glasses in an hour. LensCrafters single-handedly ushered in a new and revolutionary way of doing business, and will grow well beyond expectations. Well that same spirit of innovation that the company was founded upon is alive and well today. It's a primary ingredient of the sustained growth story behind the LensCrafters business.

Today, LensCrafters is the recognized vision care expert in North America, bringing the best of eyecare and eyewear together to create an amazing customer experience.

The patient and customer are at the center of everything that we do and that hasn't really changed since 1983. Our doctors and associates bring alive our brand promise of, "see what you love...and love what you see" to ensure our customers see and look their very best.

And we can do all this because we understand the importance of sight. It is our responsibility as industry leaders to provide the best vision care experience to protect this precious gift for all of our customers and patients. We build lasting relationships by elevating what LensCrafters stands for in the hearts and minds of our customers and patients and exceeding their expectations. We also help people feel great in their eyewear by providing the best service and product assortment in our industry. And finally we innovate to change vision care for the better and we do this by creating branded signature experiences coupled with leading edge technology that is the best in the industry today.

LensCrafters is a company that has a strong foundation built on a progressive business model that has paved the way for our business to strategically grow where it is today.

Our long-term growth strategy is one that brings value to customers and patients and is propelled by our brand's rich history, a pioneering industry first, lens technologies, frame brands, lab innovations, exam innovations, and retail services.

We are the change agents with knowledge, power and the skills to transform not only the industry but the lives of those we touch. All these are having an attractive impact on our bottom line as well.

As Mark mentioned earlier, today we have 1,000 locations in North America serving more than four million customers each year. In the future, we have the potential to grow up to 1,400 locations in North America. We are also available today online 24/7 at LensCrafters.com and will be expanding our e-commerce offerings to increase access to our brand in the future as Andrea mentioned and Mark as well.

Lens leadership though has historically been a key differentiator for us and created a competitive advantage for the business while helping us better serve our customers and patients. Our lens innovation history includes Featherwates. Back in the late '80s, LensCrafters was the first to fully commercialize polycarbonate lenses under the name Featherwates bringing thinner, lighter lenses to our customers in about an hour.

With DuraLens, we have introduced customers to lenses with twice the scratch resistance of standard lenses also available in an hour.

More recently, you may remember Scotchguard. We brought Scotchguard lenses to our customers combining anti-reflective qualities with hydrophobic qualities repelling dirt and water with a thin and light lens.

And just last week, we announced an exclusive partnership with UK based AdLens to test variable optics lenses that can change from near vision to far vision using a liquid crystal technology activated by the push of a button.

These are few examples of innovation in our lens line-up. Overtime, we've been able to develop a lens assortment that can meet the needs of any customer.

Now, as was mentioned earlier, there are value competitors out there that compete on the basis of price. And this can sometimes result in under serving customers by compromising the best lens to match their lifestyles.

We absolutely will not compromise the vision care of our patients and customers. We strive to ensure that each individual customer and patient receives the personalized care they deserve. And innovation is a key enabler to this vision.

LensCrafters is the single most powerful player in the optical category today. We continue to build our brand equity and our business results to our growth strategy. Our annual sales today exceed US\$1.8 billion per year. And some interesting stats, over the last 15 years, we've grown revenue by 73%. We've grown our average dollar customer by 65% and we've grown our number of locations by 36%.

Our gross margin and operating income place us among the most profitable retailers of any kind in North America. In fact, we're expecting to hit the second highest gross margin in LensCrafters' history in 2013 and our brand, the LensCrafters brand, is the most recognized in the category. Our amazing brand experience enabled by technology is one of our key differentiators.

We've proven that technological innovation can be leveraged to change vision care for the better. And historically, much of this innovation has come in the form of lens technologies that I mentioned a few minutes ago. But we're also very active in extending innovation to our labs, to programs like AR in an Hour, in the Doctor's Lane, through AccuExam that's been mentioned multiple times today, and on our retail floor, through things like AccuFit and now, associate iPads. You will all have the opportunity to experience these live during our store visits later on this afternoon.

Well we couldn't deliver any of these innovations without our greatest asset, something I'm extremely passionate about, and that is our people. The team here at LensCrafters, all of our 15,000 to 20,000 associates and doctors are simply the best. They genuinely care about each and every patient and customer that walks into our store.

One of the best parts about my job is being able to read the thousands of unsolicited customer and patient testimonials that we receive each year. There are so many amazing stories about associates and doctors going above and beyond to serve their customers and patients. From the retail manager who visits a disabled person at their home to dispense glasses during their lunch hour, to the incredible stories of doctors discovering urgent health issues during routine eye exams. What we do is truly a calling to us.

Now, like any organization, there are some opportunities to grow our business. We've identified some key underserved segments that we're in the process of addressing, including households with incomes under US\$75,000 and also mature presbyopic customers as well. And we're actively working on developing an enhanced mix of products, prices and services to better serve these segments.

Now, we exist, we believe we exist because we love eyes and our objective is to make every customer and patient experience real and amazing. We want everyone to see and look their best. But shopping for eyewear is a grudge purchase for too many people. The purchase cycle in our category is close to two years and that means, there's millions of people walking around without eyecare or eyewear, as Mark was talking about before. And that keeps us up at night.

So we've identified six game changers that will begin to change that perception. To help make the customer and patient experience dramatically better and help transform the eyecare industry and grow our category. At the same time, we'll be writing the next chapter in our category leadership growth story.

These ideas include a new marketing approach which positions LensCrafters as the Eye Love global premium vision care leader, and includes a new approach to creative, media and CRM (Customer Relationship Marketing), that was mentioned earlier, including igniting our people.

Igniting our people is a series of new ideas to further empower and inspire our associates and doctors to deliver even a more amazing experience than they do today. Pricing and promotion evolution. We're working to determine what is the best balance of pricing and promotion in a highly promotional category that's consistent with this promise and this level of care we're trying to provide. Sun was mentioned a few times today.

Today, the sun category in our continent is truly an emerging market. To many eyeglass wearers are walking around without proper sun protection or squinting or without proper visual acuity during situations with glare, like driving the kids to soccer practice. We have plans to grow this business dramatically.

The patient experience transformation. I want to spend a minute on this. The corner stone of this transformation is something we call AccuExam, which you'll see during the store visits later today. An AccuExam is a program that addresses key patient needs by bringing together the latest digital eye exam technology with a personal dialog with the doctor to create a truly amazing and memorable patient experience.

It starts with digital pre-test equipment that can look deep into the physiology of the eye and record the unique fingerprint of every eye that we look at. Information is automatically linked to the doctor's office with the digital phoropter, that enables the doctor to create an incredibly accurate Rx, even to the 100th of a diopter.

And using retinal scan imagery from your eye, and the latest CGI demos, the doctor can provide a comprehensive assessment of your eye health including identification of early stage issues like macular degeneration, cataracts, diabetes and other health issues. As Andrea said earlier, the eyes are a window to the health of the individual, not just for eye care disorders but also for general health issues like diabetes and heart disease.

In short, AccuExam turns an often painful experience into an informative, comprehensive consultation with an eyecare professional using the digital technology as an enabler. AccuExam has also proven success. In our initial 34 store test, we saw an increase in sales, units, exams and best of all, patients' satisfaction increased 5%, which ultimately gives us the opportunity to increase patients' loyalty.

Today, AccuExam is currently launching in 54 stores in California, bringing the total number of LensCrafters stores with AccuExam to 90 by the end of 2013. And we plan to launch AccuExam into another 80 stores in 2014.

And the last on the list there is Omni. For us, Omni Channel is a code name for revolutionizing our customer and patient experience, once again using digital technology as a key enabler. As a result, the customer can access LensCrafters whenever and wherever they want.

Let me paint a picture for you. Our vision of Omni Channel looks something like this. It starts with booking an eye exam online through our automated appointment book which is on LensCrafters.com today. The patient arrives at the doctor of optometry next to LensCrafters for an amazing AccuExam patient experience which, as we talked, is in a rollout mode right now.

Once you have the Rx, you'll be assisted by one of our incredible associates who can use his or her personal iPad to help you select the best frames for you from either the in-store assortment or from our infinite aisle that's available, that can take your picture in multiple frames, which is something that's very important if you have high prescription, you can't see the frames you're trying on the store.

You can share that image with your friends, you can compare them on the iPad with the advice of the associate. And then they'll help you select the best lens using the iPad for virtual demonstrations and benefit illustrations. And they'll be able to calculate your price including insurance benefits as well. These associate iPads will be in 100% of LensCrafters stores by the end of November 2013.

Once you've selected your frames and your lenses, the associate will custom fit you at the dispensing counter using our exclusive digital eye wear fitting system that is five times more accurate than the standard eye glass fitting methods today. These were already deployed in all stores as of last year.

Once you've been measured for our onsite lab, we'll be able to produce your eyewear in about an hour including premium AR lenses supported by initiatives like the AR on an Hour technology you've heard about before.

And finally, after the purchase, we'll stay in touch with you by e-mail or text. We want to know if you're satisfied with your glasses, are adapting to your new progressive lenses. We also want to know how was your experience, because we're richer getting that information back and we use that to modify our service process as well.

You can logon to your account any time and track you past purchase history, access your RX through my account which is available today on LensCrafters.com. You can also

pickup an additional pair of eyewear through e-commerce on our site as well. And as Mark said before, we know that multichannel Omni customers are four times more loyal to the brand if they're able to access on an Omni Channel basis.

So this is the vision we're pursuing in making a reality today. Omni Channel places the customer at the center of this experience, an experience that will be seamless, easy and possibly even fun. This will drive customer loyalty and shorten the two-year purchase cycle that I mentioned earlier. So whether it's online, or on the retail floor, in the lab or in the doctor's office, we can make the customer and patient experience so much better and we're committed to leading this change.

So in closing, it's a very exciting time to be working on the LensCrafters business. We're in the process of leading both change and growth in the North American optical retail category. I'm personally very excited that we'll have the opportunity to bring this to life today for all of you in a very tangible way during our store visits this afternoon.

I want to thank you for your time and I'd like to turn this stage over to Giorgio Striano, who will speak about optical manufacturing. Thank you.

Giorgio Striano

Good morning everybody. Thank you Eric. So, my name is Giorgio Striano. I joined Luxottica in 2009, where I made a fantastic journey from Italy to China and then moved to the US, first leading the Oakley frame operation, which is the coolest frame plant in the world, and then, widening my responsibility to lens processing.

So, Luxottica Optical Manufacturing (LOM) is one of the largest optical networks in North America. The lens laboratories allow us to provide a better and faster service to our customers, supported by the Global Operations team. Inside our plant we have the most advanced manufacturing technologies and methodologies to support, among the most important results, quality improvements, productivity increases and reduced manufacturing lead time.

The technological progress that is happening inside the industry is creating, as Andrea was suggesting, a new industry. Think about the DST, Digital Surfacing Technology. It's possible to produce highly accurate and highly customized lenses using a very complex combination of elaborate software with the most advanced equipment on the market.

And since Luxottica is a leader in North America, we are leading this market. And we are leading those changes through an incredible opportunity of combining frame and lens technologies together into a perfect fusion so that we can create an incredible, innovative and unbeatable consumer experience already in the early stage of the design.

So, let's have a look at our manufacturing platform. In North America, we have four labs. One is in Winnipeg in Canada, then we have one each in Columbus, Memphis and Dallas. Recently, we've decided to close the fifth one, that is in Knoxville, following a review of our manufacturing footprint. And the result of that review was of course, to drive efficiencies and to maximize resources across the network.

Then we have another additional plant in Southern California, fully dedicated to Oakley prescription lenses. And through those labs, we also support from a technological

standpoint the approximately 900 LensCrafters in-store labs across all North America. And also, in 2012, we started a new lens plant in China to support North American optical retail operations.

The plant in China has been developed using the same standards that are available in North America. Therefore, it can provide great efficiency, maximize synergies, maintain high quality standards and create a great service level so as to support the North American retail brands to keep their promised delivery dates to the customer.

So, Chinese production is also very strategic because, at the same site, we can combine frame technology with lens technology. Therefore, when we industrialize a new frame, we can see how it fits with our lenses. And thus, in the early stage of the design, we can make some improvements so that when we arrive at mass production, we can always provide a perfect product.

Overall, to support our store operations, we produce almost every day of the year and we have an incredible record in 2013 of producing almost 20 million lenses across the entire network including China. Our operational strengths are embedded in our Luxottica DNA and allow us to attain high quality products, to continuously introduce innovation and to arrive faster to the customer. And we will see some of those results in the next slide.

We are the leader of this market. We are leading this market in terms of products and processes. We have an incredible internal R&D department, we have an engineering department and we also are in partnership with our suppliers.

We are investing a lot in terms of team capabilities and in terms of technology so that we can always be at the leading edge of quality products and services on the market.

We have the Digital Surfacing Technology. We created the dedicated Ray-Ban prescription lenses. We have optimized the prescription range for high sun wrapped frames. We have gradient lenses. We are developing new cool color high index lenses. So, Luxottica Optical Manufacturing continuously introduces breakthrough products in the market.

And this is driving the growth of the category. It is bringing the greatest products to the North American consumers, so that the consumer can have the best possible eyecare in terms of technology and a great premium product.

In the last three years, we have launched more than 120 new lens types. So, as Eric mentioned before, we introduced the first polycarbonate lens in LensCrafters many years ago, the Featherwates lenses, so polycarbonate lenses and polarized polycarbonate lenses.

LensCrafters has been the first to introduce polarized gradient lenses and now we are expanding that range to new materials so that we can enlarge our spectrum of performance.

We have an incredible portfolio of premium lenses. More than 50% of our growth is coming from digital lenses, which is a new revolutionary technology available at LensCrafters

since 2008. And we are continuously updating it, bringing new high definition lenses to our customer.

So very recently, in LensCrafters, we introduced a new digital lens, so called Enhanced View lenses, EV lenses. In the next months we are going to launch a new Oakley lens, Oakley True Digital Edge lenses. Those lenses are the most technological advanced in terms of progressive and single vision designed for our customers.

We are using a patented technology exclusive at LensCrafters that is able to reduce the thickness of the lenses, virtually eliminate aberration for the progressive user, expand the prescription range for the sun lens user and provide the best clarity and the best image contrast available in the market.

Ray-Ban lenses. So, we created specific Ray-Ban lenses in two versions, called Rox and Rox+. Rox is the standard Ray-Ban lens that is supported by internally designed marking technology that is available to provide a genuine logo and color for Ray-Ban Rx branded lenses. And then we have the premium version, that is called Rox+. So it's a high index Digital Surfacing Lens combined with state-of-the-art edging technology so that we can provide a plain sunglass look to the Rx user.

As I said, we are at the state of the art, in terms of technology. And this capability position, Luxottica Optical Manufacturing as the player that is able to provide the best and fastest new product into the market. Our R&D capability support lens surfacing treatment with a superior performance, so we have a greater anti-reflective coating and we have anti scratch superior coating that is only available in our stores.

Also, we have in our central labs the most advanced lens shaping technology to create a perfect fit between frame and lenses.

We are deploying inside 410 LensCrafters stores a new technology for Anti-reflective in One Hour. So that we are able to drive an incredible increase in demand for premium lenses with the shortest amount of time. And we are going to expand this technology into 90 additional stores by June of next year.

We are now deploying in some LensCrafters stores the Digital Surfacing Technology, so that we can offer the most premium lenses in a one-hour service.

Finally, to provide a fully digital experience to our customer, we implemented the AccuFit technology, which is our digital measurement system. So AccuFit is able to provide five times more accurate spectacle fittings. And the AccuFit is fully integrated with our lens manufacturing system, so that we can collect all the data and we can provide manufacturing of perfect customized lenses.

All the investments that we made in recent years are reflected in a much higher penetration of premium lenses in our stores compared to the competition. If we look at the statistics for the North American industry, DST represents more or less 5%, 5.2% of the total volume. In RONA, DST represents a little bit more than 11%. In LensCrafters, it represents more than 14%.

But, we are driving not only technological innovation, but also efficiency while meeting customers' demand.

So let me share some results in terms of customer service and operational excellence. Service to customers means: arrive faster and better to the market, which is key for us. And we monitor each phase from the early stage of each order: order processing, manufacturing timing, packaging, delivery to the store, dispensing to the customer. So, each single phase is tracked, monitored, analyzed and improved.

This has allowed us to reduce time-to-market by 30% in the last three years. And it's not finished, as we are anticipating at least a 20% improvement in the next three years. And the two big enablers of these results are: first, an amazing call center that is interacting everyday with our consumer in a multiple ways, like telephone, internet, mail, social networks, live chat, using different technological platforms in order to have a better communication.

And second, we have a very strong information technology competence which is the backbone of our supply chain for store-to-lab connection. And therefore, we can leverage technologies such as, iCloud computing or mobile devices inside the store and inside the lab, so that we can use them to display information, capture orders, monitor the status of the jobs and improve our service as we collect this data, analyze it and improve the purchasing experience day-by-day. And, we can see these results reflected in the increase in customer satisfaction since 2011 by 40%.

Then operation excellence, as I said, operation excellence is embedded in the Luxottica DNA. So, we are uncompromising on quality. We are always striving to reduce defects across all our process. We have the most advanced equipment available in the market. In many cases, we design the equipment. We have specific processes that are tailored for the different materials that we process in our labs.

We have the most advanced testing equipment to capture the performance and properties of the new lens materials that we introduced to the market. And most importantly, we are supporting the growth of our people, so that we can lift up the edge of our performance.

And, we've been able to reduce our defect rate in the last three years by 40%. Amazing results. And then, applying LEAN methodologies, adding continuous improvements, reducing stock, adding the continuous flow of materials into our labs, so that we were able to achieve more than a 40% productivity increase, measured in jobs per hour, in the last three years, and we are not yet done.

So, to conclude. Quality, consumer-centric perspective, continuous innovation and enhancing the capabilities of our people, these represent the pillars for driving more amazing results in the next few years. And I hope that you can get a sense of this through the following video.

(VIDEO PLAYING)

Thank you for your attention, and now let me introduce the amazing leader for Pearle Vision, Srini.

Srini Kumar

Grazie, Giorgio. Good morning and thank you for your time, and thank you for coming over here to Cincinnati. Before I start, I want you to close your eyes. Close your eyes for a moment and think about an emotional connection. Think about a young doctor. Think about a doctor who emotionally connects with you and most importantly talks to you about your eye health, about your wellness and about your life. You can open your eyes.

Ladies and gentlemen, I'm Srini Kumar, I've been less than two years with Luxottica and I'm here to talk about a man. Talk about a man who started a journey 50 years ago. One store, five employees, a town called Savannah, Georgia. His name was Dr. Stanley Pearle.

Stanley Pearle created genuine eyecare in this industry. He revolutionized the industry five decades ago. It'll be too long for me to talk about what he has accomplished in five decades, but I want to touch up on a few key elements.

Within two years, he took the company public. Years later, he led an advocacy to the Federal Trade Commission, which fundamentally changed the optical industry in North America. What was that called? It was called the eyeglass rule.

What was eyeglass rule? Well, first, he allowed doctors to advertise their services, pretty cool thing, they're not that bad. Second, most important, in Pearle we call it patient centric, you would call it customer centric. He allowed patients and customers to take their prescription and go for choices where they could get genuine care. Huge, huge.

He didn't stop there. Early 1980's, he started a new innovation within this category. I come from a franchising background for over 20 years. He created the first franchised optical chain. Didn't stop there. He created the first managed vision care platform, US\$5 a year annual membership, that's it.

So obviously, this man was well ahead of his time. Well, ahead of his time that obviously investors thought it a great company to invest into. But it was not until 2004, that we genuinely believe it became a true partnership. Why? A true partnership with a company which you very well know, called Luxottica.

Founded on the same principles, founded on genuine values of taking care of eyes in a different fashion, founded with the exact principles of a man who envisioned and had a dream very much like Stanley Pearle. So that was the history. That was the journey. That was the emotional connection. That was what Andrea kind of talked to you this morning.

Now, it's 2013, we have a new team. What are we trying to do? We call it the next chapter, a chapter which is actually written in that it goes back to chapter one, a journey back to its roots. A journey back to its roots Stanley Pearle founded this organization on, he founded this chain on genuine eyecare. That's what we stand for. That's what this journey is all about.

So what does it entail? Mark talked a little bit about it in his presentation. It started by really understanding what a doctor said, what a customer said, what a patient said, on the one hand. More importantly in our case, it was also about listening to our franchisees. Our franchisees tend to be both doctors and non-doctors or opticians and some investors. Listening to them and they told us one simple thing: get this brand back to its roots genuine eyecare, genuine eyecare from a neighborhood doctor that the patient will always go and see. That was one.

The second was: okay, we clarify the brand positioning, embrace that, romance that and bring it into life. So we brought in a simple change. We actually followed a logo which was done in 1978 by Stanley Pearle. We brought back a retro effect of Pearle Vision. We

brought in a simple optical mnemonic. We brought in something that we should be proud of. We are the only chain in the optical world who could claim being established in 1961. So that's what we did but I really want you to understand what is genuine eyecare if I can have the video please.

(VIDEO PLAYING)

Thank you. Genuine eyecare from your neighborhood doctor, a promise that was started 50 years ago. Most important words, eyecare first, glasses second. Take care of your eyes guess what? You're going to buy the glasses. That's what we stand for. That's what this revolution or getting back to its roots is all about.

Now that was one differentiation. Today's market place is about brands being differentiated. Differentiate or die is what people say. So we have done that. But we also, within Luxottica, wanted to differentiate it in another fashion, a differentiation on what we call a business model differentiation. And what was that? It's called franchising.

It's the largest employing workforce in the United States and a growing category around the world. We believed that the industry was ready for a change and an innovation within this business model. Why? With 30,000 providers there's no exit. Franchising provides you exit.

Second, if you build a franchising business founded on listening to the operators and making them successful based on their profitability, we called it unit economics, you have an asset light scalable model. So, that's the next journey where we put together governance models, listened to our franchisees and doctors and are making it a doctor-centered brand.

So what were the doctors looking for? We went to optometry schools and listened to them, listened to the third year students and the fourth year students. What were they telling us? They were telling us "Pearle vision. Wow. You guys are taking back to genuine care. Help us run a business. We are doctors. We want to take care of eyes." What did that mean? Well, we're on the retail business, help me select the right vendors, frame manufacturers, negotiate for us. I do not want to have capital invested in my store or in the lab. Help me provide a lab service. What better company to provide those services than Luxottica?

So we have a team today working with the wholesale team that actually services all our franchisees with special terms for our doctors, for our opticians within our store, working with Giorgio, his team and some of the other partners in lens manufacturing, providing a comprehensive solution for doctors.

So, differentiation on brand, differentiation on business model. The journey didn't stop there. We said, bring it back into life within the spirit. Bring that spirit into the four walls. Bring that genuine care within the four walls, transform this experience. So the team and I went across the business again last year and this summer started testing what we call "EyeCare Center 1.0."

It's a transformative experience where the doctor will speak with you as a patient. It is a transformation where there is a beautiful, smooth transition from a genuine doctor for a patient now walking out and romancing product. We have actually called it the EyeCare

Center 1.0, because we moved the doctor forward. No longer do you have to walk through an aisle and see the doctor behind it. You will romance the doctor right in front. With that, I want to share with you our new concept "EyeCare Center 1.0" if I can have the video please.

(VIDEO PLAYING)

So thank you. I hope you could see the work we have been trying to do in differentiating this brand, both its business model and its experience. But this was a journey which we have worked not only with minds smarter than mine, but worked with our partners who are doctors and opticians, our franchisees, working together with them in creating this wonderful dream.

Wonderful journey when I said, at the beginning of my presentation, close your eyes and dream about the doctor. Dream about the future, what this category can do. Dream about a category where a doctor, who comes out of school, now has an opportunity to build a business and be a businessman and scale it up through franchising.

So, our future, very simple initial dreams to build a thousand store network because we like a word called billion dollars, that's the first. Second, we'll take it globally through franchising. Before I close, when you get a moment, I know you travel light, there's a couple of wicker baskets right next to the coffee area at the back.

If you care to understand a little bit about our journey, we have a handout, a little coffee table booklet. You may like to take the USB which says Pearle Vision, pick it up, no obligations, take it. It's right there. And now it's my privilege and pleasure to introduce a friend and colleague of mine. We call her Elizabeth DiGiandomenico, much easier Liz D.

Liz DiGiandomenico

I hope my name is going to be as easy as my presentation today to tell you a little bit about insurance in the US market space. So I'd love to start out with EyeMed Vision Care. One of the common questions I get is: how do you fit into this family of assets for Luxottica? But before I'm going to answer that question, I think I need to explain, for some of the non-US folks, what is Managed Vision Care in the US?

So let me start with this. First let me define it. It is the way we deliver vision insurance benefits. It's a delivery system for vision care needs, eyewear and eye care. It's that simple. And what we try to do in Managed Vision Care is we want to manage the quality and the cost of the eyecare and the eyecare services. So how does it work? First, you have a Managed Vision Care company, a carrier. EyeMed is a Managed Vision Care carrier.

What we're responsible for doing or what we love to do I should say is we build networks and we negotiate prices, discounts on eye exams, contact lenses and prescription eyewear. And there's about three or four of us in the US market that have about 80% of the share.

How do we sell? We have two ways.

We sell direct to the client. And who is our client? It's generally the HR director of an employer group. What they're responsible for is creating portfolio benefits for their employees, whether it's medical, dental or vision.

So we have about 10,000 direct clients. Okay, 9,800, I'm rounding up. But we have about 9,800 clients where we'll go direct to the employer like Home Depot.

But we also are fine with working through health plans where, for those that do understand the benefit industry, we're the administrator. And we're happy to work with the top three out of five health carriers in the US, that are Aetna, WellPoint and Humana.

And so how does that work? So they'll go out to the employer group and say, "Let me offer you a bundled medical offering. Oh, let me throw in vision, let me throw in dental. Let me take care of your total body." So, in that situation we're still the administrator, we still negotiate the discounts for the vision benefits and we still supply the network as to where the members can go. But our distribution is by those primary ways.

Then obviously we have providers, those that provide the services in the Managed Vision Care space.

Just to give you some perspective, our largest network is called Access. It has 22,000 doors. About 5,000 of those doors are retail doors and the rest are independents. And obviously of the 5,000 retail doors, half of those doors are around the doors that you've heard about today.

So what we're really proud of in our network is we have a diverse network. We believe Americans who want to buy Managed Vision Care have a right to choose between retail and independent. But at the center of this ecosystem is the member. Members are the ones that will utilize the benefit, they're the consumer at the retail optical North American stores and we have about 36 million members in EyeMed Vision Care that we're proud to serve today.

Let me tell you one thing about this Managed Vision Care member. He or she shops about 2.1 times in a year. A repurchase cycle of 2.1 versus about 2.5 of a non-insurance customer. First of all that is a huge opportunity. If in America I can get my teeth cleaned two times a year, I should get an annual eye exam.

So, I think in EyeMed one of our objectives is to help educate that member on getting their annual eye exam and we are committed to reducing that from 2.1 down to something closer to 1. But that's kind of the ecosystem. So let's talk about delivery.

Health insurance. Americans get their medical through managed care as well. So as we look at vision insurance, what EyeMed does when selling vision insurance, you have to look at the health insurance, the medical insurance side. So how do Americans get health insurance? They get it in three ways. They get it first, through their employer sponsored plans. The HR director, the HR VP deciding "what am I going to offer to my employees?" They also get it through the government. I'm sure you all are aware of Medicaid and Medicare. Medicaid is aid for the poor and Medicare is care for the elderly. So there's over 94 million people that has some form of government subsidy for taking care of their health.

And then finally some Americans get it through the individual. But you can see about 80% of Americans have some form of medical insurance through managed care. And that 49

million that you see that's the uninsured. That's called Healthcare Reform. Right? What we were trying to do and what we're still trying to do is to make sure Americans have a right to medical insurance. And I think you saw last week we opened up our public exchanges. You couldn't get on it, took you nine hours. But we did open up the public exchanges. And again, what's the purpose? It is to make sure every American has medical insurance.

Now, if you look at vision insurance on the other side, you have about 130 million covered lives, of which 40 million again are government sponsored by Medicaid. For many children the government will sponsor "get your eye exam and get a pair of glasses if you need it". And there's also 90 million covered lives through our employer sponsored programs, again, going to the HR buyer and making sure vision is part of the offering for benefits, but there's a big gray area there called uninsured individuals. About 179 million Americans don't have, they either don't need it, they don't buy it or they're not using it - they're not getting their annual eye exam and that's the opportunity.

One of the questions I commonly get is, "Do you see Healthcare Reform as an opportunity for you?" And I say yes. One of the things the government did, is that any time you sell a health package in the US, starting on 1-1-14, there will be ten essential healthcare benefits and guess what one of them is: a pediatric benefit.

So, any time a healthcare product is sold in the US, on these public exchanges or for any employer group with less than 50, it will be embedded in the group plan design for a child under 19 to get an annual eye exam and a pair of glasses. So that will be embedded in the health plan or the medical plan but given that we partner with Aetna, Humana and WellPoint and several other resellers, we will have access to this pediatric benefit and we truly see that as an opportunity.

Okay. So have we been winning in the market place? If you'll allow me just to boast a little bit, as you see on the chart there, the Managed Vision Care industry has been growing about 1% every year from 2009 to 2012. And I'm proud to report that EyeMed has grown about 11%. So we've grown our market share from 19% to about 25% of this 135-ish million covered lives. And I'm happy to say that it's about close to three times that of our largest competitor which has 37% of the market share.

So I think what's more important is well, why are you winning? And I think it really comes back to the customer-centric focus. What our customers tell us is well, what differentiates EyeMed? And there are really three things. Our network, they love having access to retail and to independence. They love the value proposition, the premium they pay for the benefit that they get. And they love our customer service. We know that 24/7 they can touch our benefit through the Web, through your smartphone, whatever you want to make sure you understand your benefit you know where to go to use it and what your benefit is.

So that's a little bit about winning for us but I hope here, and this is the real important point, it's not just about winning in the market place, it's about winning for Luxottica and fitting into this ecosystem of Luxottica. And how do we do that?

So I told you we have close to 36 million Americans, okay, I should say over 35 million. But every time one of those members chooses to use their benefit, nearly 40% of the time they will use one of our company-owned locations to use their vision benefit. 60% of the time they will use an independent location or another retailer in our network. But the beauty of

that is even if they go to an independent location, we don't require our independents to use or put frames on our board to be in our network but the member chooses it.

So, in that situation we also create value for Luxottica as an insurance member came in to an independent location and bought a Luxottica frame. So that's kind of the value proposition as somebody one day said "Well, you're a traffic generator for Luxottica." I guess we are, but what we look at is we're really just trying to make sure Americans have access and get annual eye exams and use their vision benefit.

So, I couldn't have a closing chart without telling you we love our approximately 10,000 clients. Here are some of the clients that we have. And I don't like to get comfortable so I still say we have plenty of room to double that over the next several years but I know what it's going to take because in EyeMed we don't make anything.

I keep telling my team we don't manufacture anything. What we sell is our service and our value proposition. But we know that innovation will be extremely important to what we do. And so just a couple examples of what we've done for some of these clients. One of the things we did is we optimized our Web, mobilized it, so that you could get access to us 24/7.

The second thing we did is we rolled out a kids' program. And we have several companies that have chosen to offer that to their employees where a child can get an eye exam two times a year because they're all using their smartphones every day, every moment and their prescriptions are changing very frequently.

And thirdly, we learned last year with our Home Depot client, that when we offered an upgraded plan, an enhanced plan, 65% of the time they chose it. And they used it more and they loved it more. So we learned that, we did some focus groups, and we've now introduced what's called EyePrefer.

So when you go out and make your annual elections that we all will be doing and part of Luxottica will be doing annual elections for our medical, dental and vision, we'll be offering a three-tiered program.

I won't go into the specifics of all three tiers but that third tier says that maybe you need to buy vision insurance for two pairs of glasses every day, one clear and one sun. And so we're really excited to see what the results of that will bring. And then finally, there are a lot of assets within Luxottica that we have not tapped into in terms of this insurance phase.

So I'm sure you'll hear about a lot of them today and I'm really excited about the partnership that we can create with some of our power brands and to see how we can dial up our plan designs and our member experience, maybe the Omni Channel experience for the future.

And I'll just leave you with one thought that probably inspired me the most. We were doing a focus group and one of the focus group members said, "You know, I see EyeMed is kind of, you know, you got that competitor over here as the Microsoft and EyeMed can be the up and coming Apple."

And I'm sure I'm not going to be creating the next generation iPad but well, what I will be doing is figuring out how to delight our members, our insurance members, our EyeMed

Vision Care, so that we can continue on our path of growth. Thank you very much. I hope you enjoyed your insurance education today.

Alessandra Senici

Now we are moving to the sun business and I'm pleased to introduce Fabio d'Angelantonio discussing SunGloss Hut.

Fabio d'Angelantonio

Grazie Alessandra. Good morning, everybody. SunGloss Hut is a nice story to tell, I hope pretty consistent with the story we told you in the past few years, hopefully not boring.

We know in SunGloss Hut - we've been talking about it in our past presentations - we're very clear about what the brand stands for today. We are very clear about what our operating model is. So, it's a story of execution, it's a story of growth while maintaining the right attention to adapt to the different geographies we get into.

Sunglasses and SunGloss Hut in particular are about fun, are about energy, are about dynamics and where we're trying to create new stories about fashion. And sunglasses are about instant gratification. So we try to get people into the game, to attract consumers and, in this way, to drive conversion. What we sell, we sell "feel good". And we feel very good about the business results we're achieving this year, 2013.

So, SunGloss Hut is still growing in the double-digits. SunGloss Hut comps are in the high single-digit range. Also our conversion score is growing in every single geographic region, as well as our consumer equity metrics, both equity and satisfaction, are as high as ever, which is a super result for us.

In the last 24 months we opened more than 500 stores. In the last 12 months into 2013, we entered Chile, Germany, Malaysia, and by the end of the year we should be able to announce another couple of Asian countries in which we are closing transactions. So, we're very happy about our global journey on what we call the Sunbelt, so growing beyond the existing geographies in Latin America, Europe and Asia.

In every single geography this year, comps are growing middle single-digits or above. So, it's a history of growth everywhere around the world. We are very happy about these results.

The story we try to present today is about North America. And our team will try to explain and give a little bit of information on the size of the growth. And at the same time, being clear about what the recipe has been for this growth, which are the tricky elements, namely products, our people, our appearance and the brands that are producing this growth.

But on the other side, I think that is even more interesting for you, we'll try to portray clear avenues that we see as opportunities. Premiumization - we've been talking about that and Andrea mentioned it - is how many more customers, consumers we can trade up from under US\$50 sunglasses to a premium sunglasses or "normal price" sunglasses, I would say, as "premium" is already an overstated world.

Second, female customer, how many more female customers we can attract to Sunglass Hut.

Third, is our department stores and, in general, host opportunities.

Fourth, is our real estate expansion.

Fifth, is Sunglass Hut taking full profit. All digital opportunities are connected with consumers.

Those are really the objectives of today, being clear about the recipe on one side and the growth avenues on the other. I will ask you to view a short film about how Sunglass Hut is growing in a sunny way around the world and then I will introduce the rest of the team.

(VIDEO PLAYING)

So, it's my privilege to introduce some of the team members that I have the privilege to work with: John Haugh, General Manager of North America; Edward Kummer, Global leader of e-commerce; and Luca Lo Curzio, Global leader for marketing for Sunglass Hut.

John Haugh

Grazie Fabio. Welcome everybody. Thank you for coming to Cincinnati. It always looks like this. It's a fantastic place and we're glad you are here celebrating with us. If you look at our business, if you look at where we have come from 2010 to 2013, we're up 36%, we've added 7% more stores. So the top line growth has been amazing. It's been outstanding. It's been one of the best performances in retail.

In 2013, we anticipate kind of mid to high single-digits on top of three years of double-digit comps, which again will put us in the top tier of where American retailers are. We feel very, very good about that. The other thing that we feel strongly about is that our growth is coming from AUR (average unit retail), as we're driving our price up. And we'll talk more about premiumization. But we're also getting more transactions and we're improving our conversion.

So we've got a good balance of where our growth is coming from. We like to say we're bringing sunshine to this business.

So, if you look at where we have come, if you look at our progress, it's a result of some deliberate actions. We have doubled our marketing expense in the last three years. Luca Lo Curzio will talk about that. We are bringing more customers to our brand and strengthening our brand. We have made significant investments in capital.

We spent more than US\$100 million in the last three years. This has meant that we have remodelled stores. We've improved our footprint. We've made it easier for our customers to find us and purchase from us. We have also spent significantly in digital, in being Omni Channel. Edward will talk about this, but we have brought technology into the stores and we've brought technology to our consumer. That has also driven our business.

And finally, our frontline, what really differentiates us in the marketplace, our associate base: we have paid our frontline 33% more in the last three years. We've increased what

we pay them by 33% in the last three years. So if you think about what does more marketing get you, what does more capital investment get you, and what does paying your frontline more, it gives you 350 more basis points of profit over the last three years. It's something we're very, very proud of. And it has turned our business into something that is strong, that is resilient, and that is ready to continue to grow for the next decade.

When we look at what works in retail, it's product. People buy product. People buy our sunglasses. It starts with where we are with product. Our challenge, our opportunity, our team literally chooses from tens of thousands of frames. Tens of thousands of options are out there. Our average store holds about 850 frames. So what we have to do is curate tens of thousands of options and put the right curation, the right selection, the right offering in the stores for our customers to come in and purchase.

What we have to do is we have to balance classic product like a Ray-Ban Aviator, which - while classic - continues to be invented with folding, with new lenses. In fact, this holiday, we will have a solid gold Aviator in our stores that retails for about US\$3,500, which we're very proud of. That's premiumization. We feel good about that.

We also have something we call "fresh flowers". Everybody who knows retail knows that new products are really the life blood of retail. We will introduce 1,600 what we call NPIs, New Product Introductions, into our business this year; 1,600 new styles, new SKUs will roll into our stores. What that allows us to do, our customers expect from us to have the latest, to have exclusives, to have things they can't find anywhere else. By continuing to bring this newness and these fresh flowers into our business, we deliver and we exceed expectations of anybody in the sunglass business.

We are the authority in premium and fashion sun. We also change our front doors pretty frequently. Frankly, very frequently, as often as every two weeks. We are a high impulse business. We need to catch consumers' eyes when they are walking by our stores through the malls. So we invest significant dollars in changing those windows, making them pop, making them come to life. What that does is drives more traffic into our store, which ultimately drives our business.

When a customer enters the store, then we need to tell stories, then we need to merchandize. What we need to do is tell the customer what is behind a Bulgari frame. We need to tell the customer what it means to have a Chanel on your face. We need to tell the customer how cool Ray-Ban is. We need to tell the customer about the performance in the lens technology in an Oakley. We have to do that through our merchandizing.

Finally, we have a planning and allocation department that lives by a really simple rule -- right product and the right store at the right time and the right quantity, which sounds very simple. And fortunately, they have all kinds of good algorithms and things like this that make it happen and we have a team that is second to none in terms of moving product in and out of our stores effectively and efficiently.

I would argue this is probably our secret weapon, our associates. We have 13,000 highly engaged, highly energetic associates. You got a taste of some of them this morning when they greeted you. We have Regional Vice Presidents, nine of them who lead the country. Two of those Regional Vice Presidents started as part-time associates more than 20 years ago and today are some of the most important leaders in our business.

Our magic is really our culture. 86% in our recent associate satisfaction survey indicated they were highly engaged to be with our business. Our people love our business. We don't have help wanted signs in our windows. We get who we want to work in our stores. We're really, really fortunate.

But I think what's also important in addition to the passion, the energy, and the magic is a methodology. We introduced something about a year and a half ago called Sunglass Hut Experience. It's very simple, but we think it's very powerful.

First step, invite. We welcome the customer into our house, into our store. We ask them what they're doing on a Saturday. We don't try to sell them right away. Is their football team playing today? Where did they get their handbag they're carrying? We create a little bit of a connection right away before we sell them anything.

Then we engage. What engage means is: why are you in today? Going on a holiday. Going to a class reunion. Sat on my last pair of sunglasses. But we want to understand what might have brought them into our store today. They might just be browsing. But by understanding that, we can have a better connection with them and have a better chance of selling them a pair of sunglasses.

Then we interact. Interact means that's kind of where we make our money, that's where we try to sell something. We have what we call "styling tray". We put five or six different frames in that styling tray and we encourage the customer to try them on. We tell them when they look good, when tell them when they don't look good. We tell them that this is a good frame, this is the history behind the frame. And then we try to sell them a second frame when they buy the first frame.

Finally, we appreciate. Our frames are US\$150, US\$250. We have an Oakley Pit Boss right now in our stores for US\$600. When you put that baby on, you look like a rock star. You are ready to conquer the world, so we thank the customer for being with us, we thank them for buying the Oakley Pit Boss and we tell them to get back quickly and tell their friends to come back.

Our success has been the product, has been the market that you hear about, and then it's the associate frontline.

The final piece I will tell you on this is our associates are very, very, very performance driven. When you walk into our stores, on our tablets behind our POS is exactly where the store sits today. Every store knows every store day what their plan is for the day, where they're sitting on conversion at that minute, what their AUR is for that minute, and several other key metrics that we measure. About a third of what our frontline people make is variable. So, everybody's in the game and everybody every single day knows whether they made their number yesterday and whether they're going to make it today. So this results-driven culture has also been a big key to our success.

With that, Luca, I'm going to ask you to come up and talk about marketing.

Luca Lo Curzio

Good morning to everybody. So a few words about our brand and about our marketing strategy. Let's start from the brand.

Our mission is clear. We think Sunglass Hut wants to be the authority and the key destination for fashion, premium and style sunglasses. We want to build an intimate and close connection with our customers. We want to delight them. We want to excite them. And we do believe we have a very unique and solid positioning into the market.

When people shop with us, they feel good. Basically, they have fun, they can play with different styles, they can play with different personalities. So in one word, we say they can find their cool. So "find your cool" is our brand promise and is what make us completely different from anyone else into the market.

As you can see from the picture, Georgia May Jagger is our brand testimonial, is our brand ambassador. She's a very strong enabler to communicate our positioning. And she truly embodies our values. She's savvy, sexy, inspiring, fun and real. So this is the positioning that we have in the market and this is what we can propose to our customer today. And we think it's the base of our success.

In terms of marketing strategy, we have doubled, as John said, our marketing investment in the last four years. With 2,000 stores and almost 90 million people walking in our doors every year, we leverage our stores as one of our most powerful media channels. One-third of our marketing investment is in our store, is in our visual merchandizing, is in our window, is in all the tools we put together to tell our customer some stories about our products and brands.

Obviously, we have changed our marketing mix in recent years to become more and more digital and to target our younger customer. Today, we invest 35% of our marketing investment in digital and we plan to move this number from 35% to 50% in the next three years.

Two other important pillars of our marketing plan are CRM and PR. So, our CRM program is a fantastic opportunity for us to know better and better our customers and to build a relationship with them. In terms of PR, we have a solid and strategic strategy because PR should allow us to be perceived in a more consistent way as a fashion authority; not only in the sunglasses market, but in the broader fashion accessories market.

The last point I want to share with you is about some research we did in the US in August. We usually do this kind of research, brand tracking, twice per year in the US to understand how healthy is our brand and to understand what's going on in the market. So as you can see, our brand awareness is really high. It's almost 97% on our Fashion Female Core Target, which means that 9 of 10 people think of Sunglass Hut when he or she comes to buy sunglasses.

And half of those have purchased sunglasses in Sunglass Hut at least once in the last 12 months. And even more important to me, half of these people are completely and extremely satisfied, which is the satisfaction top box number about the customer journey they had. So these numbers, as you can see, are growing fast and are even better on our

Fashion Female Core Target, which as Andrea and Fabio said, is the real strategic point of difference for our future growth.

Now, I can ask John to tell you a little bit more about our growth strategy. Thank you.

John Haugh

Thanks, Luca. So, let's talk about premiumization. I'm going to give you a couple of numbers. There were 18 million frames sold above US\$50 in the last 12 months. There were 80 million sold below US\$50. We don't play in below US\$50. Our game is premium. We have an opportunity to move some of those 80 million above US\$50. That is a big, big opportunity for us.

The second point is we categorize our stores by platinum, gold, silver, department stores, outlet and, of course, e-commerce. The AUR in our platinum doors is about 40% higher than our department store business.

So, that is a big opportunity for us. When we look at where we can go and how we can premiumize this business, we are going to spend the next three years with a defined strategy to say not only will we continue to have a strong, amazing Ray-Ban and Oakley business, but we're going to drive luxury, we're going to drive fashion, and we're going to incentivize our associates, we're going to spend our energy, our marketing dollars and drive premiumization.

The second thing I would tell you is polar. Polarized lenses are simply the best lenses that you can put in a pair of sunglasses. In our full price business, we're about 55% polar, which is fantastic. We've made great strides over the last few years. We're up about 500 basis points on that measure this year. We think there's continued opportunity to grow our polar business. And every time we sell a polar frame versus a non-polar frame, we add about US\$50. It's about a US\$50 up-charge when we add polar as an overall.

So, remember, as we increase our AUR, premiumizing, selling more fashion and luxury, as well as driving more polar drives our AUR. And every 100 basis points of AUR adds 100 basis points of comps. And when we drive our comps, we have a very, very good business.

Females. In a category where about two-thirds of the business is women, about one-third is guys, we're about 50/50, a little bit better than 50/50. We're making progress. We used to be actually even more guys. We have an opportunity here. Mark mentioned handbags. Let me talk shoes. If you think 10 handbags is crazy, let me talk shoes. Women, on average, have 21 pair of shoes and 10 handbags and four watches and only three pairs of sunglasses. We think there is a big opportunity to build the sunglass business. If you think about sunglasses and if you think about wardrobe, we want every customer to have a bling pair. Think Bulgari, think Chanel.

Then you had better have your minivan pair, right, because you shouldn't be driving a minivan in Bulgari. You should be wearing Tory Burch or Coach, really good, strong brands. Then you have to have a cool pair, Ray-Ban, cool. Then you're going to do something sporty and you're going to walk, you're going to Lulu lemon, you're going to play tennis, and what else would you wear besides Oakley.

At a minimum, you need to have four pair of sunglasses. And we think, as the category leader, we have an opportunity to build this wardrobe, build this accessorizing of the business. When you go into a mall, oftentimes, as a store, we have brands that you can't find anywhere else in the mall - Chanel, Bulgari, Tiffany, Prada, Dolce & Gabbana.

For many of our customers, the Chanel frame they buy from us is the entry to Chanel. Frankly, for many of our customers, it will probably be the only Chanel item they ever purchase. We have a tremendous opportunity to bring these brands to consumers and to make them feel great when they're wearing a brand like a Chanel, like a Bvlgari, like a Prada.

So our market is centered on women. If you go in our stores, we dramatically give more shelf space to our fashion and premium business. Our associates are incented and driven to sell this. We believe right now we are at the early stages of what many other categories have done, which is to premiumize their category.

Next, let me talk about department stores. Our expansion is kind of at an early stage, but we've actually been doing this for a little while. We started with Burdines back in the 1990s. Burdines is now part of the Federated Macy's business. In 2010 and 2011, we added about 450 more doors. That brings us to about 700 doors within Macy's. Macy's, as you probably know, is the largest department store chain in the US, about US\$27 billion.

Our relationship with Macy's runs very, very, very deep. Terry Lundgren, Jeff Gennette, Peter Sachse, the top management, are all friends of our business and very happy with us. But every single store manager also considers us critical to their success. In fact, when you look at leased or licensed operations in Macy's, take the biggest one they have, multiply it by three times, that's us. We are three times bigger than their next biggest licensed operator.

So we do this business very well. In fact, in the last four years, we have quintupled the business, so 5 times, and we think there's a lot of opportunity to still grow. We will grow through more marketing. It's rare that you see a Macy's communication piece or catalogue where we're not involved and part of it. We will do more direct marketing. We are taking more of their windows and street locations and we're doing more cross-store marketing.

The latest number we had said is that only about 33% of Macy's consumers knew there was a Sunglass Hut in the store. So as we tap into their database, and they're very good at database marketing, we can build our business.

Second, we will continue to develop products for Sunglass Hut at Macy's customers. We develop what we call Capsule Collections two, three times a year. And they do very well. They're only available at Macy's.

Next, we are continuing to remodel and relocate. When, inside of Macy's, we can remodel, update the store and relocate, it's silly good news. In fact, in a fashion show out in Las Vegas, we remodelled and relocated the other day, we're running a 51% comp. Down in South Beach, we remodelled and relocated, we're running 110% comp. In Westshore in Tampa, we remodelled and relocated, we're running a 74% comp.

Now, these are three, four, five months in, but pretty good strong results. We continue to work with the Macy's management team and know that we've got a lot of opportunities to continue to improve our real estate inside Macy's. We also have two more things that we're working on. First, a men's store. We have about 12 of them right now. We will continue to look for more opportunities to have Macy's Men.

And then at the end of this month we'll open our first luxury boutique inside the new Macy's Herald Square store where we will introduce some brands that you normally can't find in our Sunglass Hut in Macy's. So, we feel we can continue to grow that business, but we are not just stopping at Macy's. We are also in deep discussions with several other best-in-class retailers to help them with their sun business.

Finally, I'd like to talk about real estate. When people say what's your biggest marketing expense, they assume it's print media, digital, as Lucas pointed a couple of minutes ago. The reality is, our biggest and most strategic marketing expense is our real estate. We rent stores in the main part of the mall, center court, center pitch. And what that does is it allows hundreds of millions of people to walk by our stores every single day. So what our team does is to fight every single day, and it is a fight, to make sure that we have the best locations in the mall, one store, two stores, one mall we have six stores. When we add a store in a mall, we get incremental business, always accretive to our business.

Our real estate, though, is focused on four areas. Number one, to increase our size and presence in the top malls in America. Number two, to go after the mega cities, Andrea mentioned mega cities before. Manhattan, we have 19 doors in a city of 8 million people, 19. We think there's tremendous opportunity there, as an example.

We will also continue to take advantage of any outlet development that happens. Outlet is a very good business for us. Interestingly for us, we manage it very, very well and we have a strong percentage of full priced business in our outlets. We feel good about that. And then our flagships. We have right now 10 flagships in the US as we designate them.

We think there are still some more opportunities, so we're going to continue to look at those. And there's one more piece of real estate that is critical to us, our design compliance. As we have grown, as we've made acquisitions over the years, we have too many stores that don't look like we'd like them to look, that don't present our brand as well as we'd like it to. We will spend energy in the next two to three years to increase our design compliance.

And every time we bring an old-looking store up to a more contemporary-looking store, our comps are very strong and have a good return on investment.

So real estate for us will continue to be a big priority and something that we will focus on in the years to come. With that, Edward, can I pass it to you?

Edward Kummer

Thank you, John. Good morning. Sunglass Hut is on a journey to become a fully integrated digital retailer across all of our consumer touch points. We are investing in the technology to ensure that we're connected to our customers wherever they are. We're investing in creative solutions to help better romance our brands, engage our customers, and drive our business.

And we know that this expertise and technical innovation allows us to know our customer better, and therefore communicate with them better and be more relevant to them. And all of this digital consumer centric view that we're building, we believe the real power is, what John talked about, our store footprint. We think that it differentiates us from others and allows us to provide that fantastic experience. This experience will ultimately transcend our channels and exist in social media and other web touch points that will come in the future.

We've done a lot this year in digital. To help expand that connection, we've invested in Omnichannel, what we call "Experience 360", which is iPads in our stores connecting our web to our stores and essentially giving each one of our associates and customers an infinite assortment, which is every Sunglass Hut and Sunglass Hut at Macy's now has the full breadth of assortment of one of our flagships as well as online exclusives that don't exist elsewhere.

We are investing in digital windows in our best stores in order to better romance our product and draw people into our stores. In Times Square, we even installed the ability for our customers to buy 24/7 via a special Sunglass Hut vending machine. And in the same store, our flagship, we also put in a 20-foot what we call a bling wall that allows us to really give a consumer experience that you can't get anywhere else.

We've done a lot to both grow the e-com business as well as improve the customer experience. I mentioned the in-store connectivity to our website. That not only fulfills the promise that our customers will get exactly what they want when they walk into our store, we've also found that the average unit retail of those purchases are higher than either the store or the web individually.

In the last two years, we've more than doubled our e-commerce business. In September we launched the Australian website and we will continue that global expansion next year with Brazil and the UK, and all with the goal of becoming 5% to 10% of our in-store sales. Fabio?

Fabio d'Angelantonio

Thank you. So, let me stop a second. I hope we succeeded in telling the story we wanted to tell. On one side is our growth story in North America, so we're very clear about our pillars, our backbones, our key ingredients of this growth are the people, the brand, the products, so the three components of this growth.

On the other side, our avenues for growth, our opportunities for growth are equally clear to us. So premiumization is an opportunity to drive people up. More female while having the same mix that the market of sunglasses has, attracting more female consumers as we're doing every single year. Department stores and hosts represent an opportunity. Real estate, quality, quantity, megacities, outlets, there's a tremendous opportunity still out there.

And all the opportunities given by digitalization and digitalizing the relationship with customers and the experience in-store. So, I hope those five came through as growth avenues pretty clear.

I want to touch on a couple of points before leaving. Flagship strategy. We've been talking in the past about Fifth Avenue opening and then, after Fifth Avenue, we've had the Los

Angeles, 3rd Promenade, we had Miami and then we had SoHo, still in New York, and then we had London. And then this year, London Oxford Street and then London Covent Garden. And this year, we opened Times Square.

Some of those stores are simply big stores, which is already good news. So in a big store we can make more money than in a small store. Fantastic. Some of them are really becoming more and more flagships in the sense that they are opportunities to announce the brand, but also to make the brand reach new standards in terms of design, in terms of experience, in terms of technology. So they are real lots for us to explore new opportunities.

If you go today to the Fifth Avenue flagship which we recently remodelled, it's really the place where, I think, we deliver the best premium experience in sunglasses in the world with many different ways to tell stories about premium and even with a luxury area in the store. If you look at Times Squares, it is by far the most digitalized store we have in the chain, probably one of the most digitalized store in the world and certainly the biggest sunglasses store in the world.

Why do we do this? We do this first of all to celebrate the category. So, we want to enhance the sunglasses categories as a role Sunglass Hut has for the company. But, then we also want to elevate and give stature to the brand itself which is compared also in the metrics about what consumers think about us.

And third, I think it is a super opportunity for us also to change and build our image towards real estate developers. So just to tell an anecdotal story, but I think pretty relevant on the context of the flagship strategy for us, when we announced internally in the company that Times Square was open, I think the more insightful mail arrived from our Hong Kong leader that runs Asia. And the guy wrote back to John saying: "guys, you don't know how many doors this store will make me open in Asia", because it really gives stature to the brand in front of consumers, but also in front of the real estate community.

And together with Times Square and Covent Garden, we have the two corners with the highest traffic in the world. So we have a film to see about Times Square and then we will close.

(VIDEO PLAYING)

The flagship store in Times Square has a fantastic vending machine outside. The store is open from 8:00 in the morning till 1 o'clock in the night. And when we go to sleep, we're still selling sunglasses, which is good.

So just to close, I think I'll go back to the overall story. I think Sunglass Hut has made clear today what the brand stands for, our strength and also our opportunities in the biggest countries, in the new countries and even we are clear about what could be future opportunities in new countries to get into. So we know where we are going. The team is now our strongest, investments behind our operating model are coming and we are doing the right things to produce this growth. So our focus is under 50% on execution.

Consumers are telling us clearly they appreciate the brand and they appreciate the experience and the relationship with the brand, which for us at the same time our best

price and our biggest reassurance about future business and future growth. So I think the numbers are pretty clear about where we see our journey is to go.

And with those numbers clear in my mind, I pass the mike to my friend, Colin Baden, CEO of Oakley. Thank you.

Colin Baden

So it's not quite afternoon yet. Just on the odd chance that some of you don't know who Oakley is, I thought we'd start with a brief video and then we'll get right down to it.

(VIDEO PLAYING)

So Oakley was founded in 1975 as an idea. And the idea was that everything in the world can and will be beaten at some point. And what started as a small one-car garage, sport performance, handgrip company for bikes has grown to become a global leader of optics. 2014, next year, will be our 30th anniversary of inventing sport performance eyewear. We invented the category. And it was a heroic moment when Greg LeMond won the Tour de France wearing the Eyeshade.

At our core, we're an innovation and technology company. We obsess about it. And as you saw on the video, we tend to look at things differently. And you look at the slide that I have up right now, those three key words resonate with our culture in a very unique way. And I know you'll be doing a store tour, and I think it's going to be great that you interact with one of our associates and see how those words inspire his passion for our business.

If you think about those three words, I know if you know the brand, you immediately assume that I must be talking about a product and product design. But it's really talking about everything that we do, and it's really our culture, our work, our style, who we ask to represent us in the world that create these inspirational moments.

And if you know us as maybe a great brand in sport performance, really those sport performance aspects of our business are our true authenticators of our disruptive style. Without them, we don't get the credibility that the great work that we have has happened. And it's when we are truly disruptive and creative as a company, that we inspire our athletes to help create their own disruptive and inspiring moments which in turn inspire our consumers to want to be part of the club.

So today, we're going to dive into a couple of our key growth pillars into Optical and Oakley retail. And to help me accomplish this, I brought our Vice President of Oakley retail, Erik Searles. And he's going to dive into a little bit of how we bring the consumer experience to life in our own retail.

So let's start with Optical. The US is our largest market, it's also a region with our greatest brand awareness, 74% in sun and 20% in optical. 2013 will be our fourth consecutive year of double digit sales growth in optical. And where our current US market shares sits is at low single digits. So if you look at the numbers on the slide, the opportunity is huge.

Since we launched our first optical collection in 2000, we have grown the breadth of the opportunity to include both frame and lenses and the same unique approach that made us successful in sunglasses is making us successful in optical for both men and women.

So let's talk about some disruptive products in the optical. This is Crosslink. And before Crosslink, if you wanted to wear a sport performance frame in an activity, you had to buy a dedicated frame. And if you wanted to wear that frame to a business meeting, you might look a little odd.

So Crosslink created an opportunity to fuse the two. So that if you go wearing a pair of frames that work during the day, they actually have the features and benefits to help you work out in the afternoon. If you look at this frame, it's very similar to what you see in our sun product. It has Unobtainium™ ear stems, that help you grip when you sweat.

It has a three-point fit. It has an O-Matter frame which is lightweight and flexible. It has Unobtainium™ nose pads, so again, it stays secure to your nose. It has six-base optical lens, so it offers some peripheral protection as well. And then if you want to change from clear to a tinted lens, we have options for that as well.

So in 2010, we launched Oakley True Digital and Giorgio spoke a little bit about the quality of that lens. In 2011, we updated all of our AR coatings to new technology, far superior to anything we had in the past. And then in 2012, we launched True Sport Optics, so specific lenses for specific sports like cycling and golf.

The lens that we're going to launch in 4Q this year we talked about a little bit earlier is Oakley Edge. What now happens in prescription is that, because of the high wrap of our product, people with prescription corrections over plus four or minus four will get lenses that look like Coke bottle bottoms. They're really unelegant.

And so to get through that, to actually reach the 90% of the consumers, we needed to invent a new platform and build a lens that could actually not have that unpleasant side effect and the distortion that comes with high corrections. So if you could play that video.

(VIDEO PLAYING)

So, before I hand it off to Erik, I wanted to talk a little bit about Optical in our wholly owned retail platforms. We have a test that we conducted early last year where we actually built an ophthalmic frame destination in our stores. And the test was so successful, we rolled it out to an additional 13 doors for a total of 14. And in each case we put one on these destinations, we had double digit incremental sales growth.

And if you think about the retail construct, it really changes the dynamic of the seasonality of our business where we actually now have a business that really is 365 days a year.

This image that you see on the screen, this is our store in San Francisco. And we actually hired an optician, he works in the store. We utilize the similar digital platforms as you heard from Mark and John's team. And basically you can have a complete consumer experience interacting with Oakley product with True Oakley lens technology. With that, I'll turn it over to Erik.

Erik Searles

Oakley retail represents quite an opportunity for the Oakley brand. And typically when you think of Oakley, you don't necessarily think of a retail chain. Oakley has had retail brick-

and-mortar stores for the past 12 years. You would consider it to be a quite mature business, but the growth potential of Oakley in the retail business at Oakley is in its infancy stages.

We're fortunate to have an opportunity that we can almost double dip in the success, a financial success. We're quite successful in our return on investment capital and the amount of money that we invest into our retail channel. But, representing a single brand and having an opportunity to immerse the customers and give them a glimpse of what Oakley is about, it creates loyalty and it creates one more Oakley brand fanatic, which is what drives our success.

Here are some pictures. First some facts. Retail stores from a US perspective, we have 158 in the US and, as we look at the globe, there are about 210 by the end of the year that are specific Oakley stores. They're about 2,000 square feet on average. They're a little bit larger than the rest of the retail chains that you've heard today. And our business encompasses about 68% eyewear and 32% accessories, apparel, footwear.

The uniqueness of the brand and the opportunity for the brand is that customers can walk into an Oakley store and have an experience as they're able to immerse themselves very quickly into the Oakley brand.

The customers walk in, they're greeted by the brand fanatic, which is our associates. And we've hired a team of people that are passionate about Oakley, that love the brand, and that it's part of who they are. From sport performance eyewear, lifestyle eyewear, apparel performance, apparel accessories, everywhere you look, it's all about Oakley.

We build fixtures that are specific to the brand, to graphics, as you look through the store, there are heritage pieces that give you an idea as to the disruptive design that we have. There's a story to tell everywhere you look. You then turn to the left in all of our stores, and we've got a custom experience that is unheard of anywhere else.

What we've had in our stores prior to next year, we've provided 150 unique customer choices to build. But as we move into 2014, the customer can walk into the store and they'll have 750 unique customer choices. From the frame that you choose, to the lenses that you choose, ear socks, nose pieces, icons, you can even etch your lens.

The customer walks in and can truly digitally build with the associate as well as physically build eyewear that is specific to him and his performance needs. It's pretty amazing. All of our customers love it, and a majority of them take advantage of it. It's a large portion of our business for retail.

The growth opportunity throughout Oakley, we have mall-based Oakley stores, optics sales as Colin spoke to you briefly. We have outlets, flagships. You've heard all these discussed. But I want to talk about one that really speaks to the immersion of the brand that's important to what we do. If you look at the picture on the right, we built a store in Angel Stadium. So if you think about the immersion of Oakley as a brand and representing the brand, 50,000 people a game walk into a major league baseball stadium for one game, over 3 million people in one season.

It's a captive audience, typically a lot of dads with their teenage boys walking in to watch a game. They head down to their seats with some food in hand, they sit down and they look

throughout the field. And everywhere they look, they see their hero. Most of their heroes are wearing Oakley eyewear. Day games, the majority of the teams on both sides, both Angels and otherwise are wearing Oakley eyewear. The cool part is that, having built a store within the stadium, they have the ability to do exactly what their heroes are doing. So between innings, they can stand up, go grab a hotdog, walk over the home plate, and we built a store that is built around the sports bar, but it's a custom bar, they can continue to watch the game, they can sit down with our brand fanatics and digitally build any eyewear that they'd like within the stadium.

Typically, it matches what their hero is wearing out on the field. They build it digitally, complete the transaction, our associates are helping them all along the way. They then head back to their seat and they're watching their hero.

The cool part is, 15 or 20 minutes later, especially during a day game, our associate shows up at their seat with their eyewear built and ready to go. Anything that they built digitally with the tablets around the bar, they have in hand. Now, they look exactly like their hero sitting in the stands as they watch the rest of the game. That's truly a brand immersion that we try to accomplish with every Oakley store that we build.

I would encourage you as you go to the Kenwood locations tomorrow, take some time to talk to our associates, take some time to talk to our brand fanatics. They truly encompass who we are as a brand at retail and what we provide for the customer. It's a pretty amazing experience. The opportunity here is incredible. Thanks.

Alessandra Senici

Thank you Erik. Thank you all for your great presentations. And we are now ready to take your questions.

Q&A Session

ALLEGRA PERRY: Thank you for all the very helpful presentations. Just one on LensCrafters please. I was wondering if you could give us a little more detail around the 1,400 store target you mentioned for North America, perhaps a little bit more around the timing of that and how much of that will be in the US and how much will be in other markets. Thank you.

ANDREA GUERRA: So Allegra, the opportunity is there. So we have been very clear and clean saying, what is the objective for Sunglass Hut and the number of stores heading for Sunglass Hut, there's an opportunity. So for quite a time, we have thought that there was no more opportunity for more stores for LensCrafters and we have understood that there is space. And I think that as usual we need to put things on a priority list. I think we are on an unbelievable journey of experience transformation that goes from the eye exam to the digital measurements, to the manufacturing of lenses, and to the fit, and being able to follow up consumers even when they are off in those famous 18, 24, 36 months, and I think this is the priority number one we have.

The priority number two is moving on catching the opportunities we have. And it's mainly easy opportunities because we're talking about the main 10 cities of United States, that is where traditionally LensCrafters has been absent. And therefore, I don't think that there is a target for 1,400 by a certain year. But the new thing for us is that we got the opportunity. And probably in the next six, nine months we will be able to say we're going to cover this by this time and cover this by this other time. So we don't have a plan today for that 1.4.

DAN HOFKIN: Thanks. Just following up on LensCrafters, if you could just maybe quickly summarize what you think has been one or two sources of the more uneven performance in the last year or two and what you think are the biggest opportunities, whether it's technology or other aspects of the consumer experience to improve that?

ANDREA GUERRA: So first of all, LensCrafters' profitability in 2013 is the second best ever in our life. So sometimes you grow faster, sometimes you manage your profit and loss better, and the third time which is the best you do them both.

We have managed our profit and loss much better in the last one, two, three, four, five years. Always better, and understanding a huge profit and loss architecture, how to move investments, how to be efficient on other lines, entering the world of labs, lenses, jobs and I think that we have become very efficient and very clean and clear on what we have to do in order to enhance our profitability going forward. So this is clear, clean and done.

Now, you have a very strong branch that sometimes has to go back and re-understand and rethink how to make their pillars contemporary -- their main assets. The two main assets of LensCrafters are innovation and convenience. I think innovation and you will see it, you will prove it yourselves, is there, is visible. People see it, people appreciate it. I think we lost a little bit of the convenience.

I think that we have been a little bit inverted bracket arrogant in terms of convenience. And convenience is many different things. It is being available where malls and cities have moved. It is finding the proper offer, the proper proposition for all American families, it doesn't mean value driven. We have never been something else. This is who we are. This is what our millions and millions of consumers are asking us.

So I think that innovation is visible, touchable, admired. I think that we lost a little bit of the convenience and I also think that when you know your problems normally and I think we proved it over the years, we know how to fix them.

So we have gone through a generation change. We have gone through a technological evolution. We have gone through a technological breakthrough. I think that there are many things we have done. And we are missing this part, and this part especially in certain periods of the year are pretty big in terms of volumes. So this is where we are today exactly.

BASSEL CHOUGHARI: Hi. I have three questions please. The first one is on Sunglass Hut in the US mainly, by 2016 how do you see split US versus international?

The second question is midterm, how do you see your online sales evolving more driven by brand Web sites or more like the Sunglass Hut Web site? And the last one, you were talking about the US maybe you can give us an update on Armani Exchange where would you like to see that going?

ANDREA GUERRA: So I can give you an update on Armani. Let's start from here which is easy. We're very happy I think we said that in March, in July and I'm repeating it now, it's moving. It's moving as we wish with the right combination between men and women,

between prescription and sun. So extremely happy of how we have been performing on Armani. And obviously as all launches the first year is basically done.

Now, we need to go to the second. And as you all know the first three, four months of the second year are the critical ones. You are going to comp against the sell-in period. You need to have a good sell-out, so you need to have good reorders. You need to open the right stores. So that's the point.

Armani Exchange is the third brand of Armani. And it's probably 5% of total Armani. And probably could be 10% one day. But let me say, we are totally focused in Giorgio Armani first. We need to get it right. We need to get it positioned right. We need to get the right excitement. Then we move to Emporio and then we will take care of Armani Exchange as well.

Regarding Sunglass Hut, you are saying international and align Sunglass Hut versus brands. My answer is pretty similar. Obviously the split should be bigger internationally compared to the US. But if US fantastically, emotionally, wonderfully continues to grow at 6%, 10% comp it's very difficult looking to the volumes of that, thinking that the ratio can change.

So as Fabio was saying, we've entered two, three countries a year. We will continue to do that. We said a year ago that we would enter Mediterranean Europe and this is what we are doing. And as you know, when the job will be completed, that will be a huge market for us.

So I really do not know what will be the ratio. Normally you should expect US to be 5% down in the ratio. So today, we are 75-25 US vs. RoW or, probably it will be 70-30, 65-35 soon.

In terms of online, I think it's two completely different experiences. So Ray-Ban is moving global, Oakley has already moved global. Sunglass Hut is moving global. So I don't care what is the ratio between Sunglass Hut and Ray-Ban and Oakley. What I care is that they are number one, two or three, you pick how they are.

LUCA SOLCA: I wonder what the experience of competing against Specsaver in Australia taught you and what is the appropriate way for you to compete against this counter change in market where they're growing? And does it imply necessarily a significant drop in profit and return on invested capital?

Looking forward, second question if I may, when you look at M&A opportunities, would you be having as a priority criteria the continuing growth of the business when it comes, for example, to investing in more chains or would you be having now a higher priority for return on invested capital improvements? Thank you.

ANDREA GUERRA: So I think we know exactly the history of Australia. Australia has been a couple of years of tough time for us. And partly has been Specsaver's entrance in that market and we have never hidden that. On the other side we had a very negative consumer confidence and consumer spending at that time.

What did we do? 2010, 2011 we've gone back to our pillars. We made sure that those pillars were absolutely what the consumer was asking us. We worked on what we feel is important, eyecare and technology, eyecare and service and eyewear, and I think we won the battle.

We came back, you have seen it. We have seen it. We have seen the margins incredible improvement in 2012 and 2013. And there is no reason why we shouldn't grow next year. If we were in Australia, in Sydney right now, we would enjoy a very social continuous event

on how we are telling to our fantastic Sydney inhabitants that it is probably time for an eye exam, and this through a huge social event and going on for some time in Sydney right now.

So in US, the situation is very different. I mean, as Mark was saying Wal-Mart has been there since ever, Costco has been there since ever as well as Target Optical. So the markets are pretty clear and clean. Everyone has his own job, everyone has his own homework, someone is doing homework better than others. And I think that if you look to it and also because of the insurance driven mechanisms, there has not been huge changes in market share in the last five to six years between one particular way of doing the business to another.

In terms of M&A, I think it's always a question of long-term. We always said one thing that if we wanted to have net profit at 10% in 2014, we just stop investing in emerging markets retail networks and we jump immediately to 10% and above. I don't think that is a good move. I think we need to have a good combination of excellent return on capital in a little bit longer term and be sustainable.

I think that this is the big lesson we learned in 2008, 2009. We were a fantastic growth story. We wanted to become a wonderful sustainable growth story. And this is what we are trying to do today.

MARK FRIEDMAN: Andrea, can you elaborate a little bit more in premiumization within LensCrafters? It seems like there's a fine line between the goal of driving a higher price point. But yet given how LensCrafters sits in the market, you don't want to alienate their customer. So how do you achieve that?

ANDREA GUERRA: I think it's what I said before, this is the mistake probably we made. So we have gone a little bit too far. And premiumization I mean, offering lenses of a certain kind, offering coatings of a certain kind. I think that probably we have gone a little bit too far down that path. And this is the convenience topic I was alluding to before, exactly this. So that equation is critical. That equation is so important in any retail business. And I think that we move a little bit out.

UNIDENTIFIED SPEAKER: Hi. What do you think the incremental demand will be from the Affordable Care Act? From the Obama Care, Affordable Care Act as more folks get insurance.

ANDREA GUERRA: I don't think anyone knows. In any interaction with any health care player, with any insurance player, everyone is saying, "Let's go and see." So for sure today there is Medicaid-Medicare, tomorrow it will be more solid, but I've got no idea and being a foreigner, I ask a lot of questions but I had no answers, no clean and clear answers, and if you have them, please share them with me.

OMAR SAAD: Two questions if I could. Number one, it strikes me in the prescription side of the business that as the category leader one of your goals, especially given the lower levels of participation in eye exams, one of your goals is to really grow the category. What are the techniques for doing this? Is it category marketing?

We think about some of the other kind of successful kind of category leaders in other industries whether it's Nike in athletics or I don't know, Colgate in dental care, do you have to do grassroots campaigns? Is it category marketing? How do we think about that?

And then second question is on the online business, are there technologies? Are you working on developing technologies to somehow integrate this idea of fit and facial dimensions so people can kind of try on virtual glasses both sunglasses and prescription glasses virtually? Thank you.

ANDREA GUERRA: So regarding the growth of the category, I think that we have between 30 million and 40 million customers in our database. And in the last 24 months, we have seen the first initial fruits of a completely different interaction with consumers at home. Frequently you have to remember people, that it's time to go. And all of us wearing glasses, we know that we should go. But between that moment and when we go, it's between 6 and 12 months.

So on one side, the eye exam has to be a more pleasant experience. And on the other side, our ability to talk, to interact, to make people understand. And this is very much based on a personal base. Every consumer is different but at the end there is five or six segments of consumers in front of us. And we need to find always in the different moments of the year, in the different moments of life of LensCrafters, in the different moments in which we want to promote one thing compared to another, we need to have the proper way of talking and interacting with consumers.

I think we are improving, but we're not the best in class, and I think we have learned a lot. And the team today I think is the best in class, and we can only improve from there.

In terms of online technology, every week there is an improvement. So if you go into different sites, if you go on Ray-Ban.com, if you go on Oakley.com or even other sites, the way, the virtual try on is always better. And like we say, we are very close with 3D virtual try on. And the experience today compared to six months ago, compared to a year ago is completely, completely different. So it's coming.

JULIAN EASTHOPE: I've got a couple of questions please. First, in terms of Sunglass Hut, it's been such an immense success. I just wonder why you haven't really got a proper competitor? And why is it sort of -- was there a big barrier to entry? Why have you have been so successful in keeping that's as almost by itself out there?

And in just in terms of labs, I just want to know how he works with Essilor or if he works with Essilor in developing the lens coatings and all those sort of things, what actually -- and how he actually interacts with them generally? Thank you.

ANDREA GUERRA: So Sunglass Hut is a secret formula, Julian, so we cannot just talk about it today. So the reality is that for a long time people have thought about sunglasses as a very seasonal object, so people are just scared to enter seasonal businesses, what do I do in October, what do I do in November.

There are people that have been looking at Sunglass Hut for a long time. Sunglass Hut was selling watches and one of the first things we said, "Let's demonstrate to ourselves that we can be successful in October, November, February and March which are the tough months."

I mean, you could have stores almost 10 years ago that in November were selling zero in a day. And I think that that is the secret. We have been able to create a category which is not seasonal anymore. Department stores are understanding that, my usual talk about

scarves and umbrellas. This is a year-long category and I think that we have been able to carry along.

The second point is density. People are scared about businesses where there's not enough density during the day and during the seasons. I think that Sunglass Hut has built an unbelievably compelling story and it's visible. I mean, you enter a store and you're entering a theatre, you're entering something else. So season and density I think are the big two issues for our competition and I think that we solve them with very secret formulas that are very visible.

The second is about labs. Here is my usual answer. Whatever we do in our life and whatever Essilor does in its life, we will find each other in our path. So it's better to be partners and this is what we're doing every day. Sometimes we agree, sometimes we disagree but it's a wonderful fantastic partnership. And there are things we do with them, there are things we do by ourselves and there are things we do with our other partners, but Essilor was, is and will remain our main partner in lenses.

OLIVIER RUDIGOZ: Thank you. I just wanted to ask you to put in perspective generally at the Luxottica level the capital spending plan as we move into the next four years. It looks like, and if you fold in the LensCrafters and Sunglass Hut, it looks like it's a good tradeoff in terms of return investment capital -- of incremental invested capital. So could you kind of tie up that and fold it into the Luxottica equation?

ENRICO CAVATORTA: Yes, we planned to maintain our CapEx in line with our sales as we did in the last three years and as you know, we are spending approximately 5% of CapEx. So this means that since we're growing the company at the rate of high single digits, basically also our CapEx spending will grow that much.

And you should consider that already today, probably one-third of the CapEx that we spend every year is so called maintenance CapEx and the rest, two-thirds, so the vast majority rate is just to give us opportunities for growth. So this means that these will increase over time.

And clearly, the mix of this CapEx will change. In the past few years, we had to spend a considerable amount of money in order to bring up-to-date our IT structure. And as you know, the project that we called SAP transformation absorbed a huge amount of CapEx in the last three, four, five years. And now, that program is basically is coming to an end.

So this means and since we are maintaining the same level of CapEx as a percentage of sales as in the past, it means that we have now more money available to spend for -- to fuel our growth opportunity. Clearly, all the digital world is there and they are shifting progressively our CapEx in that area.

So we will continue to spend against our brand, we will continue to spend against our retail chain, we will continue to spend in order to fulfill our growth opportunities in the digital area.

OLIVIER RUDIGOZ: Just a revision, when you said SAP has taken a lot of space in the CapEx plan, was it in the one-third of maintenance CapEx?

That's the first question and the second question is totally unrelated, is with Sunglass Hut and Travel retail, why is it that at least in certain parts of the world, we don't see many Sunglass Hut stores in airports and train stations?

ENRICO CAVATORTA: No, I don't consider SAP transformation plan as part of the maintenance CapEx. I mean, we had -- clearly, we have some fixed IT spending every year, that is really what we need in order to maintain our existing infrastructure but SAP transformation project came on top.

ANDREA GUERRA; we are in 85 airports. And let me say the team, as usual, in companies, sometimes you have overlapping interests, so we had a little bit of wholesale, a little bit of Sunglass Hut dealing with travel retail. We cleared it off and cleared it off a year ago and I think that you will see many, many more Sunglass Hut in airports in the next 24 months.

Has been a priority, is a priority and what is fantastic today is that the five or six main players are asking Sunglass Hut to be there. We don't have to do anything and we will be in Italian airports as well.

DAVID THEOBALD: Hi, I'm a former brand manager and I love everything about your business but I hate your value, your approach, your delivery to the value customer. And here's my -- I have two questions. Why aren't you partnering with a winner like Costco as opposed to Sears? And then the second question is what is your exposure if Sears goes bankrupt and how do you manage that risk?

ANDREA GUERRA: So in terms of value customers, I would say that first of all is not our core business. I think it's the core business of others and I think each of us in this specific world, each of us has very clear homework to be done. Second part of the answer is we love the partnership with Target and we feel that the Target consumer is the perfect consumer in the journey of premiumization in the US world.

Third, we like Sears. It's not an issue of dislike, it's a big number of consumers. It's a big number of transactions and there is a great opportunity to do a good job.

In terms of your last question, obviously, it's a very special question that is if it goes bankrupt, we can move away from Sears in our contract pretty fast and on the other side, the EBITDA we're doing with them, it's in the region of US\$15 million -- depends on the years, US\$15 million, US\$25 million a year.

MATT BENKENDORF: Hi. You have a very strong history of acquiring brands, fixing brands, growing brands, expanding brands. I was just curious why you haven't done more organically with brands over the years given the chokehold you have on the distribution side?

Creating your own brands in an industry where brands have been created out of thin air successfully.

ANDREA GUERRA: It's a good question I don't have an answer. We have built on things that we have acquired. I would say that we have not created brands from scratch and I don't think we are good at that. I think that we created contemporary Ray-Ban from scratch. I think we created global Persol from scratch. We're creating Oliver Peoples globally from

scratch. But it's never been in our DNA to create initially a brand. So there is no answer because there is not even a thought about it.

And we're not extremely good with small things and this could be a reason why. We're sometimes like an elephant in a jewelry store and so probably we would not be the best in taking that journey. The basic thing is that there is no answer.

ALLEGRA PERRY: Hi. I have two more questions on Sunglass Hut, can you perhaps breakdown where you're expecting the additional 300 basis points in operating profitability improvements to come from? And then perhaps an update on your recently created Atelier division, please. Thank you.

ANDREA GUERRA: So Sunglass Hut is basically two things, it's leverage on fixed costs and the other part is gross margin, so the ability to work on a wider price range and constantly push on polarization. I think these are the three and obviously the strongest we are, there are bits and pieces that we can do on leveraging our real estate, but the main two are the ones I talked about before.

In terms of Atelier, I mean it's a wonderful story. Basically by December, we finished the creation, that is the integration of Alain Mikli. 90% of what we are going to -- probably it's too much, 80% of what we are going to manufacture in 2014 for Alain Mikli in our sites, the IT system is one, the team is clean and clear, integration is over and let me say since August, is one team driving the path and I think there is a 20% increase opportunity next year and operating profitability will increase more than that. The issue is that it's still small, it's EUR100 million.

But more and more, I think that this was a good thing to be done. More and more, there is another world in the optical market. It's a world of people that love style, love design, do not love logos, love a different story.

And consequently, there are probably 5,000 stores in the world that love this kind of thing and I think that this is a new journey for them and for us together and I think there will also be opportunities to integrate other brands in the journey, not probably building new ones but integrate other brands in the journey. It's a wonderful story so far. There's another question here.

UNIDENTIFIED SPEAKER: You've been led to take a bigger stake in an Italian retailer -- to keep them afloat and prevent them from going bankrupt. Could you update us on how they're doing and whether you want to exit this retailer when they are getting better or if you just stay there?

ANDREA GUERRA: So the journey is long and let me say the Italian environment is not really helping to be more healthy, so they have to be more healthy themselves. They finished their year in September and basically they have substantially improved compared to a year ago which does not mean that they're doing good. We're following them up. We are working on projects together and I think there is at least another 12, 18 months of work together before we'll take a decision what to do next.

Italy is not performing well from an optical market point of view and there are a number of players and assets which are scared about the future. And this is the classic thing that is

happening in Italy today and let me say also in Spain. People are scared by the future. And so more and more people are coming to us and really understanding together with us, what are the projects, what are the things, how can we help to navigate in this difficult world.

And what is good is that at the end, Luxottica has been able to grow in Italy in 2013 even if the year is not over. I'm pretty positive that we will be able and think about our first quarter in Italy how it was. And most probably, we will be able to be very close to breakeven in Spain as well.

And in Spain, I would like to add another thing, we acquired Sun Planet and we converted them to Sunglass Hut basically 14 months ago and we went really far away from a certain kind of commercial policy which was buy one get one free, buy one and get a Coke free, buy one and go to Madrid for free, buy one and whatever.

And we went back to our pillars, we went back to Sunglass Hut pillars and the team has done an unbelievable job and today, we are in the high single digit comps. High single digit comps is paying. I would like to understand how many other retailers can say such a thing.

So, on one side, going back to your question about Sunglass Hut, I think they're doing better but not good. And on the other side, I think that when you are honest with your brand even in these countries, you can do a good job. Are we ready for lunch? It's your turn Alessandra. If we don't have any more questions.

ALESSANDRA SENICI: If there are no other questions, we thank you all for joining us here in Cincinnati. Thank you to the people connecting via Webcast. Let's go and have lunch.

ANDREA GUERRA: Just a small advertising piece. So for everyone that is in the states, you have one unique opportunity in the Christmas season. You can go into an Oakley store and have one of these motorcycle grips. But why am I showing this to you? This is where Oakley started, motorcycle grips. Oakley invented a new plastic, so the more you were sweating, the more it was glued into gloves. And people were saying, "But why don't we have something similar for our goggles?" So if you go in those stores in November and December and spend enough money, this is a wonderful gift for all of you. Thank you and have a good day.