



Luxottica Group Conference Call Transcript

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Alessandra Senici – forward looking statement & introduction
Andrea Guerra – 2012 highlights
Enrico Cavatorta – FY 2012 results
Andrea Guerra – behind the rule of thumb & secular growth drivers
Paolo Pezzutto – relentless optical expansion
Paolo Alberti – the rising wave of emerging markets
Colin Baden – Oakley, a compelling opportunity
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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 “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 2012, which may be found on our website, under the “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. It's a pleasure 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 recorded and is also available via video webcast from our website. Today's presentation is divided in two parts. The first one is about 2012 results, our rule of thumb for 2013 and what's behind it, and the secular growth drivers fueling our industry growth. The second part is dedicated to some of our growth engines, the optical segment, emerging markets, Oakley, Sunglass Hut and our North American business with a focus on LensCrafters.

The presentation will end with a Q&A session. This afternoon will be dedicated to our strong brand portfolio and a visit to "Luxottica Days". Now, as usual, we start with a video on OneSight followed by Andrea Guerra with the 2012 highlights.

[Video Presentation]

Andrea Guerra – 2012 highlights

Good morning. You know it's not easy to go back to 2012 because it has been such an amazing year that it would be nice to continue 2012 forever and instead it's finished and we are in 2013. So, the first comment I will make is around OneSight. As you know we always take some time during the beginning of our March presentation to talk about OneSight. OneSight has gone through another year of evolution and another year of big changes. 2012 is the first year where we have a strategic plan for OneSight and the headline of the plan is "two times". Two times what? Two times participation of our associates, two times the initiatives around the world and two times the funding we are going to be able to raise in the next years.

Now it's a", let me say, business unit with objectives which are not exactly our normal objectives but it's a business unit, it's a global organisation and day-after-day more proud about it and more happy about it.

Having said that, 2012, it's not easy for me to say what worked well and what didn't work well because at the end more or less everything worked well. We could say United States, we could say Europe, some emerging markets, Oakley, Ray-Ban, our luxury portfolio, acquisitions, technology, SAP, innovation, R&D. I think 2012 has been a pretty magical year.

And, if it has been a magic year it also means that we come out from 2012 even stronger and I think this is important for all of us and all of you to think and to hear the fact that we feel more secure, more comfortable, stronger, and more adaptive. You know that this is a world where cycles are shorter, where every day it's more difficult to understand what happens the day after, where hills are higher and valleys are lower and where it's so critical to have more people inside the company sharing the strategy, more plans arranged, more people that know exactly what should happen so that you can adapt constantly to whatever happens in the world and what happens every week, every month in the world is different from what was happening a week before and a month before.

Even with this kind of exercise and knowing that we need to be perfectly adaptive every week, every month, our headline for 2013 has been and is "2013: the natural evolution of 2012". So we're happy. We're happy for the EUR 7b of sales, we're happy for the 20%

increase in net profit, we're happy for our seven hundred and something million of free cash flow. We're happy for many different things.

I think that it's fair to say that the strategy of being very close to certain emerging markets and building a stronger platform in those emerging markets, building on our seven or eight strongest strategic brands, building on our retail banners and making them simpler and bigger and stronger worked, and worked well.

We were here exactly a year ago and this is the only example, specific example, that I will tell you today. We were here one year ago telling you that we have rethought from scratch our Australian business on how we were putting all our efforts on one brand which was OPSM and we had worked six, eight, nine months for that plan.

We made a deal on February 15 (refers to 2012, the reorganization in Australia). Today it's history. We have done it, finished. We have rebranded more than 100 stores. We closed almost 100 stores and at the end our sales were higher than a year before, profits are climbing to our peak and the team is happy. The team is really happy, confident that now it's easier because we have gone back to our pillars, we have gone back to our foundation, we have put again the consumer right in the center of all our conversations and successes there.

So this just to say how many things we have done in 2012. And, just to avoid revisiting all we have done in 2012, before giving the call over to Enrico, I would like to review what we have accomplished in 2012 through a video. Thank you very much.

[Video Presentation]

Enrico Cavatorta – FY 2012 results

Good morning. We are particularly proud to comment on the results of 2012 because, as we've just seen in the video and based on what Andrea just told you, it has been a record year and it came on top of 2010 and 2011 that were in turn record years and we had recovered from the financial crisis that hurt us in 2008 and 2009. This has been the third year in a row where we have achieved strong results in terms of top line sales and even more in terms of bottom line growth. And, you might have noticed that for the third year in a row, we have been able to deliver margin improvement and to deliver growth in our bottom line results that was at least twice as much as our top line growth .

So good results, easy to comment. Of course, this is creating additional challenges looking ahead but we are here to take them and to beat them. Now let me give some details and some highlights of the financial results that were disclosed last night. In terms of sales, that is a very well-known figure since we disclosed them more than a month ago, I would only remind you of the exchange rate impact because we should take that into account looking at 2013. In Q4, again, we had a positive growth, 5% constant FX, partially helped by the exchange rate. The exchange rate euro/dollar was 1.29 for the quarter and 1.28 for the full year.

Looking ahead, this positive effect should be lower or slightly negative for the total of 2013. Let me remind you in Q1 2012 the exchange rate was 1.31. That is more or less the level at which the dollar is trading nowadays. In the quarter so far, so in the two months January and February, the exchange rate has been 1.33. We are running against a slight headwind and we will see during the month of March how it goes. And again as I said, for total fiscal

2012 the average rate was 1.28 so we clearly don't know how the dollar will be for 2013 but for sure we are not expecting the help that we had in 2012.

Looking at the two business divisions, strong results in particular in Wholesale, pretty consistent throughout the year, almost double digit or more than double digit in every quarter. In the fourth quarter, we achieved 9%, 10% in the total year. Again, excluding the gain from exchange rates. Clearly we had some non-organic help like the introduction of Coach and the acquisition of Tecnol in Brazil that helped in particular the top line growth of Wholesale. On the contrary, we will see that in a moment, Tecnol had a dilutive effect on the profitability for this division.

Looking at 2013, of course we are expecting big help from the new Armani license but this will show its effect starting from the second quarter and its impact will be very limited in the first quarter of 2013.

In terms of Retail, very strong comp growth, 4.5% in the quarter, 5.8% for the total year. Very satisfactory growth. Let me recall two of the main pillars behind this growth. One is Sunglass Hut Worldwide which achieved 10% growth and this is the third year in a row of double-digit growth so an outstanding performance. Also, the full recovery of our Australian business. The recovery started in the middle of 2011 so it's now more than a year and a half that the Australian business is performing very well. And OPSM only in Australia for 2012 achieved again double-digit growth. We are expecting similar or slightly slower results for 2013.

In Q4 we had a slowdown in comp sales in North America and that has been explained. Particularly, we had a shift due to the insurance season among the two years, between December and January, and also some extraordinarily bad weather like Hurricane Sandy that hurt North America in Q4.

Looking at the operating profitability for the Group, as I said, we had strong margin improvement since our bottom line growth has been twice as much as our top line. We had a full 100 basis point improvement at the Group level from 13.2% to 14.2%. And this is by far the best absolute margin since 2008. After four years, but with more than EUR 2b of additional sales because we were at EUR 5b sales four years ago, we have been able to achieve again 14% operating profitability. And the help from exchange rates has been limited to only 10 basis points -- at constant FX our operating profitability would have grown 90 basis points.

This has been particularly helped by the Retail Division that grew 140 basis points, and we will see in a moment more details behind that, but also I would like to underline that our Wholesale profitability was almost as good as the Retail one. Even if on a reported basis we had only a 30 basis point improvement, let's not forget two effects that have negatively impacted this Division. One is exchange rates because clearly it's not just the Dollar that has increased its exchange rate versus the Euro but let's not forget that also the Chinese Renminbi grew 10% versus the Euro in 2012 and now we have quite an important cost base in our manufacturing division that is related to the Chinese Renminbi.

And also there was another negative impact on the Wholesale Division due to the fall of the Brazilian Real. We know that Brazil is the fourth largest market for this Division and the Brazilian currency has actually devalued versus the Euro during 2012 by approximately 8%. The impact of exchange rates, at a total Group level has been for sure positive, but for the Wholesale Division it has been negative. We would have gained 20 additional basis

points in this Division so growth at constant FX would have been 50 basis points instead of 30 basis points.

The second important impact has been Tecnol. As I mentioned, Tecnol boosted our sales but in terms of profitability clearly Tecnol is not yet at the same level as the rest of Luxottica's Wholesale Division and the dilution from Tecnol was approximately 60 basis points for this Division. This number is slightly higher than the number that we disclosed in that we had some year-end adjustments in the Division so the total impact for the year will be now 60 basis points.

All in all, I would say on an adjusted basis even Wholesale's performance would have achieved an approximately 100 basis point improvement, mostly in line with the Retail one. In any case, the 21.8% represents, if we put that in perspective, growth for the Wholesale Division of approximately 360 basis points in three years.

I would like to comment on Retail's performance so I will move immediately to slide number 10 and then I will go back to discussing free cash flow. As we disclosed, on a reported basis, our Retail Division grew 140 basis points. Clearly, we had a positive impact from exchange rates in this Division since approximately 80% of our Retail Division's sales are generated in US dollars or Australian dollars that both grew versus the Euro.

So, there was a positive 40 basis point impact from exchange rates. But we also had approximately 40 basis points of earnings dilution due to expansion in emerging markets, in particular the full year consolidation of our Latin American chains and also the expansion of Sunglass Hut in Iberia and in other markets. So, in any case, our adjusted core business at constant FX generated growth of 130 basis points. This performance has been one of the best over many, many years.

I would also like to point out that basically all our core retail brands have contributed positively to these results, in particular, our optical retail business in North America has grown its profitability in the range of 100 basis points. Sunglass Hut worldwide has grown profitability more than 200 basis points thanks to excellent sales results. Also, our optical business in Australia, as I said, has fully recovered and grew in excess of 200 basis points versus a year ago. So good expansion, favorable effects from exchange rates but also a very solid performance from our core retail chains.

Coming back to free cash flow, and I would just remind you that the difference between our reported numbers and our adjusted numbers is again the very well-known restructuring of our Australian business that occurred in Q1 and the news for Q4 is a EUR 10m accrual for a potential liability due to a tax audit for fiscal year 2007. So, very clear adjustments.

Now going to free cash flow, this has been one of the most positive results - I wouldn't say surprising but clearly these results have exceeded our expectations. We have generated in excess of EUR 700m of cash flow, up from EUR 500m last year. Let me say that we had approximately EUR 50m, or slightly in excess of EUR 50m, of non-recurring gain in the EUR 700m that was due to a number of different reasons, the main one being the unusually high level of stock options that were exercised during 2012. We had approximately three times the average number of stock options exercised in 2012 as compared to the average year and clearly this was due to a number of reasons, first of all the strong performance of the stock and also due to the fact that an important plan vested

during the year. So I consider the positive effect as non-recurrent that I shouldn't expect for next year.

And it's positive of course because the holder of the stock option paid the strike price to the Company. So this had a positive cash flow effect for the Company. But even excluding this impact, we had free cash flow that was in excess of our original target. This was achieved despite the fact that we increased our CAPEX spending quite significantly from EUR 307m in 2011 up to EUR 365m in 2012. This is approximately the number that we are expecting for 2013. We would expect a number slightly in excess of EUR 370m or EUR380 m for 2013.

Clearly we had a lower impact from operating working capital. This has been neutral and for a Group that is growing 7.5% at constant FX or 14% on a reported basis, having a neutral working capital effect is already positive. These results could have been improved but at the end of 2012 we decided to increase our inventory levels since we were at the beginning of the SAP go-live in our manufacturing facilities in Italy and we didn't want to run any risks.

So this effect will be reversed in 2013 and it is from a reduction in DSI that we are expecting most of the benefit in terms of working capital for 2013 while in 2012 the benefit was related to receivables and payables.

Clearly this strong cash flow generation has allowed us to deleverage our balance sheet quite significantly. We went from 1.7x reported debt to reported EBITDA to 1.25x and we have an aggressive target also for 2013. During Q1 you will see an increase in net debt simply because, as I want to remind you, of the seasonality of cash flow. We have strong cash flow generation in Q2 and Q3 and partially Q4 but Q1 typically is a negative season for our cash flow. Also in Q1, we will have closed the two acquisitions that we signed at the end of 2012: EUR 92m for Alain Mikli that has been already paid during the month of January and a capital injection in Salmoiraghi & Vigano of EUR 45m that has not yet happened but should happen before the end of the quarter, so in a few weeks' time. So you will see a net debt amount that is clearly higher at the end of March as compared to the end of December.

Let me finish with the famous "rule of thumb". For 2012 we delivered exactly "bang in line" with our objective, in particular, if you look at the far-right column that shows the result at a constant exchange rate and clearly the rule of thumb is based on constant exchange rate. We had, as I said, 7.5% top line growth, 15% or 16% operating income growth and net income growth. So exactly "bang in line" or slightly better.

In terms of current FX, on a reported basis, clearly you see a different mix because the impact of exchange rates on the top line is different from the impact on the bottom line. So we are not exactly there but I would consider these satisfactory results. And as I mentioned before, given the fact that we have generated more cash than expected, clearly we have gone beyond our expectation in terms of deleveraging.

Finally looking at 2013, we think that the same "rule of thumb" for the fourth year in a row can be replicated. So again, and Andrea will show you more details about that, we are planning to grow our top line again in the high single-digit area and if that becomes true we have the possibility to increase our bottom line again twice as much. So nothing different

from what we have achieved already in 2010, 2011 and 2012. This would be the fourth year.

Then for free cash flow, as I mentioned to you I expect a slightly lower free cash flow generation in 2013 as compared to 2012 because of some non-recurring gains that will not be present in 2013. But taking into consideration the increased dividend payment and some smaller traditional acquisitions that we plan to do during the year we have a target to be below 1.0x at the end of 2013. And when I say below 1.0x, I mean that I would also consider 0.99x as this target having been met.

Let me finish with the two "call-outs". One is the rule of thumb that is again based on constant exchange rates. So clearly depending on exchange rate fluctuations during the year you might see different results. And as I mentioned at the beginning, exchange rates may be adverse in 2013. The second call-out is seasonality by quarter. This rule of thumb is not necessarily true for every quarter. This rule of thumb is set for the total year. And in particular if you look at our results in 2012 let's not forget that Q1 of 2012 was by far the best quarter. We had an increase in sales of 11% at constant FX versus an average for the year of 7.5%. So clearly this is a very tough comparison and you should factor in this fact when looking at the growth for 2013.

Thank you and I will give turn again the word call back to Andrea.

Andrea Guerra – Behind the rule of thumb and secular growth drivers

So the reason why we're still playing this what if game, the rule of thumb exactly the same, the reason why we're doing it is because it brings good luck. So there is no other reason why we keep on with the same rule of thumb.

Looking at the different businesses and regions, starting with the regions, here is how we see our performance during 2013. So starting on the top left, North America Wholesale: we had a couple of years of strong growth and strong market share gains and I would say that 2013 with the second year of Coach and the first year of Armani and the development of Oakley, especially in RX, and Ray-Ban overall, I think that we still have an opportunity to be in the double-digit range. And I think that this target is absolutely feasible.

When we look to Western Europe Wholesale, plus 4%, plus 7%, we could argue here, we could say that no comment is possible until Spring. So as usual the range is pretty high and pretty wide between plus 4% and plus 7% but we're not seeing a decrease, we're not seeing zero. Obviously keep in mind that we're not talking about Europe but we're only talking about Western Europe which is obviously the toughest region. Nordics are performing really well, UK is performing well, Germany is performing well, extremely well I would say. France has always been in the last nine to 12 months maybe our biggest question mark. At the end it worked well in 2012 and began with a positive push in 2013. I would say sun didn't help but the great effort in the last four or five years on our RX side of the business really helped us to perform well and I think we will be positive in 2013 as well. Italy and Spain are always there. I don't think we will be positive in Spain. I think there is a chance to be positive in Italy. Why am I so optimistic about Italy? Because of Armani. Obviously Armani helps, Armani dramatically helps in this country during 2013 and we're so happy with these first few weeks. We launched Armani with a number of spectacular events in the last 30 days and we have a number of additional events over the next 15 days and then we could say the launch is over.

And I think we have something which is pretty new in our market. We came in with a “capsule collection” of eight models of Giorgio Armani. You will see the models, you will see the range, you will see the collections and you will fall in love with what we have done. And the real new thing is that we came out and shipped to the market. So that has been a completely new way to serve the market. Windows are ready, product is almost hitting the market, I would say in some markets already hit the market and that will be perfectly visible to all in April. We are so happy about it!!

Emerging markets will continue to grow. We will talk about it in the next slide so I will not spend time on emerging markets Wholesale.

Retail North America, so we had a year of plus 5% in 2011, we had a year of plus 6% in 2012 and we begin the year with a plus 4% and plus 5% there. Is there an opportunity to do more? Probably, hopefully yes. The beginning of the year was extremely good. The first four weeks have been probably the best we have had in the last 24 months. Then we had in February two or three weeks which have been pretty tough. We could argue about many different things but obviously we couldn't see the push of January going forward so we were happy about it but we knew that there would have been a balance. You know that there have been a number of tax changes in the US and so some of the reactions have been go to the market as quickly as you can before that and then rest a little bit after that. We saw the market coming back in the last 10 days. So we're pretty confident about the US market going forward.

OPSM, I already talked about it. Extremely happy. The beginning of the year, the first two months, have even been in excess of this plus 6%, plus 8%.

And emerging markets, plus 10%, plus 15% in terms of our comps in GMO, Sunglass Hat emerging markets and Chinese retail is there to be achieved.

So this is more or less what we can achieve. As usual the most volatile number in this slide is Western Europe but we took 2012 home and we will do our best to take 2013 home as well.

When we look at Ray-Ban, Ray-Ban again had double-digit growth in 2012 and as usual we start off the year saying we're targeting high single-digits. Why is that? Again it brings good luck. You will see the effort we are putting on prescription, what kind of opportunities Ray-Ban prescription has in emerging markets and in the United States.

Oakley, again double digits. It looks like the slide of a year ago. And what is new about Oakley I think are two things. One is that Oakley Europe is a reality, Oakley Europe is visible, Oakley Europe is a success story, Oakley Europe is a brand. It's a brand which is recognized, it's a brand which has strong equity today and Colin will tell us a little bit more about it.

The second reason why I'm pretty comfortable with this number is that Oakley RX, Oakley prescription is a reality. Oakley came out a year ago with a very unique, a very iconic product on RX. It was the first time that Oakley came out with a very specific product in RX. The name is Crosslink and really the name says it all because it links and crosses between the Oakley iconic sun products to RX and has been wildly successful across the world from Japan to Europe to the US.

Premium and luxury, it's easy to say some double-digits. Alain Mikli is there, Oliver Peoples is gaining from the mix with Alain Mikli. We have built this new business unit

division inside our Company and we have now have a global organization behind it. The scale is there and really we can address this slightly different consumer in this world and I think that really the opportunity there is huge. It's luxury without commissions, without royalties. So Atelier is a big thing.

The other obvious one here is Armani, EUR 130m is our target, as you all know, so premium and luxury should really be something that helps during 2013. So here we are and when we look at why we feel comfortable going forward, I think that there are a number of reasons why we feel comfort with our long-term strategy.

So what we have organised for you today is two ways of looking into our business. On one side, and I think this is fair once in a while to go out and rethink about our industry, rethink about social and demographic trends across the world and really compare and link what is happening in the world and what is happening to our industry and what are the opportunities for players in this industry to be achieved.

So we will talk about this and really understand how we are playing in a very young, immature and full of potential industry. And on the other side we will link this to the platforms that we built and we feel are platforms of growth for the long term. So we will link these two things, one before coffee break, one after the coffee break, in order really to show how comfortable we are in the long term to keep on with our growth story.

So we are talking about demographics, we're talking about penetration, premiumization, emerging markets and you will see that when we talk about emerging markets we are redefining the scope, new channels and mega cities.

This is easy. This is an easy slide. And this is something that other players in this industry are talking about and I think that we really are in line. We feel comfortable with these numbers. Then we can say that maybe there are a billion people that need eyesight correction and do not wear correction. We could say it's two billion, we could say it's a billion, but it's a big number. And how is this big number changing and evolving? It's changing through education, it's changing through reach and it's changing through social evolution.

And I think this is the easiest and probably this could be the only slide I could show today saying: it's there! It's a growing population and the social evolution is really allowing us to think that more and more people will be fine and comfortable wearing a functional device that in the years has become something else. Population is aging in the western world, that's obvious to see, the baby boomers are there, exactly there in that kind of age that helps our business. And on the other side the people who for the first time are wearing eyewear correction has declined quite a bit. Obviously we're counting everything, all the technological devices are in the numbers.

So I think this is a pretty easy and straightforward number. On the other side, as I said, this is a pretty new industry. This is something where really there is an opportunity to go on educating, to go on getting our eye exams better, our doctor rooms better, our doctors more trained. The way we take care of eyecare has really changed in our Company in the last probably two, three years. The doctor is again in the middle of our conversation, is in the center of our strategy, and we feel that we can help with this under-penetration in Asia, in Latin America, in the US and in Europe. And we really feel that this applies to the optical world.

In Sun I would repeat what I repeat every time we talk. The US is on a secular growth journey for premium Sun. So I will congratulate Fabio and the team as much as I can on

the fact that they have been able, for the third year in a row in the United States, to achieve double-digit growth like-for-like. And I know that the team is phenomenal. I'm sure the excitement, motivation and understanding of the strategic levers is there but if the market was not growing, I don't think we would be able to achieve growth in the double-digits three years in a row. And if you erase 2008 and 2009 and take the last 10 years, we could see this secular growth rate very clearly in the picture.

So this is the US. Think about emerging markets and think about those high growth rate markets. So I really think that this is the second reason why we feel comfortable about the long term.

When we look specifically to a part of our business which is the luxury and premium part, and if we look how this luxury world has grown significantly in the last decade, what has really grown in the last decade is accessories. And if we think about eyewear in that category, we were representing zero 10 years ago. We are representing a small part today but if you look how fast eyewear has grown, and we see some numbers in some channels, it's quite astonishing. We're still small compared to shoes, bags, fragrances, beauty, but I think that is good news for us.

When we think about emerging markets the takeaway of the slide is waiting for the big wave. Sometimes I still hear today and read today when people observe us that the exposure of Luxottica to emerging markets is lower. If we think about market share, I think Luxottica's share in the premium end of the emerging markets is bigger than Luxottica's market share in the western world. The work we have done in the last five years in preparing the platforms of growth. Retail and wholesale, in the top five markets we have been talking about in the last five years: Brazil, Mexico, Turkey, India and China are there. They're growing fast.

I think that in some of these markets the wave is coming but it will take time. In some other markets the wave is there, even faster than other luxury accessories. Let's take India or let's take Brazil. So we have invested, we have planted, we have seeded and sometimes we feel that we just need to wait for the big wave to come.

Here we are. We still feel that in China, Brazil, India, Turkey and Mexico in the next years we can still grow with a growth rate of between 15% and 20%. But if we include today, and this is the first time that we list the other eight countries that we, basically I would say 12 to 18 months ago to have started scouting, pioneering, building the first building blocks. Where? Indonesia, Philippines, Vietnam, Thailand, Malaysia, Taiwan, Andes region in Latin America and Russia. It's the first time we talk about Russia.

So Indonesia today, do you know how many Luxottica employees are on the ground in Indonesia? Zero. How many Luxottica people are on the ground in Philippines today? Zero. How many people from Luxottica are on the ground in Vietnam? Zero. So I could not exactly say the same thing for the next five but this is telling us that the business that we have been able to build so far in these regions is insignificant because we were focused somewhere else.

We will be building our own organization during 2013 in Thailand and Indonesia. And 36 months ago we built a hub in Singapore and this hub has become one of the focuses of Luxottica. And I really feel that what we have built in the last couple of years there is really allowing us to look at this platform and imagine that in the next three years 20% to 30%, sometimes plus 50%, maybe plus 55%, 60% is achievable in these countries as well.

These countries are pretty different from China. This is what we understand and have learned. This is why we have accelerated in these countries. Fashion for our specific accessory, luxury and premium in our specific accessory has a completely different

welcome compared to China today. And this is why we have started to build our organization in this part of the world as well.

Department stores. Again I could tell you that when I look to department stores and I think that you can see sales per square meter per category. And it's pretty, pretty, pretty astonishing how department stores have not yet really understood the power of sunglasses but as soon as they get it, and either they give it to us in terms of wholesale or they give it to us in terms of Sunglass Hut, productivity, efficiency, sales per square foot and meter is changing fast.

And I can list so many initiatives that we achieved in the last 24-36 months. Macy's in US, Edgars in South Africa, Myer in Australia on which we add our traditional partners in the UK: Harrods, Selfridges, House of Fraser, Debenhams. All of these are Sunglass Hut concessions. Beymen in Turkey, Sunglass Hut concession. John Lewis in UK, new Sunglass Hut concession. Toray in Japan, wholesale relationship. Karstadt in Germany with KDV, Sunglass Hut concession. Bijenkorf, Netherlands, Sunglass Hut concession. Corte Ingles, Wholesale relationship. And we are negotiating now with Thailand and Singapore and Mexican department stores.

If you just think about our business in department stores five years ago and today, I think we multiplied that business by 25 in the last five years. How much are we represented in department stores? Not as much as compared to the rest.

I could say the same thing about travel retail. I could have shown this slide in a different way and show what kind of space is allocated to other categories, what kind of space is allocated to us and the growth rates of the last three years of the different categories. So we are in the top left, very small space, the best growth rate in any category in travel retail in the last three years. So again great opportunities.

And this is something different I want to introduce to all of you. We feel and we think, and it's 15 months we're working on this now, that the world is evolving in two ways. On one side opinion leadership in terms of cool glamour is becoming more and more and more in specific cities across the world. And on the other side the way emerging markets are growing is a complete and continuous urbanization.

So in July last year we selected 50 cities where we feel that we can grow. Let's take New York or Los Angeles. In New York Luxottica sales are in the region of EUR 200m. In Los Angeles it's just one drop behind it. But if we go to Paris, our total sales are EUR 30m today. If we go to Jakarta our total sales are EUR 1m today. So we have taken the decision to focus our store openings, our outside and outdoor advertising, our PR events, our organizations, to be over-skewed and over-imaginative in these 50 cities.

It took some time to really come up with a list and the work is there, the team is working. And I really think that we will have great fun talking about these cities. So opportunities are really there in mega cities as well.

So coming back, is this a mature industry? Not at all. Is this a high potential industry? Yes and we are the leaders of this industry. Demographics are helping, urbanization is helping, emerging markets are really emerging and we're really talking about the emerging markets. So as you have seen, I'm not talking anymore about the five, I'm talking about the new seven. Now we have built ourselves a number of platforms, a number of engines that are still there to give us great opportunities for growth. One is optical and Paolo Pezzutto will be talking about it. We have our five usual countries and we will have Paolo Alberti talking about those. We have Colin on Oakley. We have Sunglass Hut with Fabio and the overall

way we're playing our North American assets plus LensCrafters with Mark. So this is how we see 2013 and beyond. Have a coffee and let's come back in half an hour. Thank you very much.

Alessandra Senici

We are ready to start with the second part of our presentation. I'm very pleased to introduce Paolo Pezzutto, who is taking us through the big opportunity of the optical segment.

Paolo Pezzutto - relentless optical expansion

Thank you, Alessandra. So, good morning, everyone. We have just seen during Andrea's presentation how many opportunities we have and why we are so confident about the growth of the optical segment in the near future.

Just to add two words more about the behavioral changes of today -- we are certainly asking our eyes to work harder, like probably has never happened before. You might just imagine tablets, imagine mobile phones, smartphones and the effort we are asking today to our eyes. Luckily, wearing a pair of glasses today is not as traumatic as it used to be in the past, but nevertheless, the optical segment, optical category, is not considered a fashion accessory, a style accessory yet, especially if we compare it with the 11 pairs of shoes and the seven bags, that typically populate the wardrobe of a modern, mature-market woman.

So we think that from this point of view, we have a lot of possibilities for growth, especially for Luxottica and with the portfolio of brands we have to work with. Just to give you the size of the possibility of the opportunity we have in front of us, just consider that if the eyewear market makes two-thirds of its business with the optical category, in our Group, at the moment, we are exactly the opposite, in the sense that we sell one Rx frame for every two of sunglasses. And this gives us the opportunity and the space for growth as we look ahead.

I would like to show you and to talk to you about how we are preparing for these new challenges and new opportunities, talking a little bit about some of the actions and decisions that we have taken over the last two or three years and that we are still working on. First of all, I would like to mention that, in 2010, we decided to create a specifically dedicated optical category department, across channel, across brands, across geographies, fully dedicated only to the category.

The first initiative that this department put in place was the creation of an internal laboratory that is provided with advanced technical equipment. It's dedicated to study, to explore, to imagine innovative solutions in lens mounting and also in fitting and comfort, in developing new styles and new products.

Another important point I would like to mention, already seen sometimes in the previous video, is the creation of the new Atelier division. The new Atelier division is a division where creativity in optical frames will be brought to life through the brands Oliver Peoples and Alain Mikli. This is something new, specifically dedicated to a new consumer base.

Certainly, looking ahead, we will not forget. We will instead focus attention on our service levels, because this is the part of the cooperation with the opticians that we don't want to lose. Today, 94% of spare parts are shipped to our customers within five days from the

order date, and this has certainly improved compared to a couple of years ago. We were only 86%, and we think that service will remain one of our priorities for the future in developing our partnership with the opticians.

And on top of it, I would like to mention the efforts regarding a new working platform that we developed and we launched one month ago, which is a new B2B platform online, created to guarantee to our customers full-time service and full-time dialogue, where spare parts and other aspects related to the optical world, will have a central space in the functionality of this website.

We can say that a lot of opportunities, a lot of initiatives have been taken behind the scenes, in the sense of creating a new division, creating a new organization, a new solution, on the other side, it's important to say that the optical category today is in the minds of our licensors, in the minds of our brands. It is something new. There's something very different from the past.

Imagine that, partnering with Prada, we have just launched a capsule collection. So capsule means a very specific fashion collection, fully dedicated to optical styles, with a dedicated communication plan, with a PR dedicated plan, with point-of-sales material fully dedicated to this. And it's something that, in our opinion, is a signal of how important the optical category is in fashion, in style and in becoming a fashion accessory.

If style, if fashion, is important in this category, comfort and fitting is even more important, in the sense that frames live with us every hour of the day, and wearing beautiful and comfortable styles is something that we have to continue to leverage on and, if possible, also to improve. In this sense, what we have done in the recent past is to rethink the way we create our collection architecture, in the sense that today we develop styles fully dedicated to serving markets, in order to be able to reach local trends that probably in the past we would never have been able to catch. But also, we developed specific technical features in order to be perfect for every face in the world, in the sense that we are working on every kind of fitting, to guarantee the perfect and the maximum comfort on the collection.

Just to provide you an example about what I'm saying, I'll describe what we have done with Ray-Ban. Certainly, with Ray-Ban, probably you already know how many initiatives we've put in place over the last years, but certainly what is important to underline is that the optical category in Ray-Ban grew very fast, especially over the last three years, more than 30% compound average growth rate. And in this growth, we are sure that a portion, a part of the success of this growth belongs to the fact that we created a very segmented product architecture, ready to be available for every kind of face, for every kind of style and also ready to give technical answers to every kind of need.

More recently, we enriched this architecture with a special geographic approach, in order to be ready and to be dedicated to the emerging markets. In 2012, last year, 46% of the new styles launched for the Ray-Ban optical collection were dedicated and created for local emerging markets, which is a very important number that conveys how much attention we are giving to this kind of growth.

And if you look specifically to the Asian markets, 100% of the style we launched in the Asian markets respond and are fully in line with local city needs and design trends, which happens through the modification of international styles, if needed, or through the local development of specific styles. As you see from the graphics, I can say that we are very confident that we have in front of us an enormous opportunity for Ray-Ban, but we can easily extend the same concept to all the brands of our portfolio.

We are working in a similar way through all the brands of our portfolio. Great opportunities are ahead for us. Before turning the presentation over to my colleague, I just would like to share with you a video that celebrates Ray-Ban and the 75th anniversary of last year. Thank you.

[Video Presentation]

Alessandra Senici

Let's now move to our unmatched presence in emerging markets with Paolo Alberti.

Paolo Alberti - the rising wave of emerging markets

So good morning, everyone. How to talk about emerging markets without repeating myself and Mr. Guerra this morning? I had to find a storyline, and then I realized, it dawned upon me, that the storyline was right in the title of my presentation, A Rising Wave.

You see, I am Italian. However, I was brought up in California, so I am a surfer. I grant to you that the only thing that's left of those surfing days, physically, at least, is my hair. However, some notions still remain, and surfing is an incredible sport, not too different from business sometimes.

See, if you've got a wave behind you and you paddle very quickly, you get to the shore, the wave has died behind you, and that's really not surfing. That's sort of paddling. Then, if you're paddling too slow and the wave is behind you and it starts breaking, you are in a washing machine, and that doesn't feel that great, and that's not surfing, either.

But if you get that right, and you get that momentum right, well, that board starts shaking a little bit less, and the speed helps you. Now, obviously, you've got to moderate your speed, but definitely that speed makes you feel more stable, more sure of yourself, and you're having a great time. You're surfing.

Well, I think that's what we're doing. I think that's what we're doing - we're learning to surf that wave of emerging markets, and how are we doing that? Basically, I think one of the most important things is the proximity. If you want to surf, you've got to be close to the beach, and we are doing our best, our utmost, and we're accelerating. That surfboard is accelerating in terms of growth in emerging markets.

We have to be there. Already, we're getting great growth. 13% of our sales are already in emerging markets, and this will change to about 20% by the year 2016. One other thing we also have to look at, we're always looking for new beaches. We talk about some emerging markets that we've talked about for years, but there are the future ones. And again, we talked about opening up in Russia, opening up in Thailand, opening up in Indonesia soon.

So last year, two years ago, maybe we weren't talking about these markets. And Brazil is one of those places where I can talk to you about Brazil, about the demographics. I can tell you that there's a lot of new surfers in Brazil - 11m families come into the category of spenders. It doesn't just make you feel good, but you see the difference, because all of a sudden, people that were not consuming - and again, consuming in the good sense - are now buying products, are now thinking about fashion, and of course, that means our products, too.

And in Brazil, there's an incredible law that actually raises salaries by law, and in the last few years, it's been about 8%. So even people that are relatively wealthy are getting

wealthier, and of course, they will be spending more too. And Brazil is not just about growth in terms of population growth.

We are doing things in Brazil to ride that wave again, and one of them is Tecnol, and maybe a few of those stories about Tecnol. Tecnol is a great factory. Tecnol is a factory that was very similar, in a certain sense, to what we have in Agordo. Now it's much more similar, and the people that work in operations that have been there have really done so much to make it a center of excellence in Brazil.

Now you may ask me, does eyewear made in Brazil cost so much less? You know what? That's not really the point. Obviously, we're trying to pump volumes there, we're trying to do many things to make it more efficient, but that's not really the point. The point is service, service, service.

If we can take our orders and ship them through products made in Brazil at a much quicker rate than we can today, we're giving something that no other competitor of ours can do. Think about customs. Sometimes, products in Brazil, once shipped from Italy, arrive in Brazil a couple of days later, maybe a little bit longer, but even if they're flown by air, and they sit in customs for 50, 60 days, 40 days.

It's not because they don't like us. It's because the single entity that strikes the most in Brazil are the customs. So we could be great in logistics, but imagine if we can make things there, and we have.

We put Vogue into the plants, Vogue made in Brazil, designed in Brazil. Not just a Vogue that we made in Europe and we shipped over there. This is something that was designed there, for Brazilians. And, by the way, 40% of Vogue's sales today are made in Brazil, and we're getting ready for more.

We are going to start with Ray-Ban we are going to start with Arnette, and at the end of the year, we're also going to be producing some Oakley. Not only that, I was present at the Tecnol factory when this machine was coming in, and I was wondering what it was, and it was a "Ray-Ban in five minutes". So this is going to be a center of excellence, and can you imagine, when we're talking about 50-60 days waiting for a pair of Ray-Ban, and when we can make them in five minutes in Brazil, that's surfing the wave.

Now, where do we look in India, and again, we're looking at a country where, if there was the same penetration of eyewear as there is in Europe, the market for eyewear in the world - now, I'm not talking about sunglasses - RX would double overnight. Well, obviously, we're doing things to surf the wave there.

We have probably some of the best management and marketing people in the world now in India, and I'm not just saying this because they're going to be here this afternoon. We also have a plant there. We have a plant that today makes Ray-Ban and Vogue, and we're doubling its size to make about 600,000 units very quickly this year. Sunglass Hut, 40 stores today with a partner, and it should be, let's say, doubling that in the next few years.

But, you know, this is something where I have probably not done as well as I could have. We opened up a hub in Singapore, we've opened up Hong Kong, but Andrea is absolutely right - if I look at Thailand today, tomorrow, there's somebody going. And if I look at Indonesia, if I look at Malaysia, Vietnam, there are no Luxottica employees there. Then I say, okay, I can hire all those people there.

Well, it's not exactly like that. We have to think about efficiencies, but imagine this - why should I have, today, probably a Marketing Director of Luxembourg? So the guy in

Luxembourg - we don't have one in Luxembourg, or else he would be scared - but the guy is packing his bags and is on his way to Jakarta.

Hong Kong, we opened up only one year ago. In Hong Kong - I don't know many of you have been there - there's a Centennial Plaza. There's Puyi Optical, one of the most beautiful, beautiful stores in the world. It has a museum, it's on three floors. And when I went there a year ago, you walk inside, you see a lot of Cartier. You see some of our brands - one year ago - and then there was, in the corner, sort of hidden, a little bit of Ray-Ban, because they had to have it.

One year later, we are not only great partners, because we have a direct relationship with the owners - they're coming today, I think they'll probably be there this afternoon at the Luxottica Days, they will be part of our OneSight Foundation dinner. If you go there, we now have about six counters, beautiful wall units, Bulgari, Chanel and so on. And they would like to expand and do more with us. So proximity, direct control of the market, and with our passion, we can do amazing things.

My final slide. China, obviously, has been growing at incredible rates. There, too, we're investing in people, we're investing in structures, we're investing in Retail, we're investing in plants. We were in Bali, and there was a meeting, and Mr. Muffato of operations, he's a young engineer who runs the plant there. He was talking about how we're now building 37,000 square meters more with the simplicity, with this quickness, that is only Luxottica. And now we're doubling the acetate production - and all these things with such ease that you could see that not just those of us in the commercial world, but also operations, is really surfing that wave.

So before passing the word to another California boy that runs Oakley, the CEO, I do want to say one thing, and it's without arrogance that I say this. This afternoon, I'm very happy to host you at the Luxottica Days, where we're going to see and celebrate many of our brands. There, I don't think we're surfing the wave. Please allow me to say that there I think we're making the wave. Thank you, and I hope to see you soon, this afternoon.

Colin Baden - Oakley, a compelling opportunity

Good morning. So 2012 was another spectacular year for Oakley. I think it was our seventh consecutive year of double-digit sales growth. It was a special year for the brand, because it's an Olympic year, and like all Olympic years, the brand tends to elevate itself on the world stage.

But 2012 was different, and historically, Oakley typically looked at the Olympics as an event, and we would show up with our athletes and our marketing teams, the Olympics would happen, and we would rise with the publicity that we garnered during the Games. In 2012, we did it quite a bit differently. In fact, two years preceding the actual Games, we reached out and became an official sponsor of the Olympic Games. We actually became partners with Great Britain's Olympic team and the United States' Olympic team.

We reached out to global athletes that we knew had a good chance of medaling at the Games, and we focused on regional athletes, as well. And with all those partnerships in place, we began to build assets, and with those assets, we began to secure actual real estate within retail in our wholesale channels, and we launched our first global brand campaign, called Beyond Reason.

The PR efforts didn't start during the Games. They started long before them, so that when the Games actually occurred, you had all of this energy happening all at the same time.

And at the end of the season, we could look back and say - wow, not only did our brand elevate itself on the global stage, but it actually drove our business in a way that we had never done before. I think it's an incredible blueprint that we're going to use in the years ahead.

So 2013 is not an Olympic year, but we have every confidence we can do the same business metrics that we did in 2012, and I want to talk about four strategic pillars today that I think are going to be key incremental drivers to our business going forward. The first is optical - when we say optical, we mean both frames and lenses - our women's business, our European team and emerging markets.

So the first is optical. We've had four years of double-digit growth in the business, and we're pretty confident that in three years we can double it, and the reason we feel that way is that if you stood back and looked at the optical business in the world today, there really isn't a brand out there that has the credibility or the capability to innovate and design products that can appeal to men. I think we're fairly unique in this business.

And Andrea commented earlier on a pretty good example of that, and that was Crosslink. So on the screen behind me you see the world's fastest bike racer, Mark Cavendish. He's wearing a pair of Crosslinks.

Now, we launched this frame in early 2012, and within six to eight months, it became our most productive prescription frame ever, and it's an iconic style that, when you look at it on its basis, it allows the consumer to wear this thing to the office and he can ride his bike home. And we're not sacrificing style or performance in either case. It's an entirely new category in the channel, and it's given us a reason to exist as a sole standalone brand.

Along with that, in 2009, we launched Oakley True Digital, and each consecutive year after that, we designed a sport-specific lens to create a suite of lens portfolio that really has driven substantial growth in the category. And our service levels, globally, are now within 48 hours. If we look back on 2012, we faced serious pressure on capacity, and so we spent a lot of time with the global supply chain, making sure that we had an oversupply of capacity going into 2013, to take advantage of this opportunity.

We are doing a lot of work in in-store experiences. We are actually creating Oakley destinations. They're very effective. We have a whole suite of improved sales tools, so I expect that 2013 is just going to be a stellar year for this business.

Oakley Women's. So three to four years ago, we felt we could do in the women's category what we have explained that we've done in Crosslink. We felt that a gender that was responsible for 80% of the purchasing decisions of the home would feel exactly the same way men felt about their eyewear, that they would not want to sacrifice style for performance, but that if we could deliver both, we had a compelling niche within the sunglass business.

So focused on just North America alone, we've created brand epicenters in our own retail, women's epicenters. We've partnered with Sunglass Hut with product exclusives and regionally based marketing campaigns, and our year-over-year view of this business is that we're on to something, that we have a compelling message and that it matters in the life of an active female.

I won't spend a lot of time on the details of Europe, but I'd like to look at a long-term commitment to a category, that if I look at the North American market, Europe can be just

as big for the brand as it is in North America. It has that potential. And if I look at our multiyear commitment to this region, we have overinvested in building the brand, and each year we look back and carefully measure what that has done for our brand recognition in this market.

And in last year's review, in several of the regions, our brand awareness had risen 10%, and it's directly tied to our efforts to invest in these countries. We've done a lot of work in both retail and wholesale, building compelling stories. These stories are very focused, they're consistent, and they leverage the assets that we're creating in our global brand campaign. And all of this work is focused specifically on our success in eyewear and goggles.

So this year, there are three specific campaigns we're going to use in Europe. The first is Change Perspective. This campaign will leverage three key athletes, Valentino Rossi, Fernando Alonso and Sebastien Loeb, and really what it does is it twists in the lifestyle category what these guys are known for outside of their sport, what their passions are outside of their sport.

Then in the summer, like we did with the Olympics, we've partnered and become an official sponsor of the Tour de France, and we'll do an entire series called Conquer the Road. And of course, in the fall, to build our goggle platforms, we do a brand campaign called Master the Elements.

So, with that, I'd like to play a brief video that speaks to Change Perspective.

[Video Presentation]

Emerging markets, we've spent a lot of time on this subject. Emerging markets represents about 12% of our overall business. The one specific area we focused heavily on last year and this year was the collections that support those regions, and specifically, when I think about it, you would think about Asian Fit, collection-relevant styling. These are all components that are a growing part of our input into those markets, all incredibly successful.

I think our work in Brazil, albeit has been dominated by some of our other product categories, we have a real opportunity in optical. So if you think about distribution, the benefits that Tecnol will give us in service, really our opportunity in optical in Brazil is very significant. And if you think about how well this brand resonates with the Brazilian population, I can only believe that our success will continue in that country.

Of course, we'll still be placing into the market great designs, great innovation. I think when you guys go to Luxottica Days, you'll actually see some of our newer collections. There are some really great material stories in injection-moulded titanium, carbon fiber. There's an incredible new glass called "two-face" that has a pressure-moulded aluminium center, really interesting stuff.

We've built quite a following in what we call our Switchlock technology in sport, and we're bringing that technology into a lifestyle piece, and because of that, we're allowing a consumer who now is becoming trained to change lenses to a given light condition or aesthetic, that this is a real opportunity.

Late in last year, we introduced in our own retail channel a self-dispensing plano lens display, so consumers could actually go in and see a story about different lens tints for different conditions and different activities. We're seeing real success with this, so it's a whole new twist on how we're selling Sun.

And of course, our successful Crosslink category will reach new extensions with interchangeable centers, as well as different lens sizes.

And then lastly, you've seen the demonstration out in the side hall, and if you haven't, it's really important that you get a chance to experience it, because when you experience it, it's when the product comes to life. Oakley has been exploring heads-up displays for the last 10, 12 years, and really, technology is getting to a place where we can bring what I think is an augmented experience to sports.

And I think we're unique in the business because, in sports, you're allowed a certain latitude when it comes to aesthetic design, that you can get away with things that make you look like Superman, and it's okay. So the launch of Airwave, for me, does two things.

One, it's a laboratory. So laboratory, to put something into the space and understand how the customer reacts to it, how a channel like Apple can support it, because it's connected to their device in the app space, but also that it's disruptive. And I feel like, as a brand, we need to be disruptive, because of the followings that like our culture, they like our courage, and if we lack the courage to do interesting things like this, we will cease to be relevant.

Thank you.

Alessandra Senici

Now it's time for Sunglass Hut with Fabio d'Angelantonio.

Fabio d'Angelantonio - Sunglass Hut, engaging global customers

Good morning, everybody. Sunglass Hut 2012 is a quite simple and consistent story. Given our meetings in the past years, I think you know the trajectory, you know the brand, you know the business model. 2012 has been a year of incredible success, incredible results. We arrived for the first year north of EUR 1b around the world.

Andrea mentioned the super results of the North American team, but the result in Asia-Pac has been outstanding, with high single digits. Results in other regions, like South Africa, above 20%, or Mexico, above 30%, have been outstanding as well.

When talking about Sunglass Hut in North America, the third year in a row of double-digit comps, I think an incredible result of growing the category. I think also an incredible result for a brand that has today over 2,000 stores in the country, of which about 500 opened the last three years. So growing the comps while keeping focus and increasing the penetration in the marketplace.

Enrico mentioned the profitability improvement. I think the only thing to add, from my perspective, is that this improvement really came from all the different lines of the P&L. Sunglass Hut is a business model where the top-line runs, the sales run, the flow-through is quite positive.

Keeping our global expansion journey direction, and very important steps last year with entering the Iberian - so Spanish and Portugal - markets, with the acquisition of the Sun Planet chain.

Key success factors of the journey of the results, the same we have been sharing, discussing, last year, so deeper and accurate store segmentation, trying to execute on what really consumers are looking for in every different channel and demographic: product newness, fast fashion, deeper merchandising in stores, brand building and the right experience for consumers.

In the last 18 months, we've been working hard on our experience model, in trying to train our associates in the kind of behavior they have in front of consumers. I think the key

guidelines are really in the slide. We are clear that what consumers come for in Sunglass Hut is really gratification. It's really for a fashion accessory. We don't sell products, we sell feel good, so we're trying to define an experience, to implement an experience, which is all about smile and energy from the side, but also brand celebration and the best product training in the planet about our brands and our products that are all the time new. So I think this really makes a difference for a customer coming in Sunglass Hut.

Operating model is today standardized globally. We know what we stand for. We know how to execute it. This helps tremendously in synergies in terms of the systems we implement, and it also helps having the best talent in the organization, flying and moving around the different organizations to grow the culture, to grow the people and also to put the best people in the best opportunities, in the best roles.

We also tremendously learned in the last 18 months our capability not only to deliver this operating model but to implement in a new channel, in a new partnership, in a new country, when we enter. We call it SunglassHutization, and it's the capability to deliver from A to Z our operating model in the shortest possible time while, of course, maintaining eyes opened on the kind of twists every market deserves.

New frontiers, omni-channel, digital opportunities, I think it's clear that online and digital will progressively change the offline, the retail experience. Sunglass Hut is there. Recently I read a sentence, which is: welcome in the era of expectations. Consumers want from the best brands and best retailer to be always on, always reachable from the different tablets, platforms, mobile devices.

Sunglass Hut is there, working this experience, working on all the possibility to be accessible, working on e-com from tablets, from mobile, from the store, and of course, trying to implement the best possible digital experience in store with front doors, with in-store screens, with tablets, in order to continuously increase the experience and the brand celebration.

The global journey is going on. I mentioned Spain. I think, today, Sunglass Hut is globally pretty well placed with the traditional four geographies where the brand was present, North America, UK, Australia and South Africa, and I think we created a certain number of new regional hubs that will fuel the growth, additional growth, in the next years - Mexico, Brazil and Latin America, Spain and Turkey in Europe, Middle East and North Africa from Dubai, India, Southeast Asia with upcoming Singapore presence.

We really are well placed to fuel our development internationally. Clearly, we keep focused on the sunbelt. New countries and new opportunities, if we look at 2013, clearly identified, we want to expand ourselves in Santiago, in Chile, in all the hundreds of regions where we are ready for the Company to exist, Grupo Multiópticas platform. We want to expand in Southeast Asia in the countries which are closer to the hubs we have, so Malaysia, Macau, Thailand, started working and looking at Indonesia.

We're probably going to be focused in Europe into accelerating the growth in Turkey and turn around Spain's business for the year. New channels, e-com is growing very fast in North America, very happy with this growth, and on the other side, launching e-com in Australia in the second part of the year, probably Q4, where it's also the key seasonality for Australia.

We maintain, as Andrea mentioned, our focus in developing partnerships in the department stores and travel retail. We are continually in discussions around the world, very interested in new opportunities, but at the same time, very, very happy to keep renewing constantly the partnerships already in place, which is equally strategic to us.

A few charts on two or three case histories of the last years. Mexico, fantastic country, close to North America, 110m people. We really come from 15 exciting months. We acquired two chains. We merged into one. We moved from Guadalajara to Mexico City, where we established ourselves in the same Wholesale business offices where we can really partner on some of the back-office functions.

We have been delivering in less than six months a 360-degree SunglassHutization of the chain. We rebranded all the stores. We have been remodelling the top quartile, new products and new assortment in store, new visual merchandising systems, new training, new system and Sunglass Hut experience. The results are there, fantastic, almost 30% comps delivered last year. Good team, good excitement today in place, and if we look around the corner in the country in which we have a good halo effect on the brand from North America.

Of course, we have an opportunity to increase our presence farther through partnerships, through department store presence, and there are some areas of the country, like Mexico City, in which we are today underpenetrated, and we can open stores. The number we have in mind is very clear, 200 stores in the next two to three years.

Brazil, another very interesting and learning 18 months. We started from 18 months ago and . We had no presence, not one Sunglass Hut employee in the place. We ended the year at 20 stores. As we speak, we have 25 stores open already. We want to double our presence, so reaching somewhere between 40 and 45 by the end of the year. It's a challenge. It's a challenge entering greenfield in a new region. We have to get to know all the different retailers, and they have to get to know the brands.

This is a case in which we have been to, we said, tropicalize, adapt our business model. Our store design was not sufficiently bright and inviting for Brazilian malls. We had to adapt the way we were implementing the doors.

Brazilian business is really today around key four, five, six brands, and we have to develop a different way to celebrate those brands, to enlighten those brands, to make the brand narration about those brands in stores, and clearly this is a business in which what you can call commercial or credit offer is completely different from anywhere else in the world. There are a lot of credit purchases in this country. So we really had to implement 15, 20 different ways, or tests to be successful, to identify the three or four that really were game changers.

Today, looking at the future, I think the opportunity is, of course, in this country, huge. And, as said, we plan to double the business enterprise in this year, with the objective of testing and, again, twisting and preparing our franchising model for further expansion in the country, to reach regions that probably do not today deserve a direct presence.

Last example, India. There is a four, five year history. We're very happy with this presence today. As Paolo was saying, we have a presence in malls. It's a franchising model, where we have an incredibly pleasant-to-work-with local partner who is also very good in getting for Sunglass Hut excellent locations locally. The business is totally integrated into our wholesale division, and we keep growing year after year somewhere between 20% and 30% in terms of comps, which is really an outstanding number in this region.

This year has been particularly relevant in terms of, let me say, brand status in India. We have been able to get into the first and the best airport, which is Delhi Airport, plus we are opening - we signed and we open next year, so in a couple of months from now, this year, in April - a flagship store in Emporio, which is the number-one mall in the country.

Opportunity here, probably as much as in Mexico, is really sales density, so the single store versus other regions is still pretty small. I didn't mention it, but our sales per store in Q4 in Brazil were already this year as big as Q4 sales per store in North America. So opportunity in Brazil to grow the network, opportunity in these countries to build the network but also the sales density.

I think this is it for Sunglass Hut today. I also have a short video to share to give a sense of the kind of brand we are building around the world.

[Video Presentation]

Alessandra Senici

To conclude with our growth engines, now we have Mark Weikel, with our North American business and LensCrafters.

Mark Weikel - North America, a unique mix of assets

Thanks, Alessandra. In 2012 in North America, we posted solid results, plus 6% in US dollars. All of our businesses contributed to these positive results. Wholesale sales were up 15%, supported by the Coach launch in January of last year. Retail comps were up 6%, and as it was already mentioned by Fabio, Sunglass Hut had its third consecutive year of double-digit comps. Solid results also at LensCrafters, plus 2.4%. And the initial results for 2013 continue to confirm the growth trend, despite the tough comparison that Andrea mentioned about the first quarter last year, which was our strongest quarter of the year.

What I wanted to talk about a little bit was how we get focused all together in North America around driving category growth. We're doing this by working very closely together across all brands and all businesses, with a relentless focus, putting the customer, consumer and patient at the center of everything we do and everything we think about.

We've recently reorganized the retail optical brands in North America under a portfolio group called RONA, Retail Optical North America. We believe this really enables us to better manage our North America Retail Optical businesses as a true portfolio. It allows us to really create further strategic differentiation between these brands, those four brands, and also to determine where the appropriate synergies are between these four brands.

And I also just wanted to give a couple of other examples of how the brands and businesses work together in North America. So, for example, Sunglass Hut with the other brands can work on things like business operating models, labor planning, performance management. Even though the contextual differences between these brands exist, there's a lot that can be shared.

Another example is EyeMed. EyeMed has done a phenomenal job of sharing experiences with their members and their providers. And one of the things that's been great to see is EyeMed, Wholesale and all of the retail brands working together to bring to market in a pilot dispensing model that allows us to compete even more effectively against other main vision care providers.

Luxottica wholesale and our labs are just remarkable assets in the United States and in North America. They allow us to partner to drive category growth. We can learn things together around customer segmentation, lenses, product differentiation, that allows all brands and all businesses to win together.

And Oakley and LensCrafters, well, I'll tell you, working together, whether it's sun or optical, and bringing solutions to market, as Colin described, solutions that are lifestyle oriented, active oriented, is just remarkable. And Oakley and LensCrafters working together as brands is a powerful combination, including things like trying to bring sales mastery to the selling floor through things like the Oakley Guru program.

Now, what I'd like to do is spend just a little bit of time focusing on LensCrafters North America. LensCrafters has made significant strides in elevating the brand and transforming the brand in 2012. We elevated our marketing and brand equity in 2012. We developed capabilities to deliver legendary signature customer experience in stores, and we've reinvested, as you've seen, in market-leading innovations at scale, and I think this is a key thing for LensCrafters going forward, is about market-leading innovations at scale for customers, consumers and patients.

Our LensCrafters brand strategy in 2013 remains unchanged. We will still focus on our three pillars. Number one, building the brand for the future. I think everyone knows that our aspiration is to be the vision care brand, to have everyone believe in LensCrafters as the most-trusted partner to help you see your best and look your best.

Second, we are amplifying and reconnecting with the customer, and we're doing this by building a scalable signature customer experience. And the third place that we've talked about is executing with excellence. We're also further committed to elevating the brand and our marketing in 2013, and as you see here, these pictures try to depict a multifaceted way that we're doing this.

First, on the left-hand side, more emotional imagery, something that allows us to have fabric in our discussions with our consumers. Second, celebrity endorsements, showcasing our latest styles and innovation through celebrity representations. Third, more vibrant storytelling that allows us to have a rich memory with our consumers. Fourth, focusing on sun. This is a massive opportunity in North America. There was a slide that I think Andrea had earlier that showed this. This is a megatrend that's going to be phenomenal, and LensCrafters will have marketing communications pinpointed against this in 2013.

And lens leadership. The kind of simple way to think about it is putting lens back into LensCrafters, and it's about LensCrafters retaking its position as the purveyor and innovator of lens in North America.

Now, a year ago when we were together, we talked a little bit about omni-channel, and this is the customer's desire to shop with our brand whenever and however she desires. And what I wanted to do was show a real quick clip on what we've progressed on this year. Can we roll the video.

[Video Presentation]

So we created this clip to really help our 15,000 associates and field management understand where we're headed and what we're doing this year. What I'd like to do now is

just spend a few minutes focused on the tablet portion of omni-channel. I'm just super excited about this and what the capabilities are.

So the associate tablet aggregates all of the manual work, whether it's paper-bound or binder-bound material, and puts it in one, easy-to-use digital platform, and I think about this as a platform, because it will exist for quite some period of time, and we will continue to modularize it and bolt on new benefits.

The other thing that's really cool about this is a powerful selling tool. If you think about it, it provides the lens simulator, which you saw on the screen. So it allows a customer or a patient to really understand the perfect lens for them, the right frame for them, so they look their best and they see their best.

The other thing that's interesting in here is it also provides "makeability". "Makeability" is simply the compatibility between lens and frame combination, which today is done manually. So tomorrow, it can be done in a very easy way for the consumer to understand and it happens right away.

Today where we're at is currently live with tablets in 40 stores. Super excited about the progress that we're making there and are planning a national rollout based on the results of the pilot. In addition, what's fun about this is that you get to consistently innovate around omni-channel. I just wanted to give you maybe two or three examples.

One would be a single view of the customer. What omni allows you to do is really to have precision around your understanding of the consumer, their family, their activities, their lifestyle, their upcoming needs. It allows you to really customize, with specificity, how to communicate with that consumer. You can see this today in My Account on LC.com, but we are just scratching the surface on this and the opportunities here long term are amazing.

Another one would be My Look 2.0, which would either be the magic mirror or the next generation within AccuFit, and what's really slick about this is the consumer can select their frames, take a variety of photographs and share it on social media, to get immediate reaction back. This is the consumer confidence in the frame selection for themselves.

And the last one is - I'd say it's been an untapped asset. I think Andrea talked briefly about how we brought the doctor back to the center of the discussion. In this case, if you think about it, we've got our patients sitting in the OD waiting room. What should we be doing? We should be communicating with them, engaging them, educating them, and making sure they're part of the story from the time they get to the doctor's office, which will also be digitized.

So I hope you share our excitement around the omni-channel work at LensCrafters and appreciate everybody's support. Thank you.

Andrea Guerra – conclusions

So I think we finished. We were pretty fast, I would say, in being able to explain to all of you what we feel are the great avenues of growth, and on the other side, obviously, even if in Italy it has become a little bit unpopular to open a debate - there have been parties gaining 25% without any kind of debate - here we are ready for any questions you have, any doubt or comment you wish to make. So the floor is open to you. Thank you.

Q&A Session

Antoine Belge - HSBC

Three questions. First of all, regarding China, in the previous investor day, you had a target of opening 500 stores. I think we've seen more closure than openings recently. Are you not happy with the new format at LensCrafters, and could we see an acceleration in the number of store openings in China this year? And I think there was a test recently, I think in Shanghai. Can you maybe say some words about that? And also, what was the profitability in China in Retail in 2012?

Second question, regarding the margin evolution in 2013. 2012 was more a story of improving margins in Retail rather than Wholesale, so how do you see the balance between the two divisions in terms of contribution to margin?

And, finally, in terms of production, what is now the geographic split between China, Italy, the US and Brazil, and how has it evolved compared to last year? Thank you.

Andrea Guerra

So regarding China, it was a couple of years ago when we were talking about 500 stores. I don't think that we will reach 500 stores in the near term. I think I've been pretty direct on that. I think that we have gained experience, we have grown profitability. We're just above breakeven today with retail and very, very profitable on the wholesale side.

Sunglass Hut was not a test. It was just to preserve, how do you say, the intellectual protection of the brand, and so that was not a test. And we keep on growing slightly. We are shutting down and opening.

I would say that the last three years have been substantially good - not excellent, but I am happy. I cannot say that we are frightened about that. It will come. It's a question of density. It's a question of how many frames a day we're able to sell in those stores. That's it.

In terms of margin, I think that wholesale did a pretty good job in 2012. The dilution came specifically from the integration with the Tecnol brand in Brazil, so that was dilutive in 2012, and that will help in 2013. I think the Atelier business division creation will dilute the margin a little bit during 2013. Armani will not help in the first six months but will help incredibly in the second six months, so we will see a good improvement, especially in the second half of the year in Wholesale profitability.

In terms of Retail, I think that we got an opportunity to continue the evolution of margins, as we have seen in 2012. Manufacturing, the mix is today 50% Italy and 50% all the rest.

Luca Solca - Exane BNP Paribas

Good morning. Luca Solca from Exane BNP Paribas. Three questions on strategic elements, if I may. I was wondering whether you expect, especially in emerging markets, to have a different channel mix, specifically, whether you expect the online channel to be more important, for starters, there.

As a second point, I was wondering how you plan to evolve your distribution channel mix in Europe and whether we'll see more direct retail involvement, either through M&A, as with Salmoiraghi & Viganò or through further development of your chains.

And, thirdly, how you plan to evolve your brand portfolio. You recently acquired Alain Mikli. I wonder about the strategic framework around that and how you see the evolution of your brands versus your license engagements. Thank you.

Andrea Guerra

So, as you have noted, in our external secular growth opportunities, we did not include online this year. Why is that? Because travel retail, it's still small, but already a reality. The same thing we could say about department stores. Online is growing fast for us. We have grown in the region of 35% to 40% during 2012. We're still focusing 90% on US sales today, and I think that in 2013, we will continue to be focused, I would say, 80% in the US and creating the basis in other parts of the world in order to have the supply chain ready for Ray-Ban.com, Oakley.com and SunglassHut.com in other parts of the world.

So if a year ago we would have said 100% US, now we're saying 80% US, 20% getting ready for the rest of the world, with a priority list which has some emerging markets and some non-emerging markets there. So online is still at an infancy stage for us.

In terms of European retail, we have been very clear on how we want to move. Sunglass Hut entered Mediterranean Europe. Sunglass Hut is today in the UK, Netherlands, Iberia and Turkey, and slowly we continue to move in other parts of Europe, Mediterranean Europe, especially.

In terms of optical retail, I think we explained pretty well why we partnered with Salmoiraghi, and there is no intention to move from there in 2013.

Brand portfolio, Alain Mikli was December 2012. Armani just started, so I think we've got enough on our back and in our souls. I think the first six, eight months of 2013 will be totally devoted to our original brand portfolio, and we will work, and we are working, on things that will happen in 2014.

Marc Willaume - Raymond James

I have one question on Mikli. I thought, as I have understood some years ago, when Mikli was still owned by an investment fund, Mikli purchased the Vuarnet brand. It seemed that you are not talking of the Vuarnet brand, so does that mean that the brand wasn't a part of the deal, and so you acquired only Alain Mikli brand? Can you give us some flavor on this, like sales?

And also, I thought I have understood, Alain Mikli either owns, directly operates or mainly through the franchise of some stores and other banners. Could you give us maybe some figures related to this? Thank you.

Andrea Guerra

Sure. So, as we stated, we didn't acquire the Vuarnet business at all, so that was carved out from the acquisition. Alain Mikli is one of the iconic brands in the designers' world of optical. It's a longstanding brand. It's a European French brand with great presence on the East Coast in the US and Asia. Around 10 stores, maybe a few more, split between, again, East Coast, France, one in Italy and Hong Kong and Japan. EUR 60m sales and really unbelievable opportunities putting a French designer brand together with a Los Angeles designer's brand with very different areas of success and areas of opportunity, which are pretty complementary.

Basically, we started a month and a half ago and we will have to face some costs in the first six months of 2013 for the integration, and in the first couple of months already we

have a growth trend. So when you have a brand that, in the middle of an integration process, still grows it means it's a strong brand.

Marc Willaume

A follow up on this one. The fact that you didn't acquire Vuarnet, was it your choice? Was it the choice of Mr. Vuarnet, which was still a minority shareholder in the business not to sell this business? Because it's a very appealing brand. Well, it seems to me, it could very well complement either Ray-Ban and Persol.

Andrea Guerra

It's a brand that total sales is in the region of EUR 5m today.

Marc Willaume

Okay, thank you.

Andrea Guerra

Thank you.

Julian Easthope - Barclays

Hi. It's Julian Easthope from Barclays. I've got three questions, as well, if I may. Can I maybe start off with Ray-Ban Five Minutes, because it's obviously been integrated now and going well. Will that actually be produced into Oakley Five Minutes and some of the other areas, and what sort of benefit that that will have?

And coming back to Alain Mikli, in terms of the integration within the business, presumably they use third-party manufacturers and things. Can you explain how the process of getting it into your own manufacturing business and the likely implications that has for margins within that business?

And thirdly, coming back to the emerging markets, the new eight countries or so, are there likely to be any acquisitions there, or is this going to be an organic growth and is there likely to be retail, or is it mainly wholesale? Thanks.

Andrea Guerra

Well, regarding the opportunity to manufacture in five minutes injected plastics, we have started in Foothill Ranch, and we will begin soon in Brazil, and at the end of the year, we will have the first machines in China, as well. So it was not an episode. It's a process. It's now five or six stations in Italy, and so we will move and, as usual, this has an efficiency, and most of all, service level. So both of these things will be a total reality in Italy, Foothill Ranch and Brazil by the end of 2013.

In terms of Alain Mikli, so Alain Mikli is five or six avenues of integration. It's a question of IT, as usual. It's a question of supply chain. It's a question of commercial organizations and it's a question of manufacturing and planning.

The plan is already scheduled, and everything will be delivered by the end of this year, and even manufacturing integration will begin not before fall 2013, and securing certain kinds of hand craftsmanship that Alain Mikli has in specific parts of their manufacturing base today.

In terms of emerging markets, as we have done so far, it's a mix of everything you said. So it's a mix of organic growth, and it's a mix of acquisition of some small to medium chains, especially in Latin America and South Asia.

Domenico Ghilotti - Equita

First, I am interested in having a flavor on the current geographic and product mix for Oakley and what can be the mix in three, four years, because you mentioned the opportunities on sun versus optical and also Europe versus the US.

And the second question is related to Sunglass Hut. You have a target of doubling sales. I'm interested in understanding how much did you invest in 2012 in store openings or also acquisition and if this is the run rate needed to reach the target.

Andrea Guerra

So I think Colin was pretty clear on Oakley business mix in the longer term and geographical opportunities. He said that Europe in the long term can be as big as the US. In Europe, I think between 2007 and 2010, we really have built the foundations, the geographic coverage, and in the last couple of years, instead, we have seen the rapid growth.

I would say that the main reason why Italy was at the end positive in 2012 is because of Oakley. So it's big enough to influence the flip between negative and positive in a European country today. Colin said that today emerging markets are in the region of 12% of total business, and I could add that 80% of that is made by India plus Brazil. So when we think about the drivers are in those main five markets, I think the long ways there, and he said that it can be around 20% in the next three years.

Domenico Ghilotti

Sorry, what is the starting point in Europe today,.

Andrea Guerra

Today? Today it's around 20% of the business. Sunglass Hut, the run rate you have seen in 2012 is what we are following up in 2013 and onwards. It's a one or two acquisitions a year, and the remaining is opening stores. And opening a Sunglass Hut store is not a big investment.

Bassel Choughari - Berenberg

Good morning. Bassel Choughari, Berenberg. I have three questions, please. The first one is going to be, given your net debt evolution profile, are we likely to see at some point some dividend, like exceptional, or an increase in the payout ratio?

The second one, could you please help me understand how in your growth you see volumes and price mix, and are there any price increases planned for this year? And the last one, as far as the STARS program, could you tell us where you are now? And last time we spoke about it, you were well ahead of your plans of 5,000 stores in 2014. Do you plan to increase that?

Andrea Guerra

So let me start from this. As usual, when you have to pick your growth drivers and you have to pick four or five, then you always miss one, and people argue the fact that we are forgetting that specific one. STARS is a jewel, STARS is a foundation, STARS is moving on, and STARS is basically moving at the rate that we wish, and even in more traditional countries, like Italy, it's really becoming an important asset of the business.

Growth, volume and price mix, 2012, in Wholesale it was basically, I would say, 80-20, currency neutral, 80 volume, 20 price mix. Looking at the two previous years, we were able to have a gain, a portion, which was due to price mix, and I would expect the same thing happening 2013, because the Ray-Ban price effect was basically second semester 2012, so we still have all the semester to be used.

The other fact is, March 1st, 2013, we had a price increase on all Ray-Ban prescriptions, and end 2012, beginning of 2013, four or five iconic products of Oakley have gone through a price increase.

Net debt evolution, so if we look to 2012, 2012, we were able to grow, currency neutral, basically EUR 500m. We had outflow for acquisitions around EUR 150m, and ordinary CAPEX around EUR 350m. So we feel that that is still the opportunity we have in 2013 and probably 2014. There are bigger things that we love, but as usual, we are never defining the timing of these bigger things we love.

On the other side, dividend policy didn't change in 2012. I would not expect major changes going forward.

Allegra Perry - Cantor Fitzgerald

Hello. It's Allegra Perry from Cantor Fitzgerald. I just have a question on Coach, please. I was wondering if you could give us an update on the performance in 2012, perhaps your expectations for 2013 and perhaps remind us where you are in the roll-out. Is it fully complete, or are there further parts of the process ahead? Thank you.

Andrea Guerra

So Coach has been the fastest brand ever in a launch. It has been so fast that we had to postpone the Asian region for some months. Now, all regions for Coach are on air, and we expect another strong growth in 2013. So we over-exceeded by 20%, 25%. So if we had 40, 45, and then we moved it to \$60m, and we made it.

Good. So if there are no other questions - there is a follow-up question.

Bassel Choughari – Berenberg

Thank you. I'm always happy to ask questions. Just one thing, could you give us a hint on where now the profitability of Ray-Ban versus Oakley is standing?

Andrea Guerra

You know, it's an ever catch-up game, so Oakley's profitability is exceeding the rate of the last couple of years. We had a wonderful year in 2012, and now we're budgeting 2013 to again be strong. On the other side, Ray-Ban's profitability keeps on improving, and therefore, it's a never-ending story of catch-up.

What I can tell you is that Oakley profitability today is above average profitability of Luxottica.

Bassel Choughari - Berenberg

Just if I can follow up on this, I remember once you told us that you had 1,000-basis-point spread between the two brands. Are we still within that type of range?

Andrea Guerra

I think we talked about 500, not 1,000.

Bassel Choughari - Berenberg

Okay, thank you.

Alessandra Senici

Okay, if there are no other questions, I think it's time for lunch. Hopefully, it's already ready, because we are a little bit ahead of time. We have also time to experience Oakley Airwave, and no later than 2:00 p.m., we should leave for Luxottica Days. We have buses in front of the hotel, but we will be around to direct you.

So thank you very much for being here with us. Thank you very much to the people in webcast for listening, and we are available for any other questions you may have. Thank you.

[End]