



***Luxottica Group conference call transcript  
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**Alessandra Senici**

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 it's also available via video webcast from our website.

During the presentation today, we will comment on our results for 2013. We will discuss our rule of thumb for 2014 and what's behind it. We will have a section dedicated to our unrivaled presence in emerging markets, discussing our plans, initiatives and the target for the medium-term with a specific focus on Brazil, China, India and Southeast Asia.

We will conclude the presentation with a section dedicated to our two biggest brands, Ray-Ban and Oakley followed by a Q&A.

During the afternoon for our guests in Milan, we will visit the Luxottica days to have a look at the new collection that we just presented to our best clients. So thank you for joining us. And before I hand it over to Andrea Guerra, I would like to show you a video on a sustainable project, the OneSight in The Gambia.

(VIDEO PLAYING)

## **Andrea Guerra**

Good morning. So as usual we have started with OneSight. And many of you that were with us in the States in October have seen how much of our heart, passion and work is in OneSight, OneSight as the whole world is going through a huge transformation. We have always looked at OneSight as missions going in specific parts of the world and helping people that cannot see and have got no access to vision correction, but that's not enough. Each one of us coming back from those missions were happy -- very happy. But each one of us had something in the back of our mind, which was what will happen tomorrow. And 2013 is the beginning of a big change. Some people say, is it better to give a fish or teach people how to fish? And this is what we are doing today, so sustainability is the word. Sustainability is the mission and access is the goal of everything we're doing.

Gambia has been the first. So the first place where we have laid down a structural site, so we are not going and coming back, but we built an eye care center, partnering with locals. We have been teaching and training technicians, opticians, ophthalmologists. And I think that this is the new way. It's a long way. It's a very long way. And I think this is really the start of a new world and constantly reshaping what we're trying to do in the world. So OneSight has gone through this evolution, and I think Luxottica has gone through a similar evolution.

Constantly, everything is changing. And fantastically and happily, we have been managing to surf 2013 and come home with good results. Happy about our top-line, happy about our business units, happy about our major brands, happy about geographies, top-line, bottom-line, cash flow, working capital.

Was everything good? Some things were really exceptional. Some others need work, and this is what we are doing. You know the parts and areas of our business where we need to repair certain things and really push a new journey, and we're working on that. And there were things that, obviously, surprised us. I cannot say that at the beginning of the year we were looking at Europe and thinking that we were going to achieve double-digit growth. I would have never said it. I would have never bet. But I think that it is mostly because of our people, not because of anything else. I wouldn't list the brands. I wouldn't list the products. I wouldn't list competition. I wouldn't list weather. I really think that, obviously, all those things were happening together, but our people made a step forward -- one step more, really understanding, reorganizing, focusing, achieving what we had to achieve and letting go what we didn't care about.

The launch of Armani was perfect. Ray-Ban, great health. The unbelievable European success of Oakley, very visible on people faces today. So Europe, I think, was the biggest surprise -- positive surprise we had. The other thing on which I would have bet my money on, but yet I'm so happy to see it is the fourth year in a row where we're achieving a double-digit, not comp, but sales growth of Sunglass Hut. Sunglass Hut really is something, which is obvious today for us. It's a business model that we know. It's a format that the consumer recognizes. It's something that we know how to manage pretty well, to locate it pretty well and entering a number of countries every year -- three, four countries a year and really moving towards the target of 2016, which is to double the stores we had in 2012. And I think that we are really moving with that.

Optical retail, on one side, LensCrafters, yet positive, we are not happy. You know it. Profitability up. Profitability is up because in the last -- let's say a couple of years, we have really understood how to manage lenses, how to manage the lenses' executions in the stores, lenses' execution in our labs, third parties, how we're managing supply chain. And I think that we really discovered a new possible and potential journey, which just started. So profitability is up, but that is not even half of the coin because we're really looking to see the top line growing much faster again. Optical retail in the rest of the world, very successful. And I think that this is the second year in a row, 2013 and 2012, with great results in China. And you know that we had some initial issues in China in really understanding how we had to behave, how we had to structure organizations, teams, adapt the business models. Today we are pretty happy of how things are moving in Latin America, on the other side, very, very successful.

Ray-Ban and Oakley, I just said one word when we talked about Europe that it was very solid, very strong. And we will talk a lot about Ray-Ban and Oakley this morning.

So we are happy. 2013 is over. Now we are in 2014. 2014 is what we called a natural evolution of 2013. This is what we believe. Brand health is at the top of what we have seen in the last decade. January has been a very strong month. Let me say the last days of January and the first 10, 12 days of February have been pretty tough in North America. I would say that I'm very comfortable talking to you about weather this time and it has been pretty unique. And the last 20 days in USA we're happy again with great performance and even in considering, even in considering 15 days basically out of 60, which has been -- which have been pretty tough. We are in the mid single-digit with Sunglass Hut like-for-like, and we are slightly positive with the optical retail business. And you know, optical retail is linked to a more mature customer, therefore, more unease when that kind of weather is in place. But we are recovering and going pretty fast these days.

Wholesale started well all across the world including Europe and Mediterranean Europe, and very happy about it. So these are a few words around 2013. In the beginning of 2014, Enrico, please give us some more details on numbers.

### **Enrico Cavatorta**

Thank you, Andrea, and good morning everybody. So let's have a look at our financial highlights and give me the opportunity to add some color on the numbers released last night.

So as Andrea commented, the fourth quarter has been pretty much in line with the rest of the year. Excluding the negative ForEx impact, our net sales were up in the mid single-digit area, and this is pretty consistent with what happened during the previous nine months. Clearly, as expected with wholesale again in the double-digits area and retail being slightly lower than expected, mainly due to the optical North America division that in the year was basically flat at 1%. LensCrafters, so clearly somewhat lower than our estimate or our expectation, in the beginning of the year. The currency impact was largely in line with our hugely negative expectations. You see on a total group basis, basically, we have lost almost all the growth, seven percentage points.

We'll see in a moment the impact of exchange rates. Clearly, the first half of the year has been very different from the second half where you see there has been a huge deterioration in some of the currencies that are important for us: the Australian dollar, the Brazilian real, and the Japanese yen. So those are affecting our numbers quite heavily. If I look at 2014, I would expect a similar negative impact in the first half because as you see in the last column on the right you see that the impact of the Australian dollar and the Brazilian real and the Japanese yen will be as negative as it has been in the second half of 2013. Hopefully, these strong headwinds should diminish in the second half of 2014. We'll see.

If we look at our operating profitability, clearly we are quite happy with that. We grew again on a constant ForEx basis by 110 basis point for the full-year, and this is pretty in line or slightly better than our expectations. You know the famous rule of thumb, we are bang in line or, if any, we are even better than that. And this is, clearly, more in wholesale than in retail. Just a few comments on the fourth quarter. Overall, the performance in the fourth quarter in terms of sales and in terms of profitability at constant ForEx has been in line with the rest of the year, again 110 basis points. The result was mixed in the two divisions. The negative exchange rate affected mostly the wholesale division where basically it impacted the wholesale division's profitability by more than 150 basis points while the impact was somehow lower in retail, in the range of 50 basis points. So all in all, this is why our wholesale division was basically flat, at constant ForEx in terms of operating margin and was slightly positive in retail. Clearly, you should not look at the fourth quarter as a normal quarter. It's the last of the year. It's the quarter where most of the adjustment for the year was basically charged, so the fourth quarter is not necessarily indicative of the trend of the year, but we might comment more about that during the Q&A.

In terms of net income, we grew 10% at current ForEx and it was 16% growth on a constant ForEx basis. So again, it was more than double our sales. Pretty happy about that. You have seen the non-recurring item that we had. Mikli restructuring was actually reported at the end of June, so no news and no changes in the number. As we've said in June, this was the charge we were expecting for the full-year and this is confirmed. Then again, the tax impact in last month in December we disclosed the agreement that we reached with the Italian tax authority to settle the 2007 tax audit for EUR33 million, and the impact on our P&L was EUR26.7 million considering a part of the accrual was made in previous years. And then, since we have an open tax audit for the following years, 2008 through 2011, we prudentially decided to make an extraordinary accrual of EUR40 million to see how this tax audit will develop.

I think we will have more news during the year, so definitely during 2014, I think we will be able to close the matter and to determine the final impact on our financial statements.

Commenting on the free cash flow, I think again this has been a very positive year. You have seen that our net debt/EBITDA ratio went down to 1.0x, so again this was in line with our expectation. I have to say that I have lost my bet with Marco Bigatti because I said that we would have achieved 0.99x and actually we were at 1.02x. So, unfortunately, I owe him a pizza since I lost that bet. But in any case, we are at the lowest level in the last 20 years. I think we should go back before the LensCrafters acquisition in 1995 to find a gearing this low.

Free cash flow has been outstanding, EUR648 million, again excluding extraordinary tax payments is pretty in line with last year. For those of you that would say this is actually

lower than last year, I would like to remind you that this number is at current ForEx. And the ForEx impact on cash flow has been in the region of EUR50-60 million, so we would have been above EUR700 million again with the same exchange rate as last year, so a result that is pretty comparable with what we had last year.

Working capital has been again one of the contributors. This year we had better results on inventory than on payables, for example, and this again was largely expected. You might recall that in the previous year receivables and payables contributed more to the positive effect and inventory was somehow lagging behind.

In 2013, inventory was down eight days and so has been one of the main contributors of the positive working capital effect. Receivables were in line with last year again with three days down, and payables were in line with last year. So the contribution from this area has been somehow the lowest.

All in all as anticipated, 2013, we have been able to deliver exactly what we promised. High single-digit sales growth at constant ForEx, double the growth in operating income and net income -- 16% and 20% and gearing is where we were expecting it to be.

If I look at 2014, I think, as Andrea mentioned, we see this as a natural evolution of 2013, so this would be probably the fourth or the fifth year in a row that we are confirming the validity of this rule of thumb because our operating leverage will also continue during 2014. Again we do expect sales growth in the high single-digit area, and again with that growth at constant ForEx we should be able to achieve twice as much growth in operating profitability and net income.

And clearly given the free cash flow expectation (excluding extraordinary items), we should be able to deleverage again - a little bit – lowering our gearing to 0.75x (excluding extraordinary items).

As Andrea said, we had a good start to the year, January and February all across. I would say only North America was a little bit affected by the so-called polar vortex, but if I exclude North America where optical was again in the flattish area, but with Sunglass Hut, as Andrea said, in the mid single-digit so quite happy. All the rest of the world is performing very well. The wholesale order book again is in the double-digit area. China is delivering double-digit comps. Latin America is performing very well. And Sun overall is again -- the global division is again -- in the high single-digit area. So quite happy with our start of the year. Just to give you more details on Andrea's comments on the polar vortex in North America, even our distribution center in Atlanta in Georgia, this is not exactly close to the pole, was closed four days due to a snow storm during January and February. And this, of course, affected our shipments to the stores and the shipments to our wholesale customers. And in terms of a bad weather, LensCrafters stores for four, five days we had at least 50, 60 stores each of those days closed because of the vortex.

So somehow this is not the full explanation of why our optical is flat, but clearly is a part of the explanation. Thank you.

(VIDEO PLAYING)

### **Andrea Guerra**

So for 2014 we have given you our "rule of thumb", so nothing changes. And I think it's a number of years we have been pretty boring on that "rule of thumb". And it's not obvious to be constantly saying and continuously saying that it is achievable and is possible.

This is our geographical roadmap.

So, for wholesale in North America we are pretty optimistic. We're still working to achieve the market share that is good for us. We had some time to recover. We are recovering it. You know we have been growing pretty fast in the last five years. There is no reason why we should slowdown in 2014, so happy to think that 7% to 9% growth is what we should be able to achieve with our different brands in North American wholesale.

Wholesale in Western Europe, can that growth be achieved? So we're talking about Western Europe here, we're not talking about total Europe. So we're talking about that part of Europe where Southern Europe is contributing significantly. We achieved +3% then +7%, and we're looking at another +4% to +6%. And I really think that this could be a potential positive surprise for 2014. For the emerging markets we are giving you a similar number to a year ago, plus 16% to 20%.

It's really business as usual today. We completed what we set out to do, especially in Brazil, so the only thing we have to do is to please our consumers.

We are very happy to look at what we have been able to do in China in the last couple of years. Sun is beginning to play a role in China as well. We were discussing this -- about growing 100% over 100%, but that was not visible at all. Today it is becoming visible, and I think that everything we have built, everything we have been working on in the last few years in China will be pretty visible going forward.

Looking at retail in North America, 3% to 6% growth comps, if I'm more optimistic I look to 6%. Where I look to be more optimistic is if we are able to execute our plans for LensCrafters. If LensCrafters is better than 2013, but not yet at the levels that we would love it to be, we will be closer to 3%-4%.

The optical retail business in Australia moves on, happy, easy. And in the emerging markets optical and Sunglass Hut are going faster. So we are again looking at teens in retail in emerging markets, that is, Latin America and basically Asia.

So, as you can see there are no major differences compared to a year ago. Sometimes there are also some prudential numbers, especially when we look at retail in North America or at wholesale in Western Europe because somewhere we have some more macro issues and somewhere else we have internal issues to be resolved and geared in place.

Obviously, Enrico was telling us about some currency issues. Those started deep in summer a year ago and we did not stand still. We have, obviously, made decisions. Some decisions could have been: "let's not do anything because probably we are the only one that can go forward without a price increase, so let's go for market share, let's go for volume increases, let's try to really leverage what we have done in specific countries", and this is the case in Brazil.

In other places in the world we acted as quickly as we could. In India we were already out with new price lists in September.

In other countries we have taken the decision to do something early in the new year, and we are today in the middle of – not taken - taking a decision regarding North America's

dollar-based prices and we will take the final decision to either have or not to have some changes in the price list, but for sure during Spring we will do something. So this is in order for you to understand that we are not standing still in front of these developments.

As I said, we will talk about Ray-Ban and Oakley later, but just to give you a couple of items here. First of all, Ray-Ban high single-digit. This is probably the tenth time I'm writing down this sentence. The beginning of the year was again pretty strong. I would say that celebration, reinvention and innovation are the three words. Celebration of the icons, constantly and continuously reinventing and reshaping the icons. And on the third side is everything around new materials, technology, new areas where Ray-Ban can land, and this is around frames and this is around lenses. And Sara later will give you many more details.

We have been running ray-ban.com in the US basically only for the last three years. We're now mature enough to go worldwide and this is what we're going to do.

As you know, last year we started with ray-ban.com "Remix" only, so only customizable products in Europe. And we were quite astonished by the results and performance. I would say that if we were looking at X, the results we had were more in the region of the 2x. So these are the new developments around Ray-Ban in 25 seconds.

Double-digit growth of Oakley, it's a long journey to go. I really hope that I will be able to write down this sentence for another five to 10 years.

I have been spending a lot of time with Colin since Spring 2013 to understand a completely new idea for a product pipeline for 2014 and 2015. And it's fantastic, it's wonderful, it's amazing. We never had a product roadmap for Oakley as we have today covering the next 24 months. Happy and comfortable.

On the other side, high single-digit growth. We had some debate here between IR and myself. In the Company, people are much more optimistic, and they wanted to write double-digit, and I said, "Let's cool it," and it's high single-digit.

This is second year of Armani. Armani will be over EUR160 million this year. And we will strengthen the license portfolio in the next weeks or months. Obviously, no effect in 2014, but the new license that probably will come on board will start on January 2015.

And I have to say that the brand health of our major brands is in good shape. People that are here in Milan will be able to understand what I'm talking about.

So we have been exploring new segments during 2013 and '12. We have gone with segments of certain brands above the EUR500, well above the EUR500 with Bulgari Le Gemme, with Dolce & Gabbana Mosaico, with Ornate from Prada, with Bijoux from Chanel. So it's not just one experience here and there, but really building and helping the industry to shape a new segment between the EUR500 and EUR1,000.

Moving to sun and, you have been listening to us during the whole 2013 about the secular growth, about how young and how much potential our industry has. Premiumization is happening, has happened and will continue to happen.

On the right-hand side is our Group sun sales in North America showing a compound average growth rate of 12% and yet in 2014 aiming for double-digit growth. We have said it, it's happening. And, obviously, through our major American brands, with our American license portfolio and international luxury brands, with the "O" stores, Sunglass Hut and LensCrafters we are really taking the best out of it. And I really think that this is something that we can constantly write for the next few years.

Sunglass Hut is growing fast. Hopefully, many of you have been in Times Square. Hopefully, many of you have been in Sydney, in London with stores that are all well above US\$5 million. And five years ago we had in North America 20 or 30 stores above US\$1 million. We have today more than 200 stores above US\$1 million.

I think the Sunglass Hut team is fantastic, but this is just reflecting what I was telling you before about premiumization in North America, about the evolution of consumer habits and consumer wishes in North America about brands, about experience and about emotions.

The nice thing about Sunglass Hut is that on one side we have entered new markets. We have acquired chains in countries that were not really booming like Spain and yet obtaining growth, like-for-life growth, strong and on the other side, really impressive profitability growth. So I really think that this is more than an asset. It's one of those things that probably eight years ago, not many of you would have bet on the potential of Sunglass Hut in the world. And this is happening. We are flowing into Europe, Southern Europe. We have opened our first stores in some airports in Italy as well and moving.

Latin America, we have doubled our footprint in two years in Brazil and now moving to Chile and Peru as well, with Mexico being yet the largest of the different Sunglass Hut markets in Latin America.

We have, and we will discuss it a little bit later as well, we have also gone back to those external forces and external drivers that can help our growth, like the fact that department stores are really understanding and discovering sunglasses. And travel retail, the same thing.

We have turned our organizations around a little bit. We have created a new business unit that is dealing only with travel retail and department stores across the world and is not saying "we are either Sunglass Hut, we are either wholesale, we are Luxottica and offer you the best opportunity you have. Do you want a concession? Do you want a wholesale business? Do you want something else? Here we are, either with Sunglass Hut or with wholesale, or with anything in between the two opportunities". And I think that department stores and travel retail will grow above 20% in 2014 as well.

Turning to optical. So, I'm talking about prescription frames. We manage our company through a three-year plan like many do, and we prepare the three-year plan every year in the Spring. And that three-year plan is normally created around certain strategic pillars that anyone in the organization can recognize. Normally there are 10 pillars.

I can tell you that in 2011 we gave ourselves one target, which is pretty easy to understand, which was 2x Rx (prescription frames), which means in three years we want to double the amount of prescription frames we sell.



Obviously, that has been also fueled by the Tecno acquisition and by the different ways we managed Turkey in the last few years. But optical and prescription has been the way we have been able to grow in Western Europe in 2012, '13 and, hopefully, '14 as well.

We have grown pretty fast. We have grown exceeding the growth of sun across the world in the last two years, and this is through the way we service the prescription business. Prescription frames is a B2B business. So the way we are able to service, the way we are able to give aftersales services, the way we have been able to interpret a collection on the prescription side. This afternoon, while you will go through the different brands, pay attention to how themes, ideas are deployed in prescription better or even better than on sun.

So, Ray-Ban started 10 years ago. Oakley started seven years ago in prescription and therefore, the opportunity for both brands, Oakley is a little bit higher than Ray-Ban, but both brands are 30% prescription versus Sun. And I always say it and I always repeat it. There is no reason why in the long-term prescription shouldn't be bigger than sun. There is no reason at all apart the fact that we do a good job.

LensCrafters roadmap. In 2014 comps will grow between 1% and 3%, happy to see improvement, happy to see engagement, happy to see smiling faces today. I have been touring LensCrafters stores in my last four weeks pretty heavily in North America to see the evolution, to see the changes and I am seeing it. I am seeing conversion going up. I am seeing Saturdays and Sundays with loads of traffic in the stores.

The digital journey in the stores has turned to be pretty normal, so there's nothing special from our employees' point of view today among the different tools. And I really hope that you are able to go and visit and feel the same experience. It's a slower business. We need to recapture some confidence, as I was saying in October, on specific price points again, but very optimistic about our future.

Then we are always trying to tackle, to challenge legacy. I think the world we're living in gives us great opportunities on one side and great challenges on the other side. The great opportunities are obvious. Brands are every day more critical and more significant. Emerging markets are allowing us to dream about our future.

Digital is half a great opportunity, half a great challenge because there are so many things yet today in our cultures, in our experiences, in our behaviors that have to evolve. But on the other side, we have to find constantly the money to be invested in these new chapters. And so it's a constant gain: on one side, blocking people that want to invest even more in certain areas and on the other side, forcing people to find efficiencies in areas that do not matter as much as in the past.

So for example, some of the costs that we incurred during 4Q 2013 were the regrouping of many European markets. So is it correct to have a hierarchical, strong, stiff organization in all European markets or there are areas, regions that could have been regrouped? And we have done it in the last 18 months, done it. We don't have to do it anymore.

But on the other side, as you will see in the emerging markets, we have gone directly in many different markets during 2012 and '13, so balancing between what we save and what we have to invest. And I think that this is a very important matter and it will continue in the

long-term. Constantly, we will have to find in a couple of years between EUR20 million and EUR40 million because there are areas where we need to invest more in.

Regarding IT, we had no one in the emerging markets dealing with our IT globally. If you go to China today, you will find almost 200 people in our shared service center dealing with IT for Australia, for North America.

Looking at shared services, we started in Europe with the SAP journey. We moved to the USA in the last three years and in the last six to eight months we moved to Asia, and it's not yet completed. On the other side, as I was saying, we're investing more and more in people, brands, digital, technology, innovation.

In the video you have seen the start in November 2013 of something that really gives us another unbelievable competitive advantage, a completely new factory, assembling all the most innovative processes from jewelry, from watch manufacturing in one single site that is able to work plastics, metal, steel, titanium, alloys in many different ways and is much faster than before in manufacturing and deploying decorations. Obviously later today, you'll have the opportunity to touch and feel.

Now, this was mostly dedicated to 2014 but again, the things we talked about a year ago are yet more important to us. We're giving life to those subjects. We're giving life to those categories: demographics, penetration in the emerging markets, premiumization, new channels, gateway and mega cities, emerging markets.

Just to give you an example about megacities, we started off with two sample cities. One of them was Miami. In Miami, we are huge. And the team, not one team, the Luxottica team went back to Miami and re-explored the full Miami region. Wholesale, Oakley, Ray-Ban, retail, Sunglass Hut. And just to give you an idea about Sunglass Hut, we thought that we had the full penetration of Sunglass Hut in Miami with something around 30 stores in the region. We can build another 20 in Miami.

Just to give you an idea of how cities are changing the landscape of the world today and how we are trying to catch all the benefits of that. The other sample city obviously, for obvious reasons has been Rio de Janeiro because we have to be pretty fast in getting ready for the next three years.

Again, going back to the new channels, I gave you some ideas of how we can fuel growth. Only in the last 12 months being more focused, making people understand and having people understanding that they all need to diversify and look for new categories and new products apart from their usual ones, we have signed at least 20 new agreements.

Agreements, what do we mean? It could be with El Corte Inglés in Spain for the concession, full concessions in four or five or six stores as a test. It can mean taking over, as I was saying before, four of the main Italian airports or taking over all the KaDeWe in Germany or, or, or -- so we really feel that what we were talking a year ago, just 12 months ago, about an opportunity in the long-term that is rapidly transforming in execution.

E-commerce. On one side, sales will reach very close to US\$200 million in 2014. We are improving. We are understanding. We fuel it with the right people, technology. We had to

invest in rethinking and re-platforming certain of our sites, mobile. And I think the experience we're offering today is one of a kind.

On the other side, glasses.com. glasses.com is a great test we're doing. What about it? On one side, glasses.com is the result of the execution and the passion of a group of people that have developed technology which is unique, unique around try-on, unique around 3D imaging and unique around the processes. I visited Salt Lake City last week. I had a full day with the team and I love the team. And I think that on one side, technological development by that group of people is a given and on the other side, the opportunity to test, go and really have the opportunity once in the world to have a real optical retail experience.

This is what we're trying to do. This is why we have decided to move outside Luxottica and to go against the rules, against legacy, against what we have built so far in order really to go and test new ideas, new opportunities and new execution. We will be in the US\$25 million region during the next 12 months.

I've been talking about Miami, Rio is there, Hong Kong has been the third city, but I would say that when I told you the story about the 10 strategic pillars in Spring last year, the one that was really well received by all our people is this thing about megacities and understanding how we really needed to redeploy focus, attention, resources, people, money, CapEx in most of the cities around the world.

Now, so this was just to say that we have been telling you things that we really believed in a year ago, like penetration, emerging markets, premiumization. So in the next 25 minutes to half an hour we are going to tell you about the presence of Luxottica in the emerging markets and more than that, the opportunity in certain, specific emerging markets.

And you will see that after some time, we're back talking about China. Happy to report it, happy to say it and pretty convinced that we are on the right track. So thank you, and I'll turn over the call to Paolo.

## **Paolo Alberti**

Thank you. You know, I always like to start my conversations with you on a bit of a lighter note. This year, Investor Relations, however, did change the title of my presentation, just yesterday. And it was also about riding the wave and so I thought I could delight you with some of my surfing abilities as I did last year. And I was a bit caught astray until I noticed the detail, sometimes the devils in the detail. They left a wave in the presentation. And that allows me to talk still about surfing and most of all, it allowed me not to cut my hair.

So when we look at emerging markets and, you know, I'll try to be quite quick because I have two people here that are going to speak about what they are doing, about their experience, about their journey in their specific regions, two people that I admire very much because they are doing things that honestly I thought and I could not imagine that they could do but I will wait for a second, and just give you a little bit of background.

You see, we're talking about an eyewear market, as Andrea was saying, that is growing in general. We see that that wave is getting bigger. We see that that pie is getting bigger. We see that in the next five years we think that it's going to grow by about 30%.

The interesting thing there is to see that the whole pie is growing. And that means when we look at developed markets on the left-hand side and we go towards the right, we actually see that that pie, that share of the pie is getting bigger. But what's the difference? The difference is that emerging markets are taking a bigger share of that total pie.

So let's look at emerging markets. And when we look at this, we see that 1.8 billion people will require vision correction. I did tell you a few years ago that if the people in India, all the people in India that require vision correction had glasses that would double the worldwide prescription market.

I also can tell you a few little things and talk about growth and we'll get to this idea of China in a bit -- looking at it from a different category. If we think that in the next year, two years, there will be 125 million families in emerging markets that will join the middle class, these are people that obviously will not only be buying glasses but will enter that world, the premiumization world where eyewear will be a part of their purchases.

What if I were to tell you that last year in China, 20 million cars were sold? What if I were to tell you that one million of those, thus very close to the number of glasses that we sell and I wouldn't tell you their exact number, but one million of those were between Audi and Mercedes? So if you think about that that's the same number of glasses that we sell, you can imagine what our potential can be but I'm still not criticizing your numbers but you know that there's an amazing exploitation of growth.

And, you know, we've been the first in many of these markets, but sometimes not exactly the first, but we've been able to conquer these markets in the good sense of the word "conquer" with people that have adapted. My colleagues from the Middle East, they go there, have adapted, but also lots of people have adapted to us and we are adding a great conversation, business relationships and exchange of ideas.

And exchange also of ideas of design of products, we are now making, you'll see in a chart later, more and more products designed and produced for those emerging markets. Man, it's just growing the amount of sales that we do in those markets, very quickly, we'll see that in a minute.

So, we're investing also in different countries, we have Thailand, which right now is undergoing a bit of turmoil locally but I mean we are ready. As soon as that ends, we're looking at countries in the area and we'll open in more countries very quickly, and maybe we'll touch upon them in a second.

And then, you know, if we look at this kind of film, and I wouldn't go through everything but maybe this allows me to tell you just a little story. I mean when I joined the company about 5-1/2 years ago, one of my first trips was Japan.

I don't particularly love to fly so I always get a window seat and since I'm an engineer, I check the wing and the engine. Unfortunately, the airplane has two wings so I would have to go back and forth to check both wings. And finally after doing that and driving the people crazy in the airplane, I decided to play a different game. And I looked down and even though I do suffer a little bit from vertigo, at least I was looking at the countries and I would take off from a country, Italy, where we have a subsidiary. And then, as well as going East,

there would be subsidiary, distributor, distributor, distributor, subsidiary, distributor, distributor, distributor and would land in Tokyo and that was a subsidiary.

Today, I have a hard time finding distributors, and again, that's not an area again that I want to conquer the world story but that is all the investments that we've made in this film that brings us always more local and closer to that local consumer.

So look at our sales, and this is obviously not just talking about wholesale, we're talking about the whole business, retail and wholesale. I mean the growth -- the growth in the number of stores, so again, a way of getting closer to consumers and that local presence, and if you think about my airplane story and look at the bottom, you'll also look at the number of the direct wholesale subsidiaries, you can see why I was seeing a lot more subsidiaries, I mean from four to 15 just in two years and there are more to come.

And it's not just about geographical presence, it's also about investments. And these investments bring us to have about 23% of our workforce, that does include factories, in these emerging markets.

And about 45% of our production comes from those emerging markets. And when I talk about the design, getting closer, well, here again, 49% of our sales of frames are dedicated collections. That means that before, we were just adjusting international collections. Today, we design them, we produce them, we think about them, they think about them and we make them for them.

So if I look at this and I look at the next three years, I see that great wave, I see that we're equipped to surf it. And if I think about what we have to do, I think about my two friends here that will come and talk to you soon.

Luxotticans, actually, they exist. Luxotticans are not aliens and two of them are here. Luca Lisandrone, who is running Brazil and he has been involved with the Tecnol acquisition, involved with the complete -- how do I say it -- that beautiful film which is allowing us to grow so strongly, he is in a country that has the Olympics, the World Cup coming, so much, to come, but I'll let him talk about that.

And also my friend Paolo Ciarlariello, who runs all of the Asia Pacific business out of our Singapore hub that we opened just five years ago with four people and now there are over 200 people in Singapore alone, and so he's been instrumental for that growth. So I want to pass over to Luca to talk about Brazil.

### **Luca Lisandrone**

Thanks, Paolo, and good morning, everybody. In today's presentation, I would like to touch on three main points: an overview of the market, our results to-date and our future prospects.

Brazil has historically been one of the most important emerging markets for Luxottica. And we believe that this market still has enormous opportunities. We see these opportunities at two different levels.

The first level is Brazil as a country, Brazil's potential as seen in demographic terms, with more than 200 million inhabitants, in socioeconomic terms, with the growth of the middle class and in sociopolitical terms, with the stability and propensity to consume. Brazil is also a receptive market where consumers already know and aspire to own international brands.

The second level is the optical market. Data show that market is expected to grow in volumes by approximately 40% in the next five years. Due to the convergence of two different factors, we expect an increase in demand thanks to: the entry into the market of millions of new consumers, the affirmation of sunglasses as an accessory and the growing awareness of and concern for visual health.

On the other side, we foresee an increase in supply because of the extension of optical retailing with thousands and thousands of new points of sale expected to open, in particular in the Northern part of the country.

Even more interesting than this, in my opinion, are the qualitative data pointing to a faster growth in the premium segment. This information provides a good representation of the extent of the aspiration of the Brazilian consumers.

Common to all the social classes is a new desire to assert their status through consumption. And this makes the market hungry for premiumness and, in our vision, it will lead to an even greater growth in consumption than demographics indicate.

Given this market context, let's turn our focus on ourselves. Luxottica has a longstanding history in Brazil and our history has always been one of double-digit growth year-on-year.

But in 2011, we decided to further strengthen our focus on this market and we began by renewing our ambition, when we perceived how restricted our distribution was, how our prices were limited to a super elite and how complicated our operations were due to the complexity of the market, the unpredictable nature of customs and the weight of excise duties.

This penalized the Brazilian consumer offering a service level that was not worthy of our history. And the perception of this distance from the market was the main reason behind the acquisition of Tecnol that has been immediately identified as a tremendous catalyst for our growth. And the acquisition of Tecnol brought us several benefits. We became local producers with the time-to-market, the responsiveness and the national pride that this entails.

The Tecnol legacy was even more pronounced than this. Now, we have a local product team with many years of domestic market trend experience which has immediately provided our collections with the natural complement. Vogue "Made in Brazil" already represents more than 40% of our line sales.

Tecnol gave us also the courage to review our price positioning and to overcome the psychological threshold of R\$300. Our entry price now with Vogue is R\$280 so less than EUR90, while in 2011 we sold nothing under R\$400. And this means exposing our product to millions of potential new consumers.

Tecnol also presented us with thousands of reliable wholesale customers ready to buy our products now. And this is something that otherwise would have taken us years and years to achieve.

So today, I believe that the way we integrated Tecnol has been the main lever that allowed us to climb Luxottica's wholesale rankings from 10th place to 4th position and this allows us today to look at the opportunity presented by the Brazilian market with a conviction that we are the only player with the potential to double our turnover in the near future.

The above mentioned information is summarized in this performance dashboard where we first show sales growth of 40% in the last couple of years with an even faster acceleration in sunglasses. Sunglasses still represent a substantial opportunity for us. We also doubled our distribution reaching over 11,000 active doors, and in parallel, we decreased the time-to-market from six weeks to one week. And this last achievement has probably been the game changer most strongly felt by the market. Our market is made up of little independents, representing more than 90% of the market. And for them, the service level is key.

The contribution of local production linked to a total reengineered importation process allows us today to offer a service level that with no doubt is unparalleled in the market and definitely above the expectation of our customers and our consumers.

The platform now is rock solid and, looking forward, we have four goals which lay out a crystal clear manifesto shared on an intercompany basis to stimulate a new way of consumption.

The first one, to focus on our factory which is now 100% aligned in terms of quality with Luxottica standards thanks to investments we have made since the acquisition in the painting area, the injection area and looking into the details of each stage of the production process. Our aim for 2014 is to cover more than 55% of our total requirements with domestic production.

The second one, to continue to invest in the 360 degree promotion of our brands. This is fundamental, we must not stop, we must not become complacent with the spontaneous recognition of our brands but we have to continue to invest to affirm our distinctive values so as to provide a high level of presentation at the points of sale and continue to stimulate and feed the desire of the Brazilian consumer.

Thirdly, to improve the level of our execution, and by this, I mean give back and showcase 100% of the amazing stories that we are developing around our products. We believe that this process starts with us within our organization and so we decided to create a Ray-Ban-dedicated organization. This is an interdepartmental team, joint sales and marketing, business planning and in the next months also e-commerce, to awaken the market and take the full responsibility as a market leader. This team is lead by a general manager who is responsible for constructing a brand that in 2020 will be even stronger than today, ensuring the result in the present within the scope of a mid-long term journey.

A fourth goal, but not in order of importance, we want to double our Sunglass Hut presence, a total of 45 stores in 2013 starting from scratch in 2011. Sunglass Hut in Brazil has already a history of success.

And Sunglass Hut in Brazil maintains dual strategic importance. On one side, we want to establish ourselves as a new generational retailer and succeed. On the other side, Sunglass Hut has to continue to stimulate the wholesale market to invest in store design, to shorten the experience, to promote the sales of sunglasses and to extend our market to compete strongly with other accessories and other categories.

So far so good, but we continue to raise the bar of our expectations with a plan that consists of three main indicators. Sales growth, we expect to grow with a CAGR of 20% for the next three years while doubling our local production capacity and steady growth in profitability.

The market is out, our platform is there, our strategy is driven by two words, that are: branding and service. Every day, we are learning more, every day, we are executing better, every day, we are also engaging with the Brazilian consumer. For this reason, I am confident that Brazil will continue to deliver excellent results. Thanks for your attention, and please, over to Paolo.

### **Paolo Ciarlariello**

Thank you, Luca. Good morning, everybody. Today, in these 20 minutes, I will try to convey to you the excitement that we have in our region around what we have achieved so far and around the challenges that we have in front of us and what we would like to achieve in the future.

I will focus, of course, on China, India and Southeast Asia, the three tigers as we internally call these three markets.

Our “rule of thumb” is very simple, we want to double the business every three years. And our main challenge in those markets is not the business but finding the people to transform opportunities into business. We definitely have more projects and more opportunities than people; building a strong local team has been our priority in the last few years and also going forward.

Let's start with China, which, of course, is the most important of the three tigers. And I will give you a small overview of the eyewear market in China. As you can see, today the eyewear market in China is divided into three main segments. And the premium and luxury segment where we are playing is, to give you an idea, above RMB800. RMB800 is more or less a EUR100 retail price. And today, it represents 12% of the overall market in China, which is 100 million of frames.

If you look at the projections, and I will explain to you how we arrived at those projections, we are looking at a market which will be growing in the premium and luxury segment at a compound average growth rate above 15%, so it will be the most dynamic part of this business. And in 2020, we estimate it will reach 20% of the overall market.



If you do the math and you look at the mass segment, which will be 30% of the eyewear market in 2020, actually, the premium and luxury market in 2020 will be in value the most important segment, so it will be more important than the mass market in China.

And in Luxottica, we have a very clear strategy focusing on the premium and luxury segment, so most of our products are above RMB800. At the same time, since last year, we have been very successful in experimenting and trying to launch products below RMB800, between RMB500 and RMB800. So starting to enter the mass segment or the upper part of it.

If we now look at the key drivers of growth of the premium and luxury segment, definitely, the growth of disposable income is there and the affluent consumers will increase more and more in China.

At the same time, you probably know that Chinese people do need eyewear and prescription frames much more than any other country in the world. And we think, based on our estimates, that the penetration of prescription frames in the upper segments of the population will increase even more, reaching around 70% of the upper segments of the population.

And last but not least, considering the penetration of sun in China, today, we are at 20% versus core developed markets where we are at 60%. You will see what happened to the penetration of sun in China thanks to Luxottica. I think it's a good explanation of how Luxottica can change a market and can boost the growth of the category.

Now, let's look at our results in China so far and as Andrea said, we are really pleased about what we have been able to achieve so far. Finally, we are exploiting all the synergies of working together with all the assets of Luxottica in one market, from manufacturing to wholesale, to sun retail and to optical retail. They have been able to achieve EUR188 million total sales in 2013.

Wholesale has been a superstar, also thanks to the great work done together with LensCrafters. I would say we have benefitted a lot from the synergies.

Having LensCrafters, which is positioned as the premium leading optical retailer in China, focuses on brand building, focuses on great stories in the store, it helps also wholesale to develop the business with optical retailers pushing them to invest more into storytelling, into sales training, into activities in the stores.

You can see the sun sales are growing at a fantastic rate, and here, really Ray-Ban has been a market-maker. Thanks to Ray-Ban and thanks to the fact that we started our own direct operations in China, we have been able to not only grow Ray-Ban exponentially but also to grow the sun category and to increase the penetration of sunglasses in China as a fashion accessory.

In fact, historically and culturally, Chinese don't like to cover their eyes and don't like to go outside in the Sun, so very often in summer you will see people in the streets wearing an umbrella instead of a pair of sunglasses because they don't want to ruin their skin with the sunlight and, as you know, having white skin is considered very handsome in China.

So creating a culture of sun has really been our challenge and we have really positioned sunglasses as a fashion accessory, something you want to wear to look cool. We have been able to use Ray-Ban as our main asset to create a stronger sun culture in China and we are just at the beginning of this journey.

As you can see, the expansion of distribution has been phenomenal both in retail and wholesale from hardly 56 cities in 2008 to 300 cities nowadays, so not only the Tier one and Tier two but also Tier three cities and we have not yet finished our distribution expansion. Our strategy is both direct and through distributors.

And last but not least, the service level. One of the biggest promises we make to our partners once we go direct in a market is about providing a superior level of service. Our objective was to give China the same service that we give to a developed market, and today, we have achieved it. In many months during the year we are actually above developed markets in terms of service. We are using our fantastic asset, which is the Tristar factory in Dongguan, to provide great service in terms of delivery, on-time delivery and aftersales.

If we look now at our actions going forward, that will allow us to achieve our business goals in the next three years, we will definitely keep on developing the sun category. And, in general, what we want to do in China is to convince Chinese to dedicate a bigger share of their wallet to the eyewear category.

If we look at the consumption of smartphones, of cars, as Paolo said, or of other luxury goods or cosmetic products, China is already the number one or the number two market in the world. What we want to do is to make eyewear a more relevant category for the Chinese and convince them to dedicate a greater share of wallet to eyewear. If we do that, and that's what we are achieving, we will grow the eyewear market fantastically and, of course, we will also grow as Luxottica will benefit from that growth.

Our brand strategy in China is very clear: Ray-Ban, Oakley, Vogue. Ray-Ban, we have been using Ray-Ban as the category builder in China. Oakley, you saw the picture at the beginning of my presentation, probably you are not familiar with that gentleman, he's Lin Dan. He's one of the top athletes in China. He plays badminton. Chinese are excited about badminton. He won two gold medals in badminton at the Olympic Games and also three gold medals at the World Cup. Last week I was at the Shanghai Optical Fair in China where we presented Lin Dan to the press, to the customers, to the public. You could not even imagine the kind of excitement that was around him. I was there. Actually, nobody was applauding. Everybody was taking pictures with their smartphones, sending them via WeChat and all the other social media, it was amazing. So this will become a key tool for us to develop the sports eyewear category in China and, of course, to develop Oakley in China.

As far as Vogue is concerned, as I told you before, we are using Vogue to penetrate the mass market in the upper end, between RMB500 and RMB800. We started last year with a fantastic China collection for Vogue and the results are amazing.

Regarding luxury, it's obvious in China. People still like to spend money for luxury products so, please, don't be worried too much about what you read in the press as the luxury

market is still very dynamic in China. Just two days ago, I was reading one article where Chinese were said to represent today almost 50% of total luxury consumption in the world. And only 25% of that is purchased in China, as the rest is purchased overseas.

And we have the advantage that eyewear is not considered a very expensive luxury accessory, so our sales actually are not at all affected by what you read in the press. I was again at the Shanghai Optical Fair where we presented our collection to the trade. We had a fantastic show. And our results compared to last year were up 40%. So we are not worried too much about what's going on.

STARS, of course, is a very important tool for us to develop a better service with our wholesale customers. For a Chinese optical chain it's very obvious and normal to have between one year to 15 months of stock. Can you believe that? And they still make money with that level of stock.

By implementing STARS, that is our automatic replenishment system, in China, we will be able to provide a much better service to opticians and to key accounts by reducing their stock, improving their working capital and freeing up resources to open new stores and develop the business.

LensCrafters is doing extremely well as Enrico was saying before, double-digit growth, keep on growing, and we will add approximately 50 stores in 2014.

E-commerce is a big reality in China. We are all familiar with the size of the e-com business in China. We are very much active on Tmall, Jingdong for the people who are familiar with that. Last year on November 11<sup>th</sup>, which is the equivalent of the Black Friday in the US, we had an amazing result on Ray-Ban e-com. We could not believe what we sold in just one day. And in the first three hours, we were just looking at how many Ray-Bans we were selling minute after minute. It was just crazy.

Let's look now at what we want to achieve in the next three years. Very simple, we want again to double the business in the next three years. E-com will keep on growing more than the average and we want to be more and more aggressive in the development of our e-com platform in China offering the same services that we offer across the world, so Ray-Ban Remix is starting this year.

And, of course, our operating margin will be accretive from 2016, retail and wholesale together. If we look at retail standalone and wholesale standalone, wholesale was already accretive from day one and we keep on adding profitability. Every year, we develop the business.

Our ambition is to move from a top 15 to a top 5 market in the world in the next three years and I truly believe that China deserves to become maybe the number one market if we look at the longer term horizon.

Let's look at India now. India is a little bit in my heart because I started my career in India with Luxottica, so you will see that I have a lot of passion when I speak about this country.

We have been in India for many years and the history of Luxottica in India is a long history, so we definitely have a first mover advantage especially with Ray-Ban that is unmatched by anyone else. Today, Ray-Ban and sunglasses is the same thing in India.

Looking at the optical market and the eyewear market in India, if you remember the numbers of China, in volume, they are very similar. China is slightly bigger. The big difference is the price point, so, despite being very similar in volume, in value India is much smaller, so the mass and the segment is much bigger than in China with price points which are lower.

One thing worth noticing is that sun penetration in India is much higher than in China. Indian people are used to wearing sunglasses, they like to wear sunglasses. And as I told you, Ray-Ban has very much been instrumental to the sun category since '92 when Ray-Ban entered India.

If we look at our results, of course, we have been affected by the devaluation of the rupee, so our numbers look much sexier in rupees than in euro. At the same time, as Andrea said, we are used to that.

And, of course, the devaluation of last year was stronger but since I've been in India, every year the rupee has been losing against the euro we know how to tackle it, we know how to pass price increases. We have a great factory in India and using that asset more and more would allow us also to maintain profitability. So we are well equipped to handle this kind of situation.

We wanted to highlight two projects in India that are very important for us. One is Luxottica's "exclusive program" and the other one is Sunglass Hut.

In India, because we have been there for many years, we have been developing distribution much more than in China, where we started fairly recently. So, today we are in a situation where we need not only to look at distribution opportunities in existing cities but also to open new cities. And we discovered that in cities of 1 million, 2 million inhabitants, there is hardly one optician. So what we have done is that we have created this Luxottica "exclusive program" where we partner with Indian entrepreneurs interested in the optical business. We support them with training, visual merchandising and marketing plans.

And as you can see, we have reached around 180 stores, most of them are in cities or in markets where there are no opticians. So it's a new business, a new distribution and we can reach consumers who were not touched before or who had to travel five hours to reach a place where there was a market and where they could buy sunglasses or prescription frames.

Sunglass Hut is a success story, the premium sun retailer in India. We have 60 stores, we just completed the first wave, in the best malls across the country. In one of the slides before, there was a picture of the Emporio Mall Sunglass Hut. Emporio Mall in New Delhi is the best mall in India. We are just next to Armani and in front of Gucci. We are in the Palladium Mall in Mumbai next to Chanel. In the Express Mall in Chennai we are next to Louis Vuitton. So we have completed the first wave and you will see that in the second wave we will expand Sunglass Hut into Tier two and Tier three cities.

So our strategy going forward is a strategy of continuity. Very clear, the brand strategy with Ray-Ban, Oakley, Vogue, luxury and premium, smaller. India is the smallest luxury market in Asia but the fastest growing. So we just take advantage of it but where we will be able to deliver a big business are Ray-Ban, Oakley and Vogue.

For Oakley, India was the first country where we started with sports ambassadors. I don't know if you are familiar with Cricket. We started with Yuvraj Singh many years ago and we are now closing a deal with Virat Kohli who is one of the young stars of the India Cricket team.

And today, Oakley in Asia is in India, which is the fastest growing country. So today, Oakley is a reality in India and it's a big reality, and the same thing for Vogue.

If you don't recognize her, she is the beautiful Deepika Padukone, one of the most famous Bollywood stars in India, and she is the brand ambassador of Vogue. She's really helping us to make Vogue a very well know brand in India.

Sunglass Hut, as I told you before, now, we are moving to Tier two and Tier three cities, so if you look at our goals for the next three years, very clear, almost doubling our sales. Optical growth is very important because the optical market is still very, very strong and very relevant in India. Sunglass Hut, we want to double the footprint going into Tier three cities.

Let's move now to the last region in my presentation, last but not least, Southeast Asia. So Southeast Asia is not a country. It is a group of countries. And as Paolo said, a few years ago we didn't know where it was. There were distributors everywhere.

And we opened up. I moved to Singapore where we opened up a small office with three desks sharing everything. And today, we open up one or two subsidiaries every day. We are everywhere in the key markets and in the next three years we will complete the roadmap.

The strategy here is very simple. We want to be local. We want to have local teams understanding local consumers and communicating brand stories across the region.

The market as you can see is smaller than China or India, very dynamic, but I would say very premium. It's a market where the value segment is very big, comparable to, if not higher than China in terms of retail price.

What it means for us, it means that it's a very profitable market and it's a market where luxury and premium are already well developed. No problem with sun, as people do like to wear sunglasses.

If we look at our results, we have seen an amazing growth. We started from a very low base. We have now local teams, local subsidiaries. We've started to engage consumers with great stories across all the markets.

Sunglass Hut is also improving and developing its footprint. Southeast Asia, like China or India, is an example of perfect integration of our assets together. Today, if I look at

Southeast Asia, China or India, sun retail, optical retail, wholesale, operations, we are all together. We work together. When we enter a market, we do it together in perfect synchronization and really make the luxury model work at the best.

As you can see, there are new countries, as Paolo said. Thailand just opened in 2013 and then you will see what we want to do in the next three years.

Service was a big thing because, as I told you for China, when we go direct, we want to make sure that we provide a better service than before.

Today, in this region, we are actually providing a better service than in developed markets thanks to the great work done with operations and to the great work done in terms of rationalizing the assortment.

Today, in Southeast Asia, we work with an assortment which is one of the leanest in the world in terms of number of SKUs, we have around 9,000 SKUs, with a productivity per SKU which is one of the highest with a great assortment because it's made for them so the Asian fit collection is working very well. And because of that, we can use and exploit all the synergies and deliver a great service to our customers.

The strategy going forward, of course, is that we want to become more local. There are new subsidiaries to open. STARS is arriving. We are building now a platform for STARS in our logistics hub in Dongguan, which will be able to service all of Asia.

For Sunglass Hut we have the great ambition of 200 stores and the plan is happening right now. And, of course, for Southeast Asia, if you are not familiar, Southeast Asia is a region of megacities.

Singapore is a city-state. Bangkok is 80% of the GDP of Thailand, Kuala Lumpur for Malaysia, Jakarta for Indonesia are very important cities where we need to have a very strong presence. Then from those cities, we move to the Tier two and Tier three cities.

So our ambitions here are very clear. More than doubling the sales. We want to open in five new countries. So Malaysia, we are almost operational, we need to enter Indonesia, the Philippines, Vietnam, and Taiwan. Every year and, in some cases, we have to establish two subsidiaries in a year. We know how to do it.

And as I told you, we work very well in coordination with the operations and the other business units in the market. Besides, strengthening the retail presence is very important for us, not only sun retail but also optical retail. We are looking at outside opportunities and discussions are going on.

So I hope in these 20 minutes to have been able to convey to you a little bit of the excitement that we have around those three tigers in Luxottica. Thank you very much and I think now it's time for a coffee break.

## **Sara Beneventi**

So good morning, everybody. As you saw in the previous part of the presentation, Ray-Ban is today a very healthy brand. You saw 11 years of double-digit growth and these business results are really because the brand is very strong, is very healthy.

And let's say that a new era for the brand started in 2007. Even if we have a long history, 2007 is for us a key year because we launched the Never Hide communication platform. And Never Hide gave us really a unique positioning in the fashion world.

From 2007 until today, Never Hide has been our platform but with a constant evolution that is not just, I mean, the different lifestyle that you see but it's especially different product in focus because for Ray-Ban consumer, the brand really stands for product.

So 2007 was the first celebration of our icons. We re-launched the icons, we re-launched Wayfarer. At that time, it was not even in the catalogue and now it's close to the 20% of our sales.

After that, we introduced colors, we introduced prints that seems something very basic but in reality it was a kind of disruptive innovation in a world full of black and turtle. After the 75th celebration in 2012, last year we went back to product, talking for the first time about lenses.

And as the brand itself means, banning the sun's rays, lenses are really key for Ray-Ban. They talk about where we come from, but they talk also about innovation. They talk about technology. They talk about design.

If we think about polarized it is the maximum expression of technology we have right now in our lenses, if we talk about mirror lenses, gradient, flash lenses that we will see after, we talk about the maximum evolution in terms of design.

We are so healthy not just because we are selling great sunglasses and eyeglasses that for sure we are, let's say it's the basic for us, but because our consumers are really emotionally connected with the brand. They love the brand.

And if you look at the numbers that we reached in our social network, I think it's pretty evident. So nine million fans on Facebook is +70% versus last year. 75 million visitors on Ray-ban.com, again +70%.

If we look at millennials, so the Y generation, that is really our core target, as you can see Ray-Ban comes out as one of the most loved brands. It's number 15 and you'll see big names like Facebook, Google, Apple and it becomes number seven if you consider brands that produce physical products as we do.

30% of millennials, so this youth generation, owns a pair of Ray-Ban sun. This is huge but it's also a sign that we still have a big opportunity to get to 100%.

And talking about big opportunities as you saw before, optical is for sure one of the key opportunities for us. If 40% own a pair of sun, 10% of millennials own a pair of optical. And

as we know, the market of optical is kind of three times more than the market of sun. Ray-Ban reached almost the 30% of optical sales and so huge opportunity to get to a fair share of optical, let's say one sun for one optical.

To do that, we are putting together a 360 degree plan where collections play an important role. We are double investing in our collections. Let's say next year, for example, we are coming out with 99 styles in optical and 34 in sun.

On top of that, we have the local collection that Paolo and Luca showed you before. So close to 80 styles dedicated to the emerging consumer. These local collections are really key to reaching the local consumer especially in emerging markets and to grow even faster our consumer base.

To do that, we decided also to focus again on optical to enlarge our price band so to make sure that Ray-Ban remains an accessible brand also in emerging markets. This is very important especially talking about youth generation, but also talking to all those people that are really looking for comfortable style not necessarily something premium in technology.

Third point, but I would say not because it's less important, but because we think it's really our future, having a more strict relationship with our consumer. We know now our consumer. We have a database of our consumers. We can have a tailored approach to them.

So CRM, Ray-ban.com, customization, social networks always come into this part of the strategy. You know we are a big brand. We have a wide consumer audience. It's very important that we are relevant for all this audience.

How can we do that? Summarized really in two words. Our vision is forever Ray-Ban. So keep alive the brand. Make sure that the brand is relevant today. Even if we have a long history we need to be relevant in the present and always look into the future. To do that, respecting our values so be authentic for the consumers is really key.

As we said before, when we ask consumers what is Ray-Ban for them, the first answer is it stands for Aviator that is today our bestseller, it stands for Wayfarer, it stands for quality, for durability. So it really stands for product.

This is why evolving and being relevant today with our collection is key. We do that with two strategies. On one side, we talk about evolution. Evolution is how we are approaching and celebrating our icons. We want to respect the design. So Aviator and Wayfarer are the same forever, but we try to embody the latest trends and the most innovative materials.

On the other side, when we talk about quality and every day comfort, we don't talk about performance in Ray-Ban, but we talk about comfort in every day. We try to be a true category leader, also innovating the category. So introducing materials that come from other fields that have never been used and we see that's an example.

Having a wide consumer base and with the main goal of increasing the level of satisfaction of our consumers and having their loyalty, we are segmenting our collection and all our



marketing strategies in three main clusters that are connected all with what Ray-Ban stands for.

So we have what we call stylish, so a part of collection that is really linked to the fashion trends, always coherent with the Ray-Ban tone of voice. We have an active part, it's where we talk about more quality, about more comfort. So for all the consumers that are looking more for function than for design and form.

And for sure, we are talking about cool, so to the cool consumers is where the icons are and is where today we have still more than the 50% of our sales worldwide. Because they are so important, when we talk about the icons, we must be really more detailed. We need to go deeper and we need to make sure that they are always relevant.

For sure, I mean, the classic Aviator can be appropriate for everybody and everywhere but we want really to invite consumers to buy more than one time into Aviator so to have the right one for different occasions. So the timeless part of the Aviator is there, it will remain there forever even if we are talking not about the first style of the 1937, but now we have 80 different SKUs, so it's 80 different versions in this part of collection.

But what we did, we introduced this year a flash part of this collection where we really incorporate and embody the latest trends. The latest trends of the season I suppose you noticed was the flash mirror lenses. Now it's 20% of Aviator sales. It means more than one million consumers that we suppose are new consumers, younger and into the brand too.

We keep on talking about flash lenses even this year. We will see them together at the Luxottica days but flash lenses are coming out in polar. So we will trade out consumer, polar is our premium price when we talk about lenses and is here a perfect mix of what Ray-Ban stands for.

So it's best design with a flashy color, new colors but it's also the best technology. With the crystal polar lenses, we offer really the best clarity that Ray-Ban can offer today.

Same with Wayfarer, Wayfarer is the second bestseller. When we talk about a Wayfarer family it is around 20% of our sales and even more than the Aviator we want to position Wayfarer as a kind of collectible item.

So really inviting consumers to buy many times into Wayfarer. As they have many sneakers, many bags, many shoes, why shouldn't they have many different Wayfarers? So the question we asked ourselves was that one.

An example of this flash part of collection and collectible item this year will be Wayfarer Cosmo, you are seeing them after, is an iridescent Wayfarer. It means that it changes color according to the light it reflects. It's very nice. It's amazing I would say but it's also the results of a specific technological product.

So we used a special powder in certain production system to obtain this effect. Not just trendy but also let's say avant-garde construction this year with Wayfarer.

So we are launching again right now for the first time Wayfarer into metal. So it's a laser cut stainless steel Wayfarer. Never happened before to have this icon in metal so we expect big results even for this product.

You saw sun but all the same effort to build the coolness to be unique and distinctive is in optical. We are strengthening this year, the icons' part of the optical collection, Clubmaster, is already on the market. It's an aluminum Clubmaster so again technology with design.

And right now, we are launching the Wayfarer Legend. It's a completely hand-made Wayfarer. So really a premium version of the Wayfarer that is focused on the trendsetter. So we hope that, we are sure that this will become another talking piece for the optical collection.

When we talk about optical, the quality side of the brand becomes really even more important than sun. This is why we are introducing the most advanced materials first in optical and then we translate into sun.

The big story of this year will be the Lite Force collection. We already have some styles, but we will have a 360° launch in May. So it will be a special issue between the March and the July collections showing to the market five styles in optical.

Lite Force is the name we used for this PK001, that is not a very nice name but it's a unique material in the eyewear industry. It comes from aerospace and it's known for the perfect mix of maximum resistance and maximum lightness.

We have also on top a special patented hinge so Lite Force is really right now the maximum expression of what Ray-Ban stands for in terms of innovation and technology.

All the contents you saw in these new materials will be the heroes of the next Never Hide campaign. You already saw some images in the previous presentation. The protagonist of the campaign will be, as I said, materials.

So six stories are coming out right now. Five will follow in the second part of the year and the umbrella will remain Never Hide. For the first time, we put a product shot in the campaign so we have a link between the product and the lifestyle situation. I'll show you a video that can give you a better flavor of what the campaign is about.

(VIDEO PLAYING)

The launch of the campaign will be end of March and within this new global campaign we are launching also for the first time the first Ray-Ban global community. It's a global platform. It's a long-term platform that has really the goal to have consumers participating into the brands. It will be on Ray-ban.com so we will invite consumers to play crazy challenges and get credits to become honored member of this community.

It's for sure, let's say a nice marketing story but for us, it's really a very important step into the CRM world so we will know even better our consumers. We can tailor our offer and the community will be also, let's say, a privileged consumer receiving exclusive product,

exclusive brand experience and the final event in October in London we'll celebrate the first member of the community.

Talking about Ray-ban.com, I think it's clear that is where the brand goes live so it's really the stage of the brand, but today is not just a brand builder, it's also a very important booster of the business. It means e-commerce in this case and e-commerce for us is really positioning Ray-ban.com as the first source of Ray-Ban.

Let's say the goal of Ray-ban.com is really to have the widest possible Ray-Ban products assortment to have an easy access to product for consumers and is today the unique place where you can have, for now, just in Europe, a Ray-Ban customized product.

Looking at 2014, e-commerce will go globally. We will have a global platform so same consumer journey everywhere to buy Ray-Ban products online. We are launching Europe in June and we are extending the Ray-Ban customized, we call it Ray-Ban Remix, to all the world. US is launching Remix next week and then Brazil and China will follow.

Ray-Ban Remix, as Andrea said, has really been a great success for us. We are forecasting a kind of 2.0 version this year. So in summer we will have what we call a kind of second skin in Remix, so consumers will have the opportunity to really personalize the product, so not just mix and matching lenses and frames, but having prints and really designing the glasses using kind of stickers, emoticons, so really a step ahead to make sure that each consumer can have a different and personal Ray-Ban product.

In this, let's say, omnichannel world for a global brand as Ray-Ban is very important that the experience that the consumer has is the same from Ray-ban.com to the trade.

This is why we are approaching now in a segmented way our distribution with quantitative and qualitative criteria. We are creating in the key countries different distribution clusters that have different role in terms of how they can contribute to the brand building and in how they can contribute to the diffusion and to the penetrations or the volumes of the brand.

On the top of the pyramid, for sure, is the Ray-ban.com if we think about brands. A key focus for us, starting this year, will be in what we internally call ambassador doors. They will be our premium certified resellers with a special role in the celebration of the brand and for sure the big boosters also in terms of volumes.

When we talk about ambassador, we will talk more or less about the 5% of our distribution worldwide, so it's something we are starting this year that it will be a key part of our three year plan. They will have a full assortment, so we will make sure that they represent what Ray-Ban stands for, across all the segments and across all the products you saw before. We will supply them directly through STARS so that will ensure that the assortment will be always fresh and relevant of what Ray-Ban stands for. Not just product, but permanent branded presence in-store.

You can see here the Cube Concept that is how Ray-Ban talks in stores. We are asking these partners, as they will be more than simple clients for us, to dedicate to Ray-Ban a space of around 20 square meters that is necessary to show the assortment we were

talking about before and to have more than the product, a complete story-telling, not just in-store, but a window, so we will work with them with a specific calendar to make sure we can help them attract consumers to increase their traffic and then the convergence while they are in the store.

On top of the pyramid in reality we are forecasting for this year an additional step ahead, so we are planning to launch within the end of the year the first Ray-Ban flagship store in New York. It should be viewed probably in Q4. We are negotiating right now for the location and really, this will be the sum of what Ray-Ban stands for, the place where we will introduce first product collections and any kind of innovation.

In the picture you saw London's Covent Garden, it's not a flagship store for us yet, it's a kind of concept store. We're very happy with the results we are having so we are pretty confident that New York will be another important step for the brand. New York will be the first one and we think that then all the emerging markets you saw before will be another important step for this project.

This was to give you an overview of what Ray-Ban stands for and really of how it can be part of the opportunities that in the previous presentations were very detailed also in terms of numbers. Thank you.

### **Alessandra Senici**

Thank you very much, Sara. And so now to conclude the presentation, let's celebrate the 30th anniversary of Oakley with Colin. And before Colin starts, we want to launch a video.

(VIDEO PLAYING)

### **Colin Baden**

So I actually just came from Los Angeles. We had a, what I could call, probably one of the biggest global events we've ever put on since I've been with the company and it was an event focused on three things.

The first one was really a celebration of our culture and a desire to be recognized as a leader of design, innovation and experiences in the world. The second and obviously one of the most important was to talk about some of the new technologies and products that you're going to see coming from us and I'll talk a little bit about that today later. But the third and probably the most important was as Alessandra mentioned, this is our 30th year of inventing sports eyewear. We own the category, we created it and it's important that we recognize that and celebrate it.

So this year, we're doing the interesting thing called heritage where we brought back a couple of iconic styles and I don't know if some of you remember the Eyeshade or the Blade, but we put a key collection together, and of course, it's tied to different accounts. But we also tied those stories together with current products like Radarlock with colors in lenses and we're bringing those products to market.

And at the same time, we've actually brought back some of the iconic athletes that made us such a great brand today. So the guy on the left, that's Greg Lemond and he won the

Tour De France and when he did that, he pretty much put the brand on the map with the Eyeshade. And then the guy on the right, that's Tony Gwynn. So these are important iconic people that you'll see in our creative and their assets we'll use this year.

We have two great sport launches this year. We have a brand new M2 which is part of our M frame collection, it's a specific entry price point but it actually elevates M frame, the new features and benefits that didn't exist before and also brings a new lens shape which I think is pretty cool.

And then a great incremental introduction is Quarter Jacket. This frame actually fits youth and we're positioning it particularly in a big way like key accounts in North America like Dick's where we have a strong baseball following and I can see a huge business coming from this if we can prove its potential.

We've had a partnership with Ducati for many years and that contract was up and we have been sponsoring a couple of great athletes in Formula One, Fernando Alonso and Kimi Raikkonen. Those guys are such brand fanatics that when Ferrari brought them into the paddock, they became to get a little concerned that the Oakley brand was bigger than the Ferrari brand every time they showed up at Formula One wearing an Oakley t-shirt.

So they asked if our Ducati relationship was ending, can we form a partnership with Ferrari and elevate not only the athletes of Formula One but the brand Ferrari itself, so we thought that would be a very exciting new platform. And it also aligned really well with some great carbon fiber work that we've been doing.

We're launching a new product this year called Carbon Blade. It's amazing. You can't even tell you're wearing it. It's a beautiful iconic piece. It fits a price point that we haven't had in our owned retail for some time so I'm very excited about this release.

So we built this motorcycle in the shop, because that's we do for a living. And this bike, we built it with no hub, the rear tire had no hub to it. So it's basically a big whole. And we were looking and I said, "Man, that would make a really sick hinge in the glass." A hubless hinge.

And so we made this tin series. It's a series of frames that all connect to this hub idea, this hubless hinge idea and it's done in different metals, it's done in titanium and it's done in carbon fiber and I'm really excited about this launch.

So RX, maybe we could play that video really quick.

(VIDEO PLAYING)

So one of the positions that we take as a sports performance company in RX is that we believe that we can create a new category in the industry that is much about style as it is about performance. And one of the iconic pieces of that position is called Crosslink. This is a glass we launched a few years ago.

But if you look at some of the numbers here of what this represents in our business, in Japan alone, this one frame is 70% of our optical business. And what it has is certain

features and benefits that make it unique to someone who can ride a bike and then go into the office with the exact same frame.

So this year, we're launching a new Crosslink pitch which has similar features like unobtainium ear socks and nosepieces. This is a very cool frame because like the original, you can actually interchange the temples from the original to this frame and vice versa. It's also going to be global. It will have an Asian fit version which I think is very strong.

And then similar to Sara's story we're going to invest quite heavily in different materials, material stories, fit, lightweight, technical features. Obviously, these collections all tie together from a performance and design standpoint.

And then if you were with us in Mason, we talked about the launch of a new optical technology called Oakley True Digital Edge. So before this technology came along, we could hit about 63% of our potential consumer base, because of the range of correction. And when you build a high rep frame, if you go into very large power, you end up with really thick lenses and they don't look good at all, they don't look anywhere near what we'd want our product to look like. So with Edge, we're able to actually attack 90% of that consumer base with a 40% thinner lens and it's a really compelling story.

Women's is a big part of our growing business. We focus on Clarity with our HDO Optics. We make lightweight frames with nonslip features so there's a lot of comfort. We always talk about protection when it comes to impact and ultraviolet light and polarized is probably the most significant lens position that we take into category.

Just to highlight a couple of things. You can see in some of these models, one is, you see the nose pads and the temples are in unobtainium material, so even though it looks like you're wearing a very fashionable piece, you can actually run in this product. And then I can highlight in the wire, we've developed a nose pad that actually has a guard around it so you won't snag your hair when you take the frames on and off.

So a couple of pillars. I want to talk about some of the things that we're investing in now and in the future. Obviously design, you know, we're a design-driven company so materials, surface articulation are a big piece of our story. Custom has been and is continuing to be a big part of our business and we'd like it to move beyond just a color story or a lens tint story.

We'd like to make it the custom for you. So as a consumer, you walk in to the store, we actually scan your face and build the frame for your unique facial features and I think there's a huge, not just product opportunity but an experience opportunity there which creates an enhanced fit experience unique to Oakley.

As we've done since 2004, we've been experimenting with wearables embedded electronics in eyewear. Eyewear is a unique proposition because it puts something close to your eyes, close to your ears and close to your mouth and that's a great interactivity that can incur. We did it with Thump and the latest model we have right now is a great ski goggle called Airwave 1.5.

It not only provides all of these interactions, but there's a visual interface which does a lot of unique things and I think that's category for focus on performance and a specific use, a specific consumer experience. We can tell a great story there.

And then optics where we focus on Clarity. We talked about optical precision quite a bit, but we're also interested in protection, polarization and color and contrast enhancements and I'll go into that with some examples today.

So Olympics. We did something really, really different this year. We had a lot of concerns about security as it was talked about in the news. We weren't sure how easily you're going to be able to get around the city and we thought, "Wow, why don't we just make one color for all of the eyewear and all of the goggle frames and that's what every athlete in the world would wear."

And it was quite disruptive because any event you saw an athlete using optics, you saw an acid color green frame and the result of that, I think, was so much more impactful than our traditional model and whether or not we were repeated, I just thought it was a really unique and interesting way we went about it.

At the same time, we launched a new lens contrast technology called Prizm, which we've been selling at the two biggest tradeshows this year and it's rapidly become at least 35% of the buy. And it's from going zero to 35%, I think, is pretty significant and once you see the demonstration of why you want to wear Prizm, you're pretty much not going to want to use anything else.

So we have two teams in Sochi. They were supporting 500 athletes from 26 countries. We did 78 events in 11 sports. In Vancouver, we won 65 medals. And I was thinking, wow, we'll be really lucky to get to 65 at Sochi given the logistical issues. But we got to 84, 32 gold, 26 silver, 26 bronze. So a huge success and all of that was leveraged globally by all of our channels.

And you can see Oakley.com, huge lift in business as well as the lift in business in our goggle program.

So Prizm. Prizm has been in a long experiment at lens technology that we started several years ago. We have aspirations that Prizm is not just a snow construct. It's contrast enhancement that can be tuned to any specific sport. So shooting, cycling, fishing, track, anything that involves precision, eye enhancements.

This picture, right and left, with Prizm and without Prizm. You can see the visual acuity that is created when you use this lens. This is not bullshit.

So today, when you're out our tradeshow booth, you're actually going to be able to put on one of these goggles and look at a live experience and see that transition is pretty incredible. Anyway, thank you.

## Q&A Session

ALESSANDRA SENICI: We are now available for your questions.

LUCA SOLCA: Thank you very much. Good morning. Luca Solca from Exane BNP Paribas. I have a couple of questions. You described a very compelling opportunity of shifting your mix towards emerging markets. As they're all moving -- as there are several moving parts in that shift including lower average points, investment, locally produced product and so on, how do you expect that this is going to affect your margins in the medium term and importantly also your internal investment capital? On a different subject, your financial leverage is significant. You have a very significant amount of ammunition for potential M&A and investments, do you focus more on bolt-on acquisitions or would you still be open to material acquisitions if the opportunity came up and how would we have to think about this? Would this be more in the area of brands or in the area of retail if a major acquisition is concerned? Thank you very much.

ANDREA GUERRA: So we will answer one by one all questions, not taking groups of them. So first of all in terms of emerging markets, I think that what we have been proving that we can do is always to keep in mind that sustainability of growth and margin is our focus. So one side is growth and on the other side is profitability. As I've repeated frequently, we could have already been at 10% net profit margin if we would have stopped investing in emerging markets. On the other side, I think that we had growth rate in the top line. We always improve our profitability and that can continue as we constantly move. And as you have seen, it's not a shift. We see great potential in sun in many different parts of the world which are more mature. We have grown double digit in optical in Europe as well. So it's not a shift. But as people have been teaching me, you see that exponential growth rates sometimes are invisible for some time and at the certain specific moment, everything is very visible. So we are observing today that emerging markets are really becoming visible and on the other side, some initial investments that also related to some initial mistakes are totally over since now a couple of years, maybe three and that we can really deliver strong growth in emerging markets.

Regarding M&A, it's always the same answer. I think that glasses.com is there. In terms of licenses: a new license will join. And on the other side, I think that our -- the people who we love, either they are retail chains or brands, they know it. Sometimes maturity takes a little bit of time but we are confident that our combination of organic growth and acquisition will continue.

BASSEL CHOUGHARI: Hi. Bassel Choughari, Berenberg. I have three question, please. The first one, maybe you can share a couple of words on the profitability of Oakley and Ray-Ban, please. The second is you've been talking about STARS in emerging markets, maybe you can give us an update on where STARS is in mature countries and where would you like to see that going.

And the last one, maybe on the license you're talking about, maybe if we can get an indication of do you think it's license was a sales potential of more or less than a EUR100 million? Thank you.



ANDREA GUERRA: So in terms of Oakley profitability compared to Ray-Ban, it's a never-ending catch-up story. So both are improving constantly. I would say that Oakley profitability had a much faster improvement during 2013. I think we have taken certain decisions to focus on certain things compared to others or certain other decisions in terms of efficiencies and the operations that really are allowing us to see a faster growth of profitability but the distance between the two is basically always the same.

STARS is one of the tools to enter the market. So we've been talking about STARS as something four years ago, five years ago. In Italy, only in Italy, we added 400 customers in a year and a half. So it's normal. It's one of the tools. With the upper part of our distribution on one side, we have basically eliminated people going around the world with suitcases and frames inside. We prefer these larger customers to come and visit us and allow ourselves to go in their stores to display better, to merchandise better, to have PR, to have training and to allow that constant and fantastic replenishment to happen through STARS. This is happening solidly across the world. We started in Asia a few months ago, I would say maximum six. And this year, we are starting in two countries in Asia and let me say in the next three years, the rollout will be even faster because normally, customers in Southeast Asia especially are normally a little bit bigger than the smaller customers that we have in Europe or Latin America.

The license we're looking at in the three years' time is at least \$100 million, dollars, which is not the same in euros.

JULIAN EASTHOPE: Thank you. Julian Easthope from Barclays. I've got two questions if I may, please. First of all, on glasses.com, you haven't really sort of said what your plans are for it and will it just be kept as glasses.com or will you introduce the technology into the other parts of the group and how is that going to be done?

And the second question is just in terms of US wholesale, I think you say that you're still below where you would want to be in terms of your natural market share and that was a bit quite difficult to confide but I just wonder how many -- how much further you do have to go in order to get to where you think your fair share should be? Thank you.

ANDREA GUERRA: So glasses.com, it would be too early for me to talk about deep plans. We will talk about it later. In terms of the technology, technology will be readapted in the dot com of Sunglass Hut, Ray-Ban and probably Oakley pretty soon.

In terms of US wholesale, so let's exclude one second Oakley from the picture. Obviously, the US market is the biggest market for Oakley by far and we always look at a growth rate between five and 10, depending on the different years. Then we got all the rest. So when I talk about North America, US plus Canada, the potential is that we can double, full stop. That can happen in three years? No. It cannot happen in three years. But the potential is there.

ANDREA BONFA': Hello and good morning to everybody. Andrea Bonfa from Banca Aletti. And I just want some comments for you on your like-for-like performance throughout 2013 which has been declining both in North America retail and Australia.

If you can explain how you are confident, will it turn to a growth pattern looking at the latest figures, which are either negative or flat. And as far as the tax settlement is concerned,

does that increase structure in your tax rate or shall we confirm the, say, 36% current one. Thank you very much.

ANDREA GUERRA: In terms of like-for-like, I would say that we have to divide sun and optical. Sun basically is not deteriorating at all. I would say that probably, we have moved from an eight to a seven after three or four years of that kind of growth worldwide so I'm not expecting and I've not seen any deterioration. In terms of optical, I think we have significantly discussed LensCrafters. You know, we're doing teens in China, teens in Latin America. We had some slowdown which was due more to sun than to optical in Australia but I wouldn't call out any kind of issue over there. So it all depends on our ability to drive LensCrafters higher. This is all. In terms of tax, please Enrico.

ENRICO CAVATORTA: No. I mean, we don't see any reason why our normal tax rate should be different from the past. I mean, this year (2013), if I exclude the extraordinary charge, it has been 35.6%. Last year (2012) was 35%. So basically, this is between 35% and 36%, it is a kind of range that you can expect also for the future because as we mentioned in our press release issued in December, this transfer pricing tax audit does not affect the structure of the total tax that we pay. Simply, we have paid the taxes in a different country, than our tax authority pretends. So in the future, we would rebalance the tax charges among the countries but our consolidated amount will basically not change.

DOMENICO GHILOTTI: I have a couple of questions on wholesale profitability. In particular, just going back to Q4, just understand why even at a comparable ForEx, you basically had no operating leverage. And looking at 2014 you were mentioning some price increases, I'd like to understand how much of the currency headwind can be offset by price increases.

ANDREA GUERRA: So in terms of wholesale and in terms of everything we do, I mean, if we go every time, quarter by quarter, quarter by quarter, sometimes you can have profitability that increases above averages and times where we can be on the other side. As I said, we have been accelerating a number of projects at the end of 2013 in terms of regrouping countries in Europe mainly and we have gone through a complete change of how we deal with North American customers for Ray-Ban and we have gone through some expenses on that part as well. So I would say that the underlying profitability was the same or even better but we took some charges and I think that since we are in a world of constant change, it's also useless to go back sometimes and say this is one time, this is an event, et cetera, et cetera. I think the year has been wonderful for wholesale and I don't have anything to imagine negatively about 2014.

How much of the currency headwind can be offset by price increases? Let's imagine that things remain as today, I think we can recover somewhere about one-third to one half.

JULIAN EASTHOPE: Thanks. This is Julian Easthope once again. Just in terms of the Sunglass Hut expansion, I think you probably got around 3,000 stores now, to get to 4,000 in another three years is kind almost a store a day. Just wondered whether you've actually got the capability of expanding to that extent because it's quite a large number. And the second question, I suppose, is coming back to Tecnol. The factories now are clearly running efficiently and I know at some point, you are thinking about the ability to be able to

use the expansion to go into other parts of Latin America from that base and I just wonder if you got any further thoughts on that. Thank you.

ANDREA GUERRA: So Sunglass Hut expansion. So I hope that in 2016, if we have reached 3,786 you don't nail us on the fact that we didn't reach 4,000, but just to give you the magnitude of the opportunity. So we're opening today a store every three days and something and in 2014, we are opening a store every two days and 0.9 somewhere around there. So we are also accelerating from that point of view. So I'm fine with that and obviously, if we are able to sign agreements with certain specific travel retail operators or department stores, that can accelerate some of our activities pretty fast.

In terms of the platform of our Brazilian factory, it's beginning. You will never see the effect because of how minimal that will be compared to Brazil but we have already started. So the Brazilian factory, by the end of the year, is now supplying some frames to our Chilean and Peruvian retail stores.

FRANCESCA DI PASQUANTONIO: Hi. Good morning. Francesca Di Pasquantonio, Deutsche Bank. I have three questions. The first one is the EUR million operation efficiencies that you're mentioning in the presentation. Is this incremental to other efficiencies that you've been describing over the last year?

ANDREA GUERRA: This is finished. It's not over. It's not a promise for the future.

FRANCESCA DI PASQUANTONIO: But we have seen it in 2013 or we will see them in 2014?

ANDREA GUERRA: Great part in 2013. Some in 2014.

FRANCESCA DI PASQUANTONIO: Okay. Second question is you mentioned that in an interview this year that your goal was to make Luxottica EUR10 billion?

ANDREA GUERRA: Ambition.

FRANCESCA DI PASQUANTONIO: Your ambition? Okay. A EUR10 billion company in three years, by 2015. So I read in your presentation today where this potential can come from. But is EUR10 billion, you know, not just your ambition but a feasible goal?

ANDREA GUERRA: Okay. If we go back to a dollar which is not 1.37 but it's 1.3, we are very close to imagine that in the next three years, we can be very close to that number. So the ambition is there and the opportunities are there. And if we are also able to go through one or a couple of acquisitions in the next two to three years that we like, if the dollar is not playing games, we'll find a way. So it is an ambition, it's not a goal but it's not crazy.

FRANCESCA DI PASQUANTONIO: And the third question is about LensCrafters. I think I need personally some reassurance on two things. First is that you are convinced there is nothing wrong with the format and with what the brand means to the US consumer or that have been changing in the way the consumers are perceiving LensCrafters. And the second is around the changes which are happening in the optical industry in North America so whether the premium positioning is somehow proving to be more challenging to grow in optical.

ANDREA GUERRA: Sometimes, I feel that communication is difficult. So if I come here and say, everything is fantastic, people would look at me and say, are you crazy? Then we look at LensCrafters. I would love to be at least a couple of hundred points higher in terms of growth rate like-for-like. It's a 30 year old company, nearly \$2 billion sales per year and I'm not happy of seeing it growing like-for-like 1% and improving profitability of almost 75 BPS?

ENRICO CAVATORTA: 60 - 70bps

ANDREA GUERRA: Okay. So then I know that we have an opportunity to do a better job. I know it. It's totally in our hands and we're working on that. If we had issues, other issues, I mean, you wouldn't have a business in which we feel we're not giving to the brand what we should give and still growing 1% like-for-like. We can do a better job fullstop and I think this is what the brand deserves from us. This is all my point. And please, come and visit with LensCrafters, you will see many different consumers coming in happily and they're moving out happily.

And I think we gave you all our indicators in October for you to understand where we are exactly. It will take some time but we will succeed and I will be happy. And then we will have something else that will not work extremely well and you will nail me on that.

So if you are all happy, I'm so happy that you will visit our Luxottica Days event this afternoon. We're going to offer you some wonderful Italian food and have a wonderful day. Thank you very much for coming. Bye-bye.