



Luxottica Group Conference Call Transcript
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Alessandra Senici - forward looking statement & introduction
Andrea Guerra - 2011 highlights
Enrico Cavatorta - FY 2011 results
Andrea Guerra - behind 2012 "rule of thumb"
Mark Weikel - LensCrafters
Paolo Alberti - Emerging markets
Andrea Guerra - Australian optical retail strategy
Paolo Alberti - Wholesale in Western Europe
Fabio d'Angelantonio - Sunglass Hut
Colin Baden - Oakley
Andrea Guerra - Service levels and conclusions
Q&A

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Alessandra Senici - forward looking statement & introduction

As a reminder, a slide presentation, which we will informally follow during this presentation, is available for download from our website, under the reading "Investor Relations" , "Presentation" section.

This presentation includes certain non-IFRS financial information within the meaning of Regulation G under the U.S. Securities Exchange Act. Further information, including additional information required by Regulation G, is also available in Luxottica Group's press release relating to its results for 2011, which may be found on our website, under the reading "Investor Relations" , "Press releases" section.

Today' s presentation is being recorded and is also available via video webcast from our website. During the course of today' s presentation certain projections or other forward-looking statements may be made regarding Luxottica Group' s future financial performance or future events. We wish to caution you that such projections or statements are based upon current information and, expectations and actual results may differ materially from those projected in the forward-looking statements.

You can read more about such forward-looking statements on page 2 of the slide presentation. We also refer you to our filings with the SEC and Italian securities authorities. These filings contain additional information concerning factors that could cause actual results to differ materially from those contained in management's projections or forward-looking statements.

Good morning , everyone. I'm very pleased to welcome you to our annual investor presentation. Before going briefly to today's agenda, I would like to remind you that this presentation is being recorded and it also available via video webcast from our website.

The first part of today's presentation is dedicated to 2011 results, our rule of thumb for 2012 and what's behind this rule of thumb. The second part is divided in three chapters: Grow, Simplify and Connect. And within this chapters, we will discuss more on the growth across the Group, LensCrafters, emerging markets with a focus on Ray-Ban, the Australian optical retail strategy, Wholesale in Western Europe, Sunglass Hut and Oakley, and our service. Then, we will take your questions.

Now, to start, here is a video on OneSight, followed by Andrea Guerra starting with the introductory remarks.

(VIDEO PLAYING)

Andrea Guerra - 2011 highlights

Welcome, and today I'll start, as Alessandra was saying, with some initial remarks. And I will start with OneSight. It has been a special year for OneSight, not because of what we have done during 2011, but what we have decided to do with OneSight in the future.

And we took the decision some months ago to double our resources in the next three years and to be more structural in our operations with OneSight. Today, we go to various places, as you all know, 15 days taking care of people that never had their sight. We have decided to give structural presence to our operations. And therefore, we are going to change a little bit the philosophy. And the next three year, you'll see us engaged in changing and evolving our OneSight Foundations for the long term. So, I think this is a very solid and important activity and thoughts and decisions we have taken during 2011.

Regarding our 2011 in terms of business, in terms of activities, in terms of performance, we're happy. We're happy because we've been quite solid through the year, no big swings up and down, in different businesses or geographies or brands. Our strong businesses have performed well. Our strong brands have performed well. And geographies have performed well.

I think there are a number of very specific remarks to be made. The first is Australia. Australia has been a continuous improvement. And we will tell you, and this has become public in the last 15, 20 days, especially in that part of the world, a number of specific actions that we have taken in Australia in order to be stronger and stronger.

We finished the year, with results different compared to what retail business is doing in Australia. I mean, overall retail in Australia today it's not performing well. Our last quarter in optical retail grew double digits. And even Sunglass Hut was in the 6% positive region. So, I think that everything we did in the last 18 months, we suffered. We have rethought of our positioning. We have rethought of our brands and organizations, of our presence, of the positioning of the different brands and we will tell you exactly what we have decided. And it's the decisions taken on strength not on weakness. And I think this is a very important output of the year.

In terms of profitability, we're happy. One very small black point from my point of view, we could have done better in our retail profitability. I think we have improved during the year. I think Enrico will be able to give you a very clean and clear picture of what we have done and what happened during the last couple of years and, therefore, the positive expectations we have for 2012.

What you also have to consider, and we will go through this again, is the investments Luxottica has made in the last couple of years. Let me say, in the last two or three years looking forward; investments - and I'm not just talking about CapEx. I'm talking about brand investments. I'm

talking about field investments. I'm talking about some G&A, very specific G&A. And I think today, we are much more solid looking forward.

I think this is one of the aspects which is sometimes not too easy to be explained, but we will try our best to make you understand how, today, we feel much more solid going forward even compared to 2006, 2007 where we had reached our top performances in terms of profitability.

Working capital: I think, we have done a good job in managing cash flow, in managing inventories, in managing payables, in managing receivables. And on the other side, we have done our investments for the long-term growth as I was saying before. And we generated again another €0.5 billion free cash flow. So, all in all, I think has been a solid year. I will ask Enrico to give you some color on what happened on 2011 and on two or three specific aspects on 2012 and onwards that we feel important. Thank you. Enrico.

Enrico Cavatorta - FY2011 results

Thank you, Andrea. Good morning to everybody. Let me give you a brief overview of the results for 2011. I will be very brief in describing the numbers that you have already seen last night in order to give you some more colors on and some perspective, on some specific aspects.

First of all, you have seen our sales level. We are pleased with the 9.9% total year constant ForEx growth that we have achieved during 2011. That was exceeding our expectations set at the beginning of the year, where you remember we were projecting a high single-digit. So, 10% is probably a little bit more than what we had expected.

As you know, we had an adverse currency effect. So, the reported sales growth has been 7.3%. Let me remind that the average U.S. dollar/euro exchange rate during 2011 has been 1.39. So, a dollar that was largely weaker than a year before when the exchange rate was 1.32.

We are pleased of the growth. It has been well balanced between the two divisions. 11% has been the growth at constant exchange rate in the Wholesale division and Retail has increased slightly less than that. Our final like-for-like sales have been 5.5%.

Interesting enough and more encouraging is that the fourth quarter has been one of the best quarters of the year, and we have seen 11% total growth, 9% at Wholesale level, and comps even slightly higher than average in Retail.

Of course, there has been also the contribution of inorganic growth particularly in the Retail business. So, for perspective, in the fourth quarter alone, the total Retail growth has been 12% with like-for-like at 6%. So, half of the growth of Retail in the last quarter is the result of the new acquisitions.

If we move to profitability, first of all, I am commenting on the adjusted operating income. You have seen in the press release why we are adjusting the numbers and I will go through briefly on the adjustment in order to be crystal clear. But we believe that the comments on adjusted operating income are more important and describe the trend of our business much better than the reported number.

In terms of overall group growth, we have grown more than sales. So, our operating margin has increased by 60 bps on an adjusted basis on total growth, total year. And if I exclude the small adverse ForEx effect, our growth on a like-for-like base for the total growth for the total year would have been 70 basis points.

The growth has been slightly disproportionate in the two divisions. As expected, we have grown more in Wholesale where the improvement has been 80 bps. And, excluding the currency, would have been 90 bps, so fully in line with our expectations.

In Retail, as Andrea mentioned and we will give more detail in a few minutes, our adjusted margin has been basically in line with last year. Bottom line growth has been proportionate to the sales growth. But we will see the reason for that. And in any case, simply excluding the exchange rate effect, our margin in Retail would have been higher anyhow.

Just few comments on the fourth quarter alone. The total Group operating margin improvement has been in line with a 50 bps movement. And as you know, the exchange rate effect in the fourth quarter was basically neutral. So, this is a growth at constant ForEx, you might assume. You have seen some swings in profitability improvement or decrease among the division in the fourth quarter as compared to the rest of the year. Let me say that if you compare year versus year, the timing effect of certain accrual in operating expenses are not necessarily the same or happen in the same quarter every year. So, last year, we had certain accrual made on the fourth quarter or in the first quarter and this year was vice versa.

So, you should not look at the profitability by division, by quarter as a golden rule. What is important is the trend of the year and the results of the year; that was fully in line with our target. Then, the single quarter may be affected by some specific action that happened within the year and happened in a different quarter the following year.

If I move to the net income, fully in line with our so-called rule of thumb. So, as compared to a reported net sales growth of 7%, we have been able to deliver a 13% increase in our net income. This is on a reported basis. On a constant basis or on a proxy of a constant ForEx basis, which is our net income in U.S. dollar, we have been able to grow 18%. And this should be compared with the growth in sales of constant ForEx of 10%. So, again, fully in line with our expectation.

And in the fourth quarter because again the swing that we had versus last year, the growth has been much higher than the rest of the year, up 30% on net income both euro and in dollar because, as I mentioned before, the exchange rate in the fourth quarter has been basically neutral. And therefore, our results in euro and dollar are more or less the same in terms of increase.

As I mentioned to you, I'm always commenting adjusted operating measures. And just to be crystal clear, these are the four items that we are excluding when comparing a year versus another one. And we are excluding them because they are non-recurring. They were basically not considered at the beginning of the year. So, they were not factored in the rule of thumb that was set in the beginning of the year. And they will basically disappear going forward. The first one is a pure accounting item that is a revaluation of the first 40% acquisition stake acquired in Multiópticas, the Latin American chain, back in 2009. Because we paid a higher price per share for the subsequent 60% that we acquired during 2011, the accounting principle required us to record a gain on the first 40% acquired two years before. So it's the same number for operating income and net income. And of course, we view these as a non-recurring item and as an accounting item.

The second one that we are excluding is the cost of our 50th anniversary that, of course, is non-recurring by definition. And that is half cash and half basically were the treasury shares that we have assigned to the Group employees for free. So, that were taken out, out of our treasury shares. It's not a cash item. € 12 million is the total with a tax effect, € 8.5 million is the impact at a group level.

Finally, we had restructuring in the Retail division mainly in North America that we have implemented at the end of the third quarter. And as well as the start-up cost for our expansion in Latin America, mostly in Mexico where we have acquired two chains and where we have rebranded the chains. That cost that is largely non-recurring was € 11 million during the year. And then the last point is related to the Australian reorganization, Andrea briefly touched this one. This is a reorganization of our Australian retail presence because since now in Australia we are growing, as of the second half of 2011 and the early projection in these first two months of 2012 are encouraging, and we are capturing this momentum and we want to strengthen our presence in Australia, rationalizing our retail presence. And so, we are focusing our investments

on our main core brand in Australia which is OPSM. And we are converting some or most of the other stores into this brand.

So, the total investment of this project is huge. We are already forecasting for 2012 a total investment in the region of AUD28 million. Half of it is non-cash, it is related to write off of certain assets that we have or some store closure. Half of it will be a cash restructuring cost. In 2011, according to the accounting principle, we have basically accelerated the trademark amortization of one of the trademark that we have in Australia, the minor one that is Budget Eyewear. The value in our balance sheet was AUD12 million, and we have entirely amortized that value. So, the €9.6 million is exactly the 100% amortization of the remaining value of that trademark. It is, of course, a non-cash item. All the balance, half cash, half non-cash, will be accrued for in 2012. And today, our projection is AUD28 million.

Moving from P&L to balance sheet, you have seen the deleverage. We have been able to reduce our debt, thanks to approx. €500 million free cash flow generation, generated in 2011. Then, we paid a €200 million dividend last May. We have announced that we will pay another €230 million approximately the coming month of May.

And also, we have invested €176 million in discretionary acquisition; that is slightly above our forecast at the beginning of last year that was in the region of €100 million. Part of it is due to the fact that the acquisition of Multiópticas has been, as we mentioned, more expensive than we thought one year ago because of the better results of that chain. And the final price was linked to the results. So, we are happy that we have paid more because, clearly, we now are in control of a chain that is more profitable than what we thought.

Despite these investments and dividends, we have been able to reduce debt and we have been able to reduce leverage. It is 1.7x on a constant currency basis 1.8x, if you use the two different exchange rates for the debt and the EBITDA. Let me say that without the extra investment in Multiópticas, we would have been at 1.6x. So again fully in line with our expectation set at the beginning of the year.

As I mentioned already, the €0.5 billion free cash flow generated, was slightly lower than last year. Two reasons: one, we have decided to increase our discretionary CapEx significantly from €230 million in 2010 to €307 million in 2011. And again, this was a higher number than our original target. So, the beginning of the year we thought and we had in budget to spend approximately €280 million. So, we have increased our CapEx by approximately €25 million entirely in the discretionary area because of the better results that we were generating. So, we have decided to anticipate some extra investment. So, we ended up at €307 million versus €280 million that was the projection.

Looking forward, clearly, since we have already approached the 5% mark that is more or less what we had in mind as a target, clearly, you cannot expect in 2012 such a significant increase versus 2011.

And the other reason why the free cash flow was slightly lower than last year but in line with expectations, as I mentioned, is because of course, the cash generated in working capital control will progressively diminish according to the sales growth. It's already - we are proud of the fact that the working capital despite a 10% or 7% sales increase has been a cash contributor and not a cash drainer. And we have been able to achieve that result thanks to the reduction in our days. You might see that we have reduced our sales outstanding by eight days and our inventory by three days and also have been able to increase our payables by eight days. Looking forward, I think the area where we still can get some extra cash in 2012 is the one that has delivered less in 2011, that is inventory where we still have opportunities.

So, rule of thumb fully confirmed as I mentioned on a constant current basis, 7% and 13%, on a constant basis 10% and 18% and the leverage was bang in line with expectations.

Before we move definitely to 2012, let's just have a quick look at two items in 2011 that Andrea mentioned. One is our retail profitability and the other one is our CapEx. In terms of retail, our reported retail margin in 2011 has been what you see in the first line, 11.6% versus 11.9%, so down 30 basis points. Basically back to 2009, not an exciting results. Now, two reasons behind that. If I look at the three years just to have a much longer perspective, in 2009 and in 2010, in both years we had restructuring plans that meant, of course, a dilution in margin in 2009 and a dilution in margin in 2011. While in 2010, we didn't have any restructuring but vice versa, we had an extraordinary gain that some of you might recall. We signed a joint venture with Essilor in Australia and because of that, we have sold our main central lab in Australia to the joint venture and we recorded a non-recurring gain. And that of course, helped the margin in 2010.

So, if I look forward, in 2012 we are not forecasting any restructuring apart from the AUD28 million that we will accrue for the Australian reorganization. That is an impact that you might expect.

And of course, also, the currency effect should be taken into account. The dollar was basically 1.39 in both 2009 and 2011, was 1.32 in 2010. So, again, it was a help in 2010 as compared to the other two years. And you see what is the impact if I exclude those effects.

The other one is the investment that the Group has made in the emerging countries. That was China mostly in 2009 and 2010. China was losing money in 2009 and 2010, and so, of course, that diluted the margin. In 2011, China was finally reaching the breakeven. Not yet for the full 2011. It will be profitable in 2012. In addition in 2011, we have invested in Latin America, Mexico, Peru, Chile, Colombia and Ecuador. And so, again, the dilutive effect of our investment in emerging market means an operating of 60 bps to 70 bps to 80 bps, respectively for 2009, 2010 and 2011.

So, if I exclude the ForEx, the non-recurring and emerging markets, our core Retail performance on a constant currency basis has been as the one that you see in the middle gray area: 12.8%, 12.2%, 13%, respectively for 2009, 2010 and 2011. So, back to 2009 profitability but there's a significant increase versus 2010. So, we are pleased of the 80 bps margin improvement that we have achieved in 2011.

Now, of course, you might argue and see as always, the glass half empty instead of half full, looking at 2010 profitability that was very low. That's true. That's absolutely the truth. And the reason is the Australian business collapsed and we suffered in that year.

You might recall that Australia experienced severe double digits comp sales decline. And basically in 2010 profitability was way below 2009. So, the Australian effect meant basically that in 2009, the Australian margin was in line with our core Retail. In 2010, it was so low that it basically diluted the overall Retail division margin by 140 bps.

In 2011, Australia has recovered. It's still not yet at its peak level, but the dilution effect was reduced to 90 bps. And now, what is important if I look at 2012, basically apart from the non-recurring reorganization, we do expect Australia to recover so that effect should be gone in 2012.

So, if I look at 2012 Retail, I have a number of positive news. First of all, we will have China becoming profitable and Latin America increasing its profitability. We will have Australia, that basically will recover most of the gap that it lost in 2010. And we have North America that has been very solid in 2010 and 2011 and is projecting again a very solid profitability performance. And you will see later on the effect.

So, basically, if I exclude in fact the impact, the AUD28 million of sales in dollars of the entire Australian organization, you might expect a very solid margin improvement in Retail during 2012.

The last point is our CapEx. As I mentioned, we have spent € 307 million in 2011 reaching the 5% of sales that is basically our target, up from 4% the previous year, thanks to the deleverage in our balance sheet.

Now, it's important to outline that the growth is due to discretionary investment. So, the investments, we are making in order to sustain our long-term growth. What I mean is in Retail, of course, new store openings. It means new system in Retail, in operations or across the Group. And in operations means capacity increase because, clearly, we are producing millions of frames, every year more compared to the previous year.

When the Group increase by 10% sales in a year, it means millions of additional frames that need to be produced and distributed. And so, clearly, those are investments to fuel that growth. So, in 2010, the maintenance CapEx was more than half of our total investments. In 2011, the maintenance CapEx remained basically at the same absolute level. And all the growth was in the so-called discretionary or growth CapEx. And the same would be, as I said, in 2012. You might expect an additional increase entirely in the growth investments.

And finally, let me conclude of what all this means in terms of 2012. For the third year in a row, we are proposing a rule of thumb; this rule for the third year in a row, it's basically the same. So, you might say that we are a little bit boring. Yes, we are. But, of course, we would be pleased in the future to be boring and achieving every year a high single-digits sales growth and achieve every year the disproportionate growth in our bottom line. And again, we believe that in 2012, we should be able to achieve twice as much our bottom line growth versus top line. Finally, we will continue to deleverage our balance sheet despite the dividend that we have announced, € 230 million that we will distribute to our shareholders in May. We believe that our debt-to-EBITDA ratio will be below 1.5x at the end of this year. Thank you.

Andrea Guerra - behind the 2012 rule of thumb

So, moving across the year, first of all a comment on January and February as we made it public, we are happy about January and February. I would say that it's not fully a surprise because basically it's the third or fourth month in a row where we're having this kind of trend. And this kind of trend is surprisingly widespread in the world because yet we were able to achieve a solid performance in Mediterranean Europe. Which is for sure the area where probably since a year-and-a-half ago we are continuously looking to what's going on in the stores, to what's going on in the inventory in the stores, to what's going on with receivables, on everything that can give us some signals of how things move.

How things move in Mediterranean Europe? Like a rollercoaster, up and down, up and down, up and down.

Obviously if you look to specifically Italy, obviously the snow and the frozen weather was like a frozen period. But, thanks to this very strong weeks in terms of spring weather we have seen our phone replenishment orders going up immediately. We have been positive. We have been positive in Italy and in Spain in January and February. So, we still are trending positively. Obviously, and I always repeat it, January and February are not the biggest months of the year for us. But in any case, we are continuing to see growth.

What is happening in January and February? More solid growth compared to what we expected in North America all around, from LensCrafters to Sunglass Hut to Oakley to the rest of Luxottica wholesale. So taken from very different perspectives, America, very solid.

Not a single negative signal from any market, in the defined emerging markets. If there are some signals, they are positive. So, happy and happy also to report the fact that we are working hard in Brazil. And I will give you some details on how we are moving in our integration, which will be quite a speedy integration for what regards our activities in Brazil.

I would like to spend one minute on page 19 of the slide presentation. So, when we go back, let's call it in the beginning of the 2000s after the Armani case, Luxottica experienced strong growth in terms of top line. We had a number of new brands coming on board. We were very, very lean. And we were experiencing in those years, 2004, 2005, 2006 and 2007, everything we were

putting on the top line, boom, going to the bottom line. And we reached in 2007 an almost 10% net margin. Which is something that is always in our mind and in our head.

Then we had two years in which we understood that probably the world was a little bit different, a little bit more difficult. But I don't want to say that the world came up to be more difficult after 2009. It's different. It's a bigger world, bigger opportunities, more solid across the world in terms of real business opportunities, but more unstable. And we have -- I think that what happened in 2008 and 2009 was very critical for us.

In order for us to make us really understand how we had to behave, how we had to create an organization that was able to guide a long-term sustainable growth and a long-term sustainable profitability. We have taken the last couple of years to get some of our business a little bit more solid. We have put more money in our advertising, in our brands. We have put some G&A more in some of our activities. We have created some global divisions that we didn't have before. And we have invested in some more new activities, especially in emerging markets, in the last couple of years.

Where are we today? I think that today we are as strong as ever in terms of organization, in terms of overall platform, infrastructure, supply chain, IT, people, commitment, motivation. And on the other side, I think that we can really shape, continuously shape our profit and loss towards what is happening on the outside. I think this is a great change that has taken part of our activities during the last couple of years.

When we look to what is going on in 2012, always some perspectives. First of all, Wholesale North America: we really think we will have a great year. Started very solid and ended very solid. Obviously, in 2012 numbers we're also including the launch of Coach. So we could sometimes say that these numbers look conservative because the launch of Coach, I would use a word that I would never use, has been really stellar. I mean people are just taking the frames out of our hands.

And we also launched Coach in our retail stores, and I think that Mark and Fabio can give you some color on how sell-out has been in the first two, three weeks in our North American stores. So Oakley on one side, Oliver Peoples in our Wholesale North America we feel will be positive.

Western Europe, 4% to 6%. I would be happy with the 4%. I would be extremely happy with the 6%. I'm not worried about France and North. I'm very worried about Spain and Italy. I'm not worried at all about Portugal and Greece because they do not represent anymore anything in our numbers that can make us more worried than what we have been.

We are, I mean I think I could answer 17 detailed questions on Italy and Spain and I'm sure Paolo will make you understand how we are engaged in these two markets to make them successful. Obviously, and this is the only reference I'm doing on the Armani relationship, obviously the Armani relationship has clearly stated, if that was necessary, to our customers to whom they need to link for the long-term. It's time for decisions now.

I mean, it's not easy. It's useless that you are going to have 17 different suppliers. It's time to focus. It's time to have long term relationship. And I think that part, great part of our success in Mediterranean Europe in the last months is due to the strategic factor of the Armani relationship, obviously in terms of numbers we will see the impact in 2013.

Emerging markets, we will still continue to grow fast and faster. Obviously Brazil will help.

Retail North America, very solid, as you can see. I mean comps +7 in 2010, +5 in 2011, again, +5/+7, another solid year expected. Australia, things are moving really well. And therefore our expectation is to be in the double digit comps. And emerging markets retail, again, expected to be very strong in the 20-ish top of the range opportunity. So as you can see in terms of geography, we are well balanced. And obviously most of our attention is on Western Europe.

When we acquired Tecnol in Brazil, what did we do? We basically went for the acquisition of something that allowed us to be domestic. When I'm saying being domestic in Brazil, is very important news. There is a huge difference from being an importer in Brazil compared to being domestic in Brazil. Yes, duties are high. But then customs are unstable. Service levels to your customers because of all of this is unstable.

And then, Brazil is a big country where there is also a lot of federation taxes, which, in most cases, they add on taxes on the initial price or cost. So if your initial price is a component that is the scale. If your initial price is your imported good, the multipliers are completely different. We have started to work basically when we signed our agreement with the Carnelli family. We're moving along. We had two factories we already merged, two factories in one. We know exactly what's going on.

And I think that it's quite clear that there are a number of activities in Q1, Q2, Q3, Q4 and by the end of this year, Luxottica Brazil is one. So we will go rather fast and Brazil hopefully could be in terms of Wholesale if not number two but for sure market number four. So we really have changed the profile of that country for the long term.

In terms of brands, every time we start the year we are quite conservative on some of our performance expectations. Ray-Ban is in excellent health. We have gone through a health check of Ray-Ban brand in the top five countries during the second and third quarter, and we had very good results compared to 2007. So, happy. And we always start off with single-digit growth. Always keep in mind that Ray-Ban sun growth can be fueled by two very important factors. One is prescription. I mean, Ray-Ban was a bet and a challenge on prescription, it has become the brand number one. And in the very long-term, should Ray-Ban prescription sell more than Ray-Ban sun? This is what the rule of the market says, the prescription market size is basically twice what the sun market is. And therefore, we really think that a teens growth rate of Ray-Ban prescription can continue in the long-term.

Oakley, happy. Six year in a row of double-digit growth. No reasons to slow down. I think, the solid pillars are more solid. The footprint in Europe is larger. The footprint in Brazil is larger. The footprint in terms of product range is larger. And I think that there are a number of lenses launches during 2012 which will be quite extraordinary, plus Olympic games.

Premium and luxury, I think that our portfolio is in excellent health. And again, we are expecting somewhere in the high single-digit.

We will talk about this three things soon, but just to give you a brief intro. I would say that LensCrafters is really in a strong momentum. We were in a very strong momentum until 2007. We had a couple of years where we had to rethink it a little bit, not just in terms of performance, but in terms of LensCrafters relationship with consumers, the positioning of the brand. I think that we worked hard.

We have gone through a generation evolution in terms of organization. Today you will see only one new face and it's Mark Weikel, who will talk to you about LensCrafters. Mark is with Luxottica since just over two years. He was a Sunglass Hut leader for the first 12, 15 months, and then moved to LensCrafters a year ago. And he will tell you exactly what we're doing with LensCrafters and how more robust our roots are in terms of brand, in terms of relationships with consumers.

Sunglass Hut, Fabio will take on. We had really very strong performance in the USA, very strong performance. I mean another year of double digit comps and a very solid top line growth adding all the Macy's expansion. And I have to tell you that the international expansion is very solid, very quick to be established. And I really think that Sunglass Hut has become another very big growth driver for the Group. OPSM, we will go through that soon.

So I will introduce Mark, and allow you to have some more on LensCrafters. Thank you.

Mark Weikel - LensCrafters

Good morning. LensCrafters is continuing its journey with the consumer that Andrea just mentioned. We're building both on the rich heritage of LensCrafters from years past, but we're also looking at a more contemporary service model for LensCrafters. It's really based on two things, innovation and digital technology. So if I look back at 2011, I'd say 2011 was a solid year for us. And we're committed as a team to produce a solid 2012, while continuing to build for the future.

The things that we worked on last year were really a strategic framework that the whole team can get behind. We added music just to have it be fun for the entire team as well. The first thing we worked on was shaping the brand for the future. And this was really to aspire to be the vision care brand, the vision care brand, where people can come to us, trust in us, have confidence in us that we will help them look their best and see their best.

The second thing that we worked on was really amplifying our connection with the customers. And what this entailed for us last year and this year is to implement a new service model, an initiative around service quality, to talk about and begin to explore a new store design, to also have a performance dashboard for our store, field and central office to know what is important to the customer and so therefore what is important to us.

And the last piece is about executing with excellence, which is really galvanizing the team to work behind this strategic framework so we're all working on the same thing.

Now what I'd like to do is spend just a minute and talk about AccuFit. AccuFit is LensCrafters exclusive digital optical technology that we brought to the market last year. We're really thrilled about this. This is a differentiation at scale that provides a memorable thoughtful experience with our consumers and with our patients. We're very happy with the implementation.

We hope that some of you get a chance to see Cindy and Jeff afterwards and take a look at the AccuFit technology. This technology is something that is exclusive to us, and it's at scale. So we brought it to about 1,000 stores last year, around 4,000 to 5,000 pieces of technology in about a six-month time period. Now, there's a lot of emotional content behind this, but there's three functional benefits that are really neat.

The first one is digital measurement. So with this technology we're able to be five times more accurate than traditional methods of measurement. The second piece that's a lot of fun for us is about a lens simulator. The lens simulator for us really provides the consumer or the patient really the first opportunity to really clearly see the difference in lenses so they have a chance to know what is the best lens for them so they can see their best.

The other thing that's really a lot of fun, especially in our industry, is a Virtual Mirror. So what AccuFit does is it allows us to take a gallery of photographs with you in a variety of frames. Now, that's pretty neat by itself, but for people that have prescription eyewear needs, it's hard to see yourself in these frames.

So now what you can do, put your frames back on, your prescription back on and look at AccuFit and see the different frames front on, from the side, and help you really say to yourself: "does this complete my look? Does this help me look my best?" And what I'd like to do is just show a quick clip about AccuFit in action, if we could.

(VIDEO PLAYING)

Mark Weikel: So, what LensCrafters is trying to do is pioneering differentiation through technology. Just two quick examples. One is through antireflective in an hour. So we're excited to be able to tap into this growing customer segment in North America and provide this type of coating at scale in about an hour. It's really something that LensCrafters is uniquely qualified to do.

The second thing that we're really excited about is providing a new customer service model. And what I'd like to do is just take three minutes, show you a quick video that depicts where we're headed over the next years. And this is how love grows.

(VIDEO PLAYING)

Mark Weikel: so I think we're making positive strides in 2012 toward providing what we're calling a signature customer experience that is a consistent experience that's branded across the entire fleet. We're doing this through this new selling model that we implemented in January of this year through a service quality initiative that is really focused on delivering right the first time. It's about a new store design, an in-store digital technology. The new store design that we're working on is what the customer is telling us that he or she wants from LensCrafters North America.

The in-store digital technology is a vehicle that really amplifies the experience for consumers, patients, doctors and associates that allows us to deliver an exceptional differentiated experience. In 1983, LensCrafters really changed and transformed the way that optical was done in North America. And we take this responsibility quite seriously and we're intended to transform LensCrafters by building on this rich heritage and providing a really different, contemporary experience in optical in North America. We're very excited about that.

We're also exploring some fresh digital technology. You'll hear just two or three examples of what we are looking at now. One is looking at the next generation of digital eye exams. We're also exploring lenses digital surfacing technology. Very excited about that because LensCrafters has the ability to provide this at scale like no one else in North America, and in about an hour.

The other thing we're excited about is to deliver a dot.com platform for LensCrafters that really blurs the traditional lines and the traditional channels of the way the consumer interacts with LensCrafters and provides us the exceptional experience on an ongoing basis. That's where we're headed. Alessandra, thank you.

Paolo Alberti - Emerging markets

Hello to everybody. Let me start by a small metaphor, and let's think about the old scales where you would put weight on the one side and then on the other, and when it came to a balance in the center, basically you knew how much something weighed. This is a bit how we're looking at emerging markets. In other words, the center of gravity still remains here, still remains Milan, but what we're doing was putting more weight on the two sides of the scale. And that means we are getting more local. On the left-hand side, if you like, towards Brazil and Latin America, and on the right-hand side towards Asia.

Let me take you on this trip, which is all about growth. We will go both on the left-hand side of the scale and on the right-hand side of the scale. And I think that what we need to understand is while we do this, we are increasingly growing and making our organizations in emerging markets more local, more efficient, more powerful, with more people that have stronger and better knowledge of their markets.

So let's first go to Latin America. And we talked about GMO. We've talked about it before. I think it's interesting to note that today we're experiencing double-digit growth. There are about 500 stores, and already a double-digit profitability. Then of course, Andrea has talked about Tecnol in Brazil. Brazil has become my second or fourth biggest market in Wholesale overnight. And that means I unfortunately will have to be in Brazil very, very often.

And I think that the most important thing, all jokes aside, is that last week I was not at the carnival, but rather in Tecnol in Campinas. There is so much collaboration and so much Italian, Brazilian strength that I have to admit things are going very, very quickly. Imagine that we are starting to look already at the collections of the Tecnol company. I'm not ready to tell you which ones we will concentrate on.

But definitely that will be something that will help us gain market share very quickly in a kind of category which is a bit lower, if you like, than what we sell in Luxottica, but does not interfere with Luxottica brands.

And then again, imagine that we will in March, starting next week, we will have buying days here in Milan. And we will already have 25 Brazilian clients that will become both Tecnol and Luxottica clients. And they will be here with us. And we will even have some Tecnol products for the first time already, three months later. So I think we're well on our way to concluding our integration by the end of the year.

If we look at also in terms of Mexico, Fabio will probably mention something about that. But we bought about 80 stores, two chains. They've already been rebranded to Sunglass Hut. And I think importantly, regardless of what they're doing today, double-digit growth there again, is the fact that we have a great potential in the future because none of these stores are in the areas of, for example, Cancun or Mexico City.

And then of course there's Asia. And in terms of our LensCrafters businesses in Asia, we have about 221 stores right now and we will grow by about 50 stores this year, with four new cities, concentrating this year very much on comp sales and bettering the profitability. As Enrico said, we will breakeven and probably do much better than that in China this year.

If we look at the Wholesale organization, the Wholesale organization is really changing. This is true for China, but it's true the fact that we're going to be opening up a company in Hong Kong. Our Singapore hub becomes stronger and stronger. And also just a small, little story there, too. I mean a year, year and a half ago, I used to call China through an interpreter and talk to the sales director of China, trying to tell him what to do.

Today, our new sales vice president in China is called Robert. He calls me and he tells me what he's doing. So that is showing how local is getting stronger. Local is getting stronger also in terms of product. And we've talked about this last time a bit. But again, we have 550 styles designed also in Shanghai for Asian people.

On top of that, we also have the international collections. Those are the products that we make and design here in Italy, and then they are adapted to Asian frame. But of course both of those will help us again gain market share and make products that are more personal and more correct for the people of Asia.

So, these are the things that we're looking at. These are the kind of growth we're looking at. And I can say what Andrea was saying in terms of 25% to 30% growth, I confirm that. I confirm that to date, and we are doing everything possible to make that happen. But to make this happen, it's not just about those activities, or the scale I was talking about, it is to invest in organizations.

We need to also invest in brand equity. And we're doing this definitely on all brands, but Ray-Ban has a special place here. What are we doing on Ray-Ban? And this is going to be simplified by a video that I will show at the end, but maybe I should give you a little perspective of what is happening.

We took the heritage, the equity, the way to build Ray-Ban and the way it has been built by using the independent rock stars in the West. And what we've done there is we've tweaked that and we've really built something in different: three different approaches in three different emerging markets.

So in India, for example, we had a contest in eight cities. There was 80 Indian bands. And this all culminated in huge digital campaign, and then there was a winner. In China we both participated in existing rock concerts, where there was about 250,000 people in each concert. And then we also made bands that really did something for Ray-Ban and that's all. But we were the biggest presence in these Chinese rock festivals.

In Brazil we used a different approach. We called it the Traveling Couch. And basically there was seven emerging bands that then traveled and put these couches in different locations, actually couches, and you'll see it in the video, and played for people. And of course, there again we used digital technology in order to expand these events more over than what was actually there, the people that were actually there.

Let me show you the video. I've given you a bit of a flavor, and I'm sure this video will give you even more.

(VIDEO PLAYING)

Thank you very much for sharing this trip in the emerging markets with me. See you on the next trip.

Andrea Guerra - Australian optical retail strategy

So we enter now in the second part of the presentation, headlined simplify. So as we always repeat, we really think that the world is giving us huge opportunities. But these opportunities need to be nurtured. These opportunities need investments, focus. And therefore we really need to understand where opportunities stand, where opportunities could stand, and where is wishful thinking.

I think that we have been cleaner and clearer in taking some decision during 2010 and 2011. And I think that the work done in Australia is a good explanation of my statement. So when we look to Australia, I understand that it's not exactly a country which is well known. And if sometimes some news arrives to us, we understand that the GDP in Australia is not bad at all, the GDP growth. Mining is the big source of that. China is the big source of that. But after a long decade of growth in terms of consumption, the last couple of years have been tough. I think that we have always been the leaders of that market.

It took some time to really understand that we had to rethink differently our position. And we did. OPSM today is very clearly understood by consumers. I do not think that there are many retail brands in Australia today that can say that they had a second semester basically at a double-digit positive comps. And gaining back momentum and profitability again.

What is the huge difference between OPSM and LensCrafters? While LensCrafters during the crisis lost some comps, but basically didn't lose profitability, OPSM lost comps and lost over-proportionate profitability. Obviously they're both optical businesses. But in terms of stores

dimension, OPSM looks a little bit more, in terms of business model to Sunglass Hut. It's smaller stores, high profitability, and therefore when you got some slowdowns, you need to be patient. There are some efficiencies you can find. There are some costs you can find. But at the end, you cannot go over the single or double coverage in optical store. And therefore you need to be patient. We have been patient. We invested. And today I think OPSM is quite unique. We have a number of exclusives in terms of technology, in terms of services, in terms of initiatives. We were able to reshape the sun business inside OPSM in a completely different manner.

And during 2011, exactly when we were having a great performance, we have taken some decision. First of all, we said: What do we need in order that OPSM becomes even larger, even more profitable? And we started to understand that the number of stores in OPSM could be larger, that some stores in OPSM could be larger themselves. Always remember the EyeHub test that has proved to be very good for us.

AccuFit is moving to Australia as well. And in the next couple of years we will invest in the region of AUD40 million to make OPSM even stronger. But on the other side, obviously, we need to be clean and simple in our thoughts. Can we do this all over? You all remember that we got three retail banners in the optical business in Australia, OPSM, Budget Eyewear and Laubman & Pank.

Budget Eyewear is not exactly our core business. It is budget, is value driven. Always proved to be quite strong. But obviously when we focused a lot of our attention on OPSM, we suffered on Budget. And on the other side, the third brand is a boutique-like network, Laubman & Pank regional. Always had good performance and always will keep on having good performance in its original stand.

So, basically, we will have 30% more stores by 2015 in OPSM. With Laubman & Pank will become really regional. And Budget Eyewear will disappear in the next couple of years. Decision taken, decision planned, and decision executed. So we started to communicate, to execute all these activities 15, 20 days ago. And things have been clearly understood by our great associates. And we will do the best for them and in the long-term for Luxottica and OPSM.

Operating income will go back to the peaks. In 2012, probably not. But we will regain a lot in 2012, a lot. We have already gain in 2011, but 2012, I think, will be another profit enhancing year for OPSM. And in 2013, we will be over the peak of 2009. So, easy to be thought and hopefully we will execute it through 2012 in a proper manner.

When we think about simplification and simplify, obviously Western Europe, obviously Mediterranean Europe is the other place we're looking at. We are the leaders. We need to be close to our customers now. We need to understand their needs. We need to understand their wishes. We need to understand their limits and help them, each of them in a different way through this tough period. And I think that we have created, we have established a number of activities and pillars in order to make our Mediterranean Europe customers happy.

And I will ask Paolo to give you more details regarding this.

Paolo Alberti - Wholesale, Western Europe

If I could get four words out of my next three minutes, these are simplify, proximity that Andrea was talking about towards our clients and towards our consumers, efficiency, and share growth. One thing that we need to do before we act upon our clients is understand their needs. We have now in place a tool that allows us to profile our clients to understand them better and to categorize them.

This does not mean that a top account can't become a key account or that a traditional account can't become a top account, but that is a picture of today. And we need this picture, and this is happening obviously in Europe now and it will happen in other countries as we move on, we need

this in order to understand what kind of services we should give to them, what they can expect from us, and how we can funnel them to get to our consumers as best as possible.

I think it's interesting to see here the kind of services that we offer to different kinds of clients. It's not a chance that, as you move towards the right, the list gets shorter. But that does not mean that these small accounts are not served. And we'll talk about extranet in just one second, but it does mean that those accounts that one day were served in an expensive, let me use the word, way in Europe, that is not growing as quickly as other countries and other regions. Obviously we talk about efficiency towards the right-hand side.

Let's look at also some of the enablers that we're using. First of all, we have started for the first time and again, what I'm saying right now is not wishful thinking for the future. This is something that has been planned in the past. So everything I talk about today is either done or will be done by 2012.

So we have started a European customer service organization. What does that mean? That means that we took best practices, mostly from Italy and France, France is our best benchmark right now, and we gave ownership to the growth and to the changes in the customer service to the French team. However, we still have a very local touch.

In other words, in Italy, if you make a phone call to the customer service you will still get obviously an Italian person speaking to you. So it is not the kind of outplacement of services. It's still personalized service using the best possible European benchmarks and technology.

We looked before when we were talking about the right-hand side in terms of extranet. Extranet, we've upgraded it. We made it more consumer and let's say client friendly. And we will have even a more interactive extranet by the end of this year. And I'm saying by the end of this year, but it should be 3Q at the latest.

What does that mean? That means that customers can open up their extranet and not just make an order, which is very important obviously, but they can see our product stories. They can learn about new materials. They can see and dialog with us as if we were not just a supplier, but almost friends. And in this, my dream is a bit like all these opticians will come to their offices in the morning and the first thing they do, is switch on extranet and see what their largest supplier is doing.

Storytelling and I come from the perfume business a long time ago, but now it's here, too. We talk about stories because without stories, it's difficult to sell, especially luxury. And the iPad has revolutionized that. The iPad allows us and allows our salesmen to tell a story even if they don't remember it perfectly because it's all there.

And even they can see it in 3D and there's music. I mean all of a sudden you have a multimedia great tool that you can use to tell stories. Of course, we've talked about SAP implementation. Europe is almost all done. Spain is next. But we've obviously going to be upgrading that along with SAP in the rest of the world.

Then we talked a lot about sell-out versus sell-in. And this has been something I've talked about a lot. We had started two years ago with sales consultants. In other words, people helping our customers to sell-out. Again, telling them stories, this time not only with technology but verbally, personally. Talking to our end consumers, explaining to them how products can be used and what are the advantages of some versus the other. Talking about aesthetics. And this is something that in Europe we will reach about 70 of these people, of these sell-out -- or ISS, as we call them, in-store specialists, by the end of this year, started at zero two years ago.

We have joint marketing efforts. I talked to you, again, last time about our contracts. We have long-term contracts with our clients. At the beginning it was one very, very large client, our biggest client. Now, it's becoming more clients. And we're also going to concentrate on doing joint marketing activities with our top accounts. So, it does not only mean tying in our customers, but it means jointly with them, creating traffic for them, making them grow, helping them grow, help the category grow.

And again, stronger in training and storytelling. This I must tell you yesterday was the first day we had our worldwide first training, "train the trainers" seminar. So, Fabio and I started this two years ago with one person. There was the whole world yesterday learning about how to train the trainer, including China, Russia, I mean everywhere, emerging markets and non. So this is something that will obviously help us.

And again, we must remember our competitors not only are not doing this, but they would have a hard time doing this. And I don't wish anything bad on any of them, but obviously whatever we're able to do, our competitors are not. Also, because if they start today, they'll be there three years from now and they'll be too far.

So lastly, STARS. STARS has been a voyage. And I think you know a lot about STARS. We've talked about it before. But I do want to tell you that in 2012 we are going to gain about 70% doors. In other words, we will grow close to 2,900 doors. And most importantly is we've really seen and we're getting it fine-tuned even better all the time.

And we think in Europe, so the Europe that we're talking about, the crisis Europe, last year sales went up by 11%, sell-out. So obviously our customers are very interested in it. We're going to start this venture, again, in Italy. For the first time we're actually going to be expanding to between 250 to 300 doors this year.

So, this, along with the help of the 70 in-store specialists that will help give advice and merchandise our STARS outlets in all of Europe, will also there be a kicker in order to, again, be more efficient, be more close, proximity to our clients, and finally, to gain market share while simplifying the European business. Thank you.

Fabio d'Angelantonio - Sunglass Hut

Morning, everybody. It's a pleasure to be here today to share the results of last year, vision for next year; especially results so satisfactory. It's nice to be here sharing.

Numbers, 15% total sales growth globally, very good results, very satisfactory results. I think is important to stress that the key retail numbers, key retail fundamentals numbers was very well. We're being constantly consistent in all geographies, attracting more customers and converting more customers, constantly in all geographies, increased conversion in different places.

And we've been doing double-digit comps, Andrea stressed this number: double-digit comps for retailer, for a mature retailer, is superb numbers. And double digit comps in North America have been done in top back-to-back of double digit comps last year. So excellent number.

When you translate to sometimes to absolute values, I think sometimes it makes sense. We've been increasing Sunglass Hut business in North America by \$225 millions in two years. And if you add to this the growth in wholesale, the growth in Oakley, we have been proving that we can materially grow the category in that country and in other countries.

Of those \$225 million, another key number, over under 50%, over under \$50 million of those \$225 million comes from polarized growth, which has being represented 50% of the sales, but disproportionately growing participating to the growth. So we've been growing attracting more

customers, converting more customer, converting more customer to premium part of the business, which have been extremely good.

Net new stores on the year last year over 300. When I say net new stores, we probably opened more than 400 and have been closing of course continuously stores that don't make sense to have anymore. We entered successfully three new countries, as announced: Mexico, Brazil, Turkey. We'll go back to that later.

Three key drivers of the growth. So I've been in the last couple of years I think consistently talking about a very simple and solid recipe for growth. I would say the three assets are brands, product, and segmentation, the three directions of how we've been developing the categories.

About brands, number one, I think number one element is it's already three years in a row we've been consistently and with discipline communicating and expressing the brand globally in the same way. This is over time paying back in terms of consumer equity and how consumers are perceiving us, calendar is more and more consistent all over the world.

We talk consistently about different brands and we use the holiday shopping seasons, Easter, Christmas, Mother's Day and Saint Valentine, to have the brands expressing themselves. And more and more this calendar is global. So we have three, four, five, six moments in which consumer traveling around the world leave London airports with Sunglass Hut talking a certain way and land in Miami airports with Sunglass Hut saying exactly the same message consistently. So this is working. This is paying back.

Consumer experience in stores continuously improving our efforts. But our results, the quality of what we say, the ad time and aspect to get a little bit beyond just the product, the brand but trying to tell stories about the feature, the style, the heritage, the lenses. And with visual merchandising trying to be more and more sophisticated.

Media spending has been increased materially in the last two years, especially in the key seasons, which is summer, of course, and Christmas in the region where summer and Christmas do not happen the same time. And we have been trying to be more and more innovative with PR and digital activities.

Trying on a side to keep focus on digital on the young, female customers, which remain a core of our efforts because we are still 50/50 men and women. And we believe there is still an opportunity to disproportionally increase women into our consumers. And we try to be innovative in our way to display the brand and talk about the brand.

And I think you got a picture here our floating stores in Sydney that have been giving us incredible visibility but also, I would say, status in the retail environment, not only in Australia, but globally.

Product, product, product. It's what consumers come to a specialty retailer to buy and we're trying to have them finding. Our positioning, I think we presented that in the past, is "find your cool. So it's a variety of products, extremely segmented across different regions and demographics. Our product has to be fresh, has to be right, has to be exclusive. The key driver we talk about is product freshness, it is the frequency of what units you add.

We now move from probably three years ago quarterly to weekly adding a new style in every single store. And, the new product introduction index, so how many products you introduce given your display, is consistently above 100% all geographies, all regions. So very nice number. Right, very different from years ago. So an enormous effort of our supply chain to support this ambition to make this happen.

Right product, when I say right product, it's being deep in terms of the assortment of the key items that really make the difference, probably less than 10% of the total display. And continuously rotating new products. On the other side, being right in how we segment the assortment by segment to segment. So, we talk later about segments.

Another number to leave you with is that if you go in a different store in different segments in a given moment of time, probably less than 50% of the assortment is consistent. There is a 25% that change constantly because the brand assortments are different. And there is another 25% which is different because the assortment in the key brands is different. And learning and at the same time how to manage the assortment has been extremely instrumental to the numbers we've been doing.

Last point, exclusive product. We have in the key countries, let's say North America I think is the easiest, between 30 and 45 different front-doors in a year. North America has been 44, the plan is 44 for 2012. And every single of these windows will have exclusive product going with, with a fantastic by-product that we have been using the Sunglass Hut experience to continuously convince our Wholesale clients, our Wholesale partners to do exactly the same things, of course with different styles and different exclusives in the same time, which Paolo was referring to with storytelling.

Polarized at 50%. The relevance in our growth I already stressed about that. One more point, we talk later about outlets. Using the outlet as an exit strategy and as a business driver has been, again, very instrumental to be able to continuously flow freshness in the stores.

We have today a queue of new brands that want really to be in Sunglass Hut at first to launch products. Again, it was not the case in the past and we're very proud of it.

Boosting segmentation: segmentation has been instrumental to the business. We have five, and I don't mention here airports and e-commerce that could be additional channels to be discussed, but, we have five core channels today in our development globally. I think when we say segmentation is about product, as I said, is more and more about people. Often we figure out that we need different associates, different store leaders to manage different kind of these stores. It's about a differentiated supply chain in term of frequency of freshness and frequency on delivery. We move from daily delivery to three times or two times or even one time a week, depending on the place. And of course it happens of course for the marketing calendar.

Platinum is the cream of our stores, the top of the pyramid, 200 stores, average \$1 million sales. And it's a lot about fashion, it's a lot about luxury, it's a lot about premium products, a lot of traffic, a lot of continuous storytelling, it's where we're trying to enhance continuously our capability to deliver vision merchandising.

The gold are the ones in which still fashion is relevant, but the price-point doesn't get until luxury. So it's about trends, it's about freshness, it's about continuously telling new stories about product freshness and trends and styles.

Silver is a big part of the numbers and a relevant part in terms of sales of our network and is about recognizing that our business is not just about London, New York, Miami, L.A. and there's a big number of stores that are in Midwest locations where sunglasses are mainly still about function, about protection, and brands like Ray-Ban, like Oakley, like Maui Jim are still probably 60%, 70%, 80% of assortment and the sales.

Department store, great flexibility to adapt to different host models from Harrods and Selfridges, which are in London, to Macy's in North America, Myer's in Australia, Edgars in South Africa. Two key drivers in this business evolution and business increase I think is, number one, is

brand celebration. In many of these places, we are relevant because we also bring brands that are relevant for those consumers and maybe are not that present.

And on the other side is our capability to play in the same department store offer agility, so continuously partner with them and participate with them with their offer, promotional and fun and activity cycle. We proved opening over 500 stores in two years in North America and still growing the core of our business, still growing wholesale business and still growing the Oakley business that this is incremental growth of the category. So it's very instrumental also for us to open new opportunities in the category, especially in the fashion arena and where really department stores play a crucial role into defining who are the winners about brands.

Outlet, exit strategy, but also tremendous business opportunities. Growing together with department store more than other channels and contributing to growth. Offer, offer, offer is the business game, but still we sell more than 75% full price product. So people come for offer, but will be very happy to buy the right Oakley or the right Ray-Ban or the right Prada at the right price.

One word on flagship. We've been introducing flagship strategy last year. Extremely relevant, again, to grow the brand in terms of equity and in terms of business. But equally relevant to grow the sunglasses category overall. So beyond Sunglass Hut I think it's very relevant for Luxottica and the sunglasses category as a place. Brand and business need temples, so those are for us temples of the brand. They are bigger. They're equally, I mean we proved that this can be big stores and profitable stores in the same time. They are bigger than others and that obliged us to rethink some of the way we manage our business. So managing a 50, 70, 100 meter store is a game. Managing a 250-meter store is a different game.

We have to be continuously able to enhance our capability of storytelling with multiple storytelling in the same time, which imply different kind of vision merchandising and training. We move supply chain from, as I said before, twice a week to three times a week and finally to daily because you have to imagine in a store like Macy's Herald Square, we probably sell 200 to 300 sunglasses per day. So to re-assort sunglasses we can get a truck every three days to the store.

We normally have 70%, 80% of our store still today single coverage, so one person at a time; in a store like a flagship we have between 50 and 100 people working the store, so completely different game. Of course, not at the same time. Completely different game that we've been learning, we've been improving. Two flagships opened in 2010, five more this year.

We have Miami new store opening in April, and we are looking for new location in different places in North America, New York, Chicago, San Francisco; as well internationally, India, Mexico, Sydney. So we want the right place, visibility, size, right cost, right profitability at the same time.

Last but absolutely not least, one of those flagships has been opened in a Disney resort. We believe it's a great investment in this partnership. And we believe this partnership can bring us farther over time. And one of this flagship is Covent Garden in which we opened the same time in one location but two different entrances, so with different experiences for consumers. And the first ever Ray-Ban stores globally, extremely happy and extremely successful exercise, potentially an additional opportunity.

I've been talking about the way we want use this flagship to enhance the brand, to enhance the category, and I have a little clip to try to probably transfer this visually better. Please. Thank you.

(VIDEO PLAYING)

Fabio d'Angelantonio: a key message of this presentation is we're happy about results, I think it is a simple and solid strategy. I think what's new is that we are proving the strategy works. And we are proving we are able to execute this strategy. So very confident about what we can still do, keep investing in the team, in the stores, in the brands, and proving that the ROI of this investment is working.

One last slide about the global journey. Paolo has been introducing South America, so let's start from there. We acquired two chains. We converted them in six months, so at end of the year all the stores were Sunglass Hut. There's a strong team in place already. We're finalizing IT and organizations by the end of Q1, but the year has already started with very solid double-digit growth, constantly every single week since the beginning of the year. So very happy.

Brazil, big challenge, new place, extraordinary growth of the market. Very challenging real estate exercise, but at the same time higher price in the market. So we've been opening 11 stores in 2011 and I think 2012 is the year of consolidation as first thought, probably arriving somewhere between 20 and 25 stores. But a key focus this year, really, is making sure the business model is right, making sure we understand what is the right size of the store for this market, right kind of location, right kind of pricing and assortment.

And we see additional very relevant opportunities in all the countries where today we already have a GMO presence. So we will convert a few Sun Planet stores that exist, that is about 10 to 15, into Sunglass Hut. And we believe the organization and infrastructure we have will be a very good ramp-up infrastructure to develop Sunglass Hut in those regions. And last but not least, in Latin America, Caribbean countries represent an opportunity to have a few very big and solid country for all the tourism and touristic locations.

Asia, Hong Kong and Singapore are where we are focusing today. We believe we can increase our presence and we want to be extremely strong there to develop. We are investing in the team. We look in China with interest. We are really considering what the right business model for evolution in other Asian countries. Remember, we still already present in Thailand and Philippines with a franchising model that is slowly but consistently growing.

Turkey, first trial to put an eye into Europe. We started very softly, very silently with a department store partnership, six stores in 2011. Those six stores should become somewhere between 10 to 15 or 20 depending on the opportunity we will find both in department store developing this partnership and opening online stores in 2012. As you know, we've been looking at other opportunities in the region and we will keep looking other opportunity in the region. We are preparing for this possible evolution.

And e-com is maintaining the pace of growth in North America. We are reinforcing this first half of the year the team to prepare 2013 global expansion. That was -- thank you very much.

(VIDEO PLAYING)

Colin Baden - Oakley

So, as Andrea mentioned in his comments, 2011 was another stellar year for the brand. It was our sixth consecutive year of double-digit sales growth. At the same time, our operating income continued to outpace our revenue growth for the same period.

A couple of highlights. Wholesale was an incredibly strong year for our wholesale team. US alone was about a 15% increase. Of that 15%, men's sun, polarized and our emerging Rx category really drove growth. Oakley retail had really strong store comps. We also opened several new stores and they way outperformed their pro forma, New York Times Square and our new Las Vegas

store. Oakley direct, which manages Oakley.com, oakleyvault.com and rayban.com, Oakley direct grew at over 15%, and Europe alone grew almost 50%.

Moving on to 2012, 2012 is a great year for us. The momentum that we have coming off of 2011 is very strong. And 2012 is unique because it's an Olympic year. And every time there's an Olympic year, the brand gets so much presence around the globe that it just lifts our business. And in the context of what we've done in our strategic initiatives year-over-year, we're not doing anything new. We're not taking any risk, we're not expecting our growth to come from new things. We're expecting our growth to come from executing the things that are making us so successful.

One of those major areas is the prescription category. We have both the frame and lens business. Our frame business we expect to grow at double-digit rates, just because of the scale and quality of the collection, the quality of the models and the launch of our first sports specific Rx lens and sports specific frame.

We've introduced what's called a frame board. It's essentially an Oakley destination within optical retail. And in the stores we've put this frame board, our sell-through has gone through the roof. And so we'll be rolling that out in Europe and North America in 2012.

We have introduced a lens over the past few years called Oakley True digital. This lens platform, if you've ever worn it, you'll never go back. It's something that we have a lot of faith in. Europe and North America, that business will definitely grow. Then in terms of marketing, Roy McIlroy, who you saw, a pretty well known golfer in the world, we'll be doing a campaign with him in June 2012 and that will lead into our Olympic efforts.

We have an incredible partnership with LensCrafters. One of the sport specific models that we'll be introducing, LensCrafters will have an exclusive with that product. It will also be the first time that we do a front door with that product at LensCrafters.

As I mentioned, our assortment is much more detailed and so at LensCrafters at both regional level and the store level we'll be leveraging the capabilities that a well merchandised line can execute against.

Training is a big part of the sales associate program with LensCrafters. And we have what we call experts in true Oakley development. And those people are very involved with that organization. And then our merchandising alone will actually do the same kind of destination program that we're doing in wholesale, but within a LensCrafters footprint.

Oakley retail. Oakley retail every year goes through an evolution. And certainly 2012 will be no different. We have hired over the past two years key merchandising expertise. I would expect that not only having the right product, the right place at the right time, but also the level of storytelling that we do in our footprints will evolve significantly.

We've also launched a new optic only O store. First one was in Florida. It's doing very well. It's a little bit of a different format, but great storytelling around the brand. Oakley direct, Oakley direct has been in significant growth engine for us for the last several years. We're making a major investment in upgrading the technology platform in our direct business. And we expect to have an integrated communication platform CRM that will deliver a better consumer experience. I'm very optimistic about that.

And talking about product briefly, you'll see on the screen one is the sports specific lens program that we're introducing. The one on screen is actually specific to cycling. We designed the lens to enhance the experience of the rider in as wear position, and gives them better visual acuity at the top end of the lens as well as enabling him to read a device that's mounted to his

handlebars. We're going to expand this across golf and many other platforms and it'll be part of a launch in 2012.

And the frame you see below it is Cross Link. This is our first sports specific frame. It's a frame you can wear off the course, but you can also wear it in competition. Has many of the features and benefits of a true sport piece. It also comes in a variety of materials, aluminum and polycarbonate. And consumers can actually customize this glass including interchanging the temples. It's really unique design.

Then if you look over to my left, you'll see several of our current sports specific models that we have in what we call our SwitchLock technology. And this is a technology in which you can quickly change lenses for different light conditions. You'll see on there Radar Lock. This will be our two releases this year. This will be a feature glass in the Olympics and we expect to get a lot of energy out of it.

Speaking of the Olympics, we'll probably have close to 600 athletes wearing our products during the games that represent 30 countries. Every time there's an Olympic game we launch an iconic product, Radar Lock being 2012's product. In Beijing we captured about 88 medals. We're aspiring to get about 100 medals out of the Olympic games.

We used to just put product in the Olympic games and then we've evolved to a place where we not only want to have product on the right athletes, but we want to have a real physical presence in the country that's hosting the games. That expanded to what we call our Safe House, which this year will be in the Design Museum near the Tower Bridge in London.

The Safe House is where all the athletes can come and get out of the press, collect Oakley product. And it's really been an effective vehicle for making sure that we have our best presence in country. The Design Museum will feature a four-month display around technology and sport, which we'll be part of.

We also are doing a lot of work in country around Retail. Not only do we own key stores within London, we're doing a lot of shop in shop execution with Harrods, T5 and a lot of window executions. So when you go to the country you'll actually feel the Oakley presence.

And along with that, this will be the first year we are actually an official sponsor of the Olympic games. And we're doing a series of products that are tied to both the US Olympic team and the Great Britain team. And those exclusives are things that will you will be seeing in Sunglass Hut. Thank you.

Andrea Guerra - service levels and conclusions

So, one word back to something that I think has been, we called it here a game changer, but has allowed us to really rethink to a number of our ways of doing our business. We explained, I think, what is the overall final acid test about service level, is wholesale growth in Western Europe and on the other side our working capital management. I think these two are the very easy ways to say is it working or not.

There are two stories. I mean we are absolutely on the way to go. So happy. Happy to report. I will not go in length. Massimo Vian is here, is the operations leaders of the world and he will take the stage and during our Investor's Day, probably in September, probably in Agordo. We will all be there for the full day and going back to our roots. And to explain you exactly what we're doing.

So we're on track. On the other side, I think there is one thing I do not resist not to tell you. And it's the only thing that it's tomorrow. It's not something that is already going on. But tomorrow

we're switching on, something which is another game changer in the industry. And it's the following.

If we go back probably three, four years time to have an injected plastic model, we receive an order, we need to put it in production, you need to go through planning, you need to go through manufacturing, et cetera, et cetera. That would last in the region of 16 days to go through the full cycle. Tomorrow, tomorrow I mean Friday, we're switching on the first what we call "island", which probably is not the proper name in English. But the throughput time is four minutes.

So it's revolutionary, it's different. This is Luxottica and I think it's the way we need to shape the industry in the long term. It's not four minutes to mean one day and a half. Four minutes full stop. So it's really revolutionary and I think it's Massimo's great achievement and we will see it in September all together.

So, with this, we finished. Now we will listen to you. We will try to answer to all your questions. Just one second and our people, we have gone through our 50 years, we have celebrated our people in different times, in different ways. I would like to have the last celebration of the 50 years and with a virtual tour of our people in the world. Thank you, and then we will answer to your questions.

Q&A

Dan Hofking, William Blair: Thanks. Very nice presentation. I guess maybe just a quick detail. I know you mentioned there's some quarterly variance in some of the segment trends. Could you quickly discuss the fourth quarter wholesale margin? And then maybe looking forward, what your expectation is for the wholesale divisional profit?

And then I have a follow-up question on your broader sales growth expectations. What are the key building blocks in terms of mix, conversion, traffic, et cetera.

Andrea Guerra: Enrico?

Enrico Cavatorta: Yes, as I mentioned during the presentation, you should not assume that the quarterly divisional margin are necessary indicative of the most recent trends. As I mentioned, there are, in specific, in the four quarter in our wholesale division, there were certain accrual, both in inventory obsolescence and in other expenses like advertising accrual or selling expenses accrual or bad debt.

They were higher than it was done a year before. Not necessarily because a year before we had on a total year basis a lower accrual, but simply because those accruals have been done in different quarters. So, you should look to have a better idea of the performance of the division, clearly the year-end indication is much more precise.

Dan Hofking, William Blair: your expectation on a one or two-year basis for the wholesale divisional margin.

Enrico Cavatorta: We expect a margin improvement overall consistent with our rule of thumb. So we do expect the bottom line to grow twice as fast than the top line. In particular that is for the Group level, at Group level. In particular for 2012, we believe that the retail margin will improve more than the wholesale margin. Clearly because in 2011 has been vice versa. So we expect that trend to reverse in 2012. Then is too early to predict a precise divisional margin evolution for 2013 and the following years.

Dan Hofking, William Blair: The following question was about sales growth. I assume it's going to continue to be primarily traffic and conversion, maybe all, versus mix or price.

Andrea Guerra: Yes, as a final number, that is, as you see, Ray-Ban and Oakley growing over average. You have a, let's call it, lower average revenue compared to premium and luxury. But they grow over-proportionate. Therefore at the end, we expect a price mix to be constant, which is the final number. But it doesn't mean that inside the different brands in different business is constant. But at the end, the end number, it's more, as you're saying, conversion and volumes.

Julian Easthope, Barclays Capital: Can I have a bit more detail, please, on the Tecnol acquisition? I think this is obviously quite exciting for the future. I was lucky enough to go around your Italian manufacturing facilities a little while ago, which were incredibly impressive. How do they compare in terms of technology? And also, is it possible to talk about how you're going into Brazil, how the Latin America free trade agreement between all the different countries work and whether or not you can actually get cheap products into the rest of Latin America and ultimately the potential growth coming out of that. Thanks.

Andrea Guerra: So, when you look to Tecnol, the interesting story is the following. Mr. Carnelli, who is the founder of Tecnol, he's a second generation Italian coming from Northeast. And basically very similar to Mr. Del Vecchio in attitude. So if he had EUR100 to be spent, he would spend them in the technology, in the factory. And I could say they're, a part two departments, I would say that it's absolutely state-of-art.

And one department is absolutely insignificant in terms of importance. The other being spray and painting. And we need to invest money there. We are. We already ordered what we need to be ordered. And by Q2, Q3, it's a project which is finished.

So it's state- of-art technology, especially in the initial part of the process where you need precise technology. This is why we are forecasting today to have the first Vogue prescription collections in Tecnol manufacturing by September, October. We wouldn't do it if we were not certain. So we are absolutely happy.

Talking about what that factory can do for Latin America, I think it's too early because today we are highly focused on what that factory can do for Brazil. So I really hope that we will be able to focus on three, four, five strong brands in the Tecnol portfolio, and on Luxottica brands to the factory can really be able to continue to have a 15% to 20% growth in Brazil every year. So that is our first huge target for the next two, three years.

Obviously Brazil makes it so difficult to import, so easy to export. So we know that we would be very much helped in exporting our products from Brazil to Latin America. But I think it's too early to imagine many different things.

As I said, I think US is unreachable in terms of total volumes, wholesale in the next two, three years. But the gap would be much less in two, three years between US and Brazil. If Brazil is not market number two in 2012, will be number two in 2013, and I look Paolo in his eyes.

Will Hutchings, Goldman Sachs: Two questions, please. One is on retail margins. the scale of the impact from the Australia business that you flagged up, should we think that as you get back into positive growth in Australia you can see a reversal of all of that margin loss, the 140 and 90bps of retail margin you lost, and should we expect that to come through next year? And the second question is you have been and continue to be acquisitive. Could you just give us a little bit of colour where -- what kind of areas you'd be looking to buy and whether it be brands or distribution channels?

Andrea Guerra: So when you look to Australia -- and I will go back. When we had a terrible year with the American reshuffle, Sunglass Hut lost in the region of the 10% comps and 500 bps in profit. And we said we would get it back as soon as. And we got it back as soon as the markets

changed, the demand came back. We were patient. The team worked hard in order to be even stronger when the shuffle was finished.

We regained one-third during 2011 already, so I'm not promising the future. We already done part of this. And I would say that we regain 50 bps in the second six months, totalling for the total year. So I think we have given commitments in terms of what kind of profitability we want to reach in 2012 and 2013 in Australia with all the activities we're doing, with the investment, with the simplification and with the fantastic brand we have.

As I said, and I'll repeat it, it's very, it's profitable stores, but smaller stores. So if we had weak demand, as we had, we just lost flow-through. As soon as these sales are back, flow-through is back. And I mean it's already visible in Q4. The second -- you had a second question?

Will Hutchings: Yes, the acquisitions.

Andrea Guerra: Oh, acquisitions. So, I think that we have done a number of activities during 2010 and 2011 and I think that on one side we need to work hard in order to make Latin America very successful. So GMO, Brazil and Mexico. And on the other side probably we will have another two, three, let's say small acquisitions during 2012, could be in Latin America, could be Mediterranean Europe, could be in Asia, could be sun, could be brands.

Francesca di Pasquantonio, Deutsche Bank: I have a question about what I think could be your next gold mine, which is India. Can you update us where you are in terms of presence in the country and how quickly you're thinking you can develop a sizeable opportunity? Thank you.

Andrea Guerra: So when we take our five big emerging markets, and therefore Mexico, Turkey, Brazil, India and China, in terms of absolute numbers wholesale only, Brazil is by far the biggest. The second is Mexico. The third is Turkey. The fourth is India. The fifth is China. If we reverse and not looking at absolute values but percentage of growth, India is by far the top.

I would add that if you ask me today, and it's sometimes stupid to say, but in this case it's not, if you tell me which is the best wholesale team we have around the world, I would say the Indian. Third, I would say that Ray-Ban and Oakley brand have an awareness and equity, which is the number one after Brazil.

We have a factory in India which has been a nice challenge since the Ray-Ban acquisition, has remained there as a lag for a long time. But probably in the next 24 months the capacity has doubled. And the Sunglass Hut growth in India, it's franchising because we cannot do it our own and we got a wonderful partner, reached 40 stores?

Alessandra Senici: 35.

Andrea Guerra: What?

Alessandra Senici: 35.

Andrea Guerra: Thirty-five stores at the end of 2011. And with a size which is almost the double what we would have expected two years ago. So I totally agree with you. If we are over, you have an extra question, Francesca.

Francesca di Pasquantonio: No. I was thinking you would say following from the factory in India, how are you going forward, how are you planning to organize your manufacturing considering the platform that you have in Brazil, the platform in India, China, Italy. So are you going to organize it by positioning, by geographical reach?

Andrea Guerra: So, this is one of the reasons why we're all inviting you probably to Agordo during September because when I say going back to our roots, I think that it's good we give you an outline, a new outline. I think that as Enrico was saying at the beginning, every time we grow 10%, it's between six and seven million units that we have to find the place where to manufacture them every year.

So on one side we have core factories, which are deeply specialized on material and technology. And that will remain exactly as they are. And they are based in Italy, US and China. And then we got factories which are part, a virtual part of the Chinese factory. So when we talk about our Indian or Brazilian factory, they are the enlarge part of our Chinese factories. So some will be more vertical integrated, some will be less vertical integrated. But this is the logic.

And let me add that this is the same logic on lenses. Because we started a year and a half ago to manufacture sun lenses in Tristar in China. And let me say that our Chinese manufacturing by the end of 2012 will be all closed in a loop with lenses. So every lens we need in China will be manufactured in China. And I think these are the answers.

On the other side obviously looking to 2013 and 2014 and thinking about the reborn relationship with Armani, we are working today in order to enlarge our capacity. So some of our investments in 2012 are linked to this because if our organic growth has been between five and seven million units more every year, it's possible that next year that number will be higher. And therefore we're working hard today in order to assess which are the best options. And by end of April I think we should have our plan clean and clear.

Gianluca Pacini, Banca Imi: My question was on the production capacity. If you could add an indication for the CapEx expected for '12 and '13.

And my second question is on the inventory. You were talking about the reduction in the inventory management and expecting a significant increase in volumes, clients and, let's say, complexity due to new collection in the next years. So I see the -- I was expecting a stable level inventory going forward. If you could, say, elaborate a little bit on that. Thank you.

Andrea Guerra: So I'll start from the second. We gave you a commitment a year ago in inventory to reduce it in three years by 20% in terms of days. Correct? And we're stuck to that. Our net result in 2011 is bigger than what we have seen, but we had to take on board the inventory through GMO and through the Mexican retail networks. And the answer is if it took 14, 15 days to do an injected plastic frame and, now will take less than five minutes, that's inventory which is going.

But on the other side, the other big task, the huge challenge we're having is: we gave in April last year inside challenge, we want to be in the large 10 cities of the five emerging markets we talked about with the same service level we have in Paris. Okay? So that means inventory investments. That means spare part investments. But on the other side, the efficiencies in the core warehouses, in the core operations, US, Italy and China as a core, I think will more than balance the investments we need to do.

In terms of CapEx, nothing special. As usual, fortunately, our manufacturing doesn't need huge CapEx. So we will be, let me say, 20% above average in 2012 and 2013. So in the manufacturing we will invest between EUR70 million and EUR80 million during the next two years, which is technology, service, flexibility, quality and capacity.

Nicolai Tangen, Ako Capital: You mentioned that the launch of Coach had been stellar. Is it possible to put some numbers on it?

Andrea Guerra: So, I would give you a number so you understand what I mean. We thought we would have had a request of 100 in the first three months. That number is closer to 200. And we

were quite astonished by this. And the sell-out in Coach stores has been a couple of months faster than what they were expecting. And they're quite efficient in their supply chain. And same thing, I would say, on LensCrafters, I mean it's too early. So has been almost double what we expected. Obviously we cannot judge it after two months, two months and a half. So I think that by the summer we really understand. What is good is that we were very quick to put the numbers in the stores and immediately replenishment came.

Nicolai Tangen, Ako Capital: And what kind of extra boost do you think the Olympics could give to Oakley.

Andrea Guerra: As Colin says, it's a brand driver. Every time everyone is very much focused on the Olympics for the business and every time at the end of the Olympic games people say, yes, but the business was not. But in terms of brands, if Oakley is able to win 110 medals, I think we are going to win more medals than USA.

Chris Walker, Nomura: A couple of questions. Firstly, you mentioned quite a lot on the supply chain just around the time to market and lead times. That reduced a lot in 2011 and big targets for the three years ahead. Could you just go into a bit more detail around the initiatives behind those, please, and how you anticipate improvement?
And then just secondly, the AccuFit, when that was rolled out and (inaudible) and advertising what kind of market share gains did you see from the Group and did you see a significant increase in ASP through that?

Andrea Guerra: So, in terms of AccuFit, I will ask Mark to give you some details on brand results, comp results and all of that.

In terms of supply chain, I would go back to our slide on page 59. In time to market it means how fast our collections reach the stores. I think that the two, three initiatives that are today ordinary work is that we have been able to move in parallel a lot of engineering work. And we moved inside. Some of you have had the opportunity to not just visit our Italian facilities, but to visit some of our facilities abroad. And they have visited something that have changed completely the face of Luxottica in terms of engineering and being quicker to the market. Which is what we call decoration factory, where we have three or four technologies and where we were able to in source in the last couple of years most of our engineering, most of our moulding, most of our output in terms of decorations. And that has given us speed, certainty of service and efficiency. So that's time to market.

Lead time, I think I spoke enough about just to give an idea on injected plastics. Inventory is the result of SAP. I mean we are highly vertical integrated company. We have always been. But we've always been connected just by human beings. I'm exaggerating, but just to give you an idea. We are going through, we have gone through, we are well above the 50% today, so we are more closer to the end of this huge transformation project.

And I think we have gone through at least 30 start-ups. The last couple have been quite significant. We were live during the Chinese New Year in all our manufacture in China. And during 2012 we will go over all manufacturing units in Italy as well. So really we are changing the scheme of ourselves. And that is integration. That is stability. That is certainty. That's numbers. And it's easy to imagine that to say that we will be 20% less compared to 2010 in 2013 in terms of DSI, it's the objective. Mark?

Mark Weikel: AccuFit is really, for us, a divider for the consumer and for our associates. For us, one of the things that was most important about this question for AccuFit is we actually ran two equity campaigns last year around AccuFit. Once it was in and once all of our people were trained. And in both those cases we met or exceeded our expectations. It really provides to us that we can be more of a brand equity player in North America.

Domenico Ghilotti, Equita: On Coach, when do you expect to launch Coach in the Asian market? And can you provide an update in medium term target for the brand? And on Ray-Ban, you're targeting single digit growth. I would like to have some more color on this target, just understand if you see more consolidation here for Ray-Ban or is more a mid to a single digit.

Andrea Guerra: So, regarding Ray-Ban, I think that, as I said, the brand health is very strong. The opportunities in emerging markets are huge. The brand was back to being very hot in USA just a few years ago, so this space is still huge. And prescription is a huge opportunity yet, even if by far Ray-Ban is the largest prescription brand in the world. So every time at the beginning of the year we gave a mid-single digit and I think it's fair to do it. And let's try to beat it.

In terms of Coach, we gave \$50 million as of first year. Probably it's closer to the \$60 million, \$65 million. In Asia we're starting, if I'm not wrong, now.

So, have a wonderful lunch. I think lunch is served over there. And hope to see you soon. Hope to talk to you soon. Thank you very much for the morning and for the attention. Thank you. Bye-bye.