



Luxottica Group “1H 2016 results”
Date: July 25, 2016

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Q&A

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Welcome

Alessandra Senici

Good evening and thank you for joining us today. Here with me are Massimo Vian, CEO, Product and Operations, Stefano Grassi, CFO, Paolo Alberti, President Wholesale, and Nicola Brandolese, President Retail. Before we begin, first I have a couple of quick items to cover. As a reminder a slide presentation which we will informally follow during this call is available for download from our website, under the investors presentation section. This presentation includes certain non-IFRS financial data and information which are further explained and reconciled in results for the first half of 2016 press release available under the investors press release section of our website.

This conference call is being recorded and is also available via audio webcast from our website. During the course of today’s call, certain projections or other forward-looking statements may be made regarding Luxottica Group’s future financial performance or future events. We wish to caution you that such projections or statements are based upon current information and expectations and actual results may differ materially from those projected in the forward-looking statement. You can read more about such forward-looking statement on Page 2 of the slide presentation.

We also refer you to our filings with the SEC and Italian Security Authorities. These filings contain additional information concerning factors that could cause actual results to differ materially from those contained in management projections or our forward-looking statement. We will begin the review of first half results with Massimo Vian.

Welcome and CEO's remarks

Massimo Vian

Good evening everyone.

1H 2016: healthy results notwithstanding a soft start of the sun season

Last time we talked together we commented April to be okay, in line with our expectations, and we said that Q2 would be all about May and June performances, our two busiest months of the year.

Three elements now to help you to read our first half results.

First, we had actually a softer than expected May, sun season started very late and especially compared to 2015 also the first 20 days of June weather didn't help. We compensated sun sales with a solid optical business performance. LensCrafters continues to represent a more resilient portion of our business. We had solid performance across Europe and very, very positive in Latin America.

Second element is that we knew, we had a very positive semester last year, H1 in 2015 was +7% on previous year. The overall macroeconomic environment definitely has not improved in the last two to three months. Traffic in US physical retail is down, US and Chinese consumer has slightly weakened. Despite this, our sales were up 1.6% growing across all channels, retail, wholesale and especially e-commerce.

Third element is that in Q2, we worked even harder to accelerate our strategic initiatives, both to boost growth in the remaining part of the year, and in parallel to evolve to an even leaner business model.

We remain confident, we are on the right track, and the immense organizational effort we are undertaking is starting just now to pay back. Our fire power is laid out, our projects are on track and results we are going to comment today are a true reflection of a positive quarter.

As I said, sales grew by 1.6% at constant exchange rate, we reached €4.7 billion. Group adjusted operating margin was unchanged (at constant forex) from record 18.5% in H115.

The acceleration on retail footprint for the long-term is temporarily having an effect on retail margin: -150 bps. But this was largely planned. Basically all new store openings are concentrated in H2 this year, so that we were able to compensate with higher efficiency on wholesale margin: +150 bps (at constant forex). And we have all-time high adjusted net income at €532 million, net margin at current exchange rate up by 50 bps. We also consolidated furthermore our financial

position. We are particularly proud of this result. We had record free cash flow generation in H1, exceeding €400 million, and our debt ratio went at 0.6x.

Building on Group strengths, adapting to the future

Our strategic vision remains unchanged, therefore we continue to leverage on our vertical model, both the macroeconomic evolutions and our ambition themselves are pushing us to evolve even faster.

Speed and simplicity stay in our DNA, both for growth and for efficiencies. We concluded the price harmonization project and starting from July, this July, we will have the benefit of a more balanced global pricing strategy without any more negative effect on comps.

We are in the acceleration phase of Macy's LensCrafters openings, we opened one only store in the first semester and all remaining ones will be opened with a smaller footprint without store labs in the next coming months.

The MAP (Minimum Advertised Price) policy started in April in the US, we are seeing now the first rebalancing effect on channels and distribution, but this has been done to be stronger medium term and for sure in the second semester we will start receiving positive effect.

We are growing channels, we are growing geographies, but we are able to continually challenge ourselves decreasing the complexity of the system and the supply chain. We have more effective go-to-market approach, we go from design, development, launch, distribution, windows campaign, even faster than before, and we are ready for the next story to tell in a matter of weeks or months.

We will finish the current year with 2% reduction on active SKUs in our pipeline, an astonishing -15% non-active SKUs in our distribution centers. This is yet to come, of course, partially or part of this result is integrated in the H1 cash improvement, but we are not over yet for the remaining part of the year.

We therefore keep investing in our logistics and the distribution infrastructure. You know that by year end we will have brand new distribution centers in China, in Italy and in the US. We are in the process now to centralize inventory, shutting down local distribution centers. This will not only give us further cash advantage, but will enable us to fuel e-commerce, B2C accelerated growth with customized distribution offers, and we will be able to continually commit to an un-matched service level in the industry.

Final stage of Oakley integration

During June, we also decided to accelerate the completion of the Oakley integration project. This is really the last part of the process. Wholesale sport and "O" stores will report directly into Luxottica respective divisions.

We confirm though that Foothill Ranch (California) will stay the absolute center for Oakley product: design, R&D, engineering activities and manufacturing as well. Recent investments on our industrial infrastructure there have more than doubled compared to last year and they make

Foothill Ranch site the most advanced and automated factory in the Group for injected high performance products, both frames and Oakley lenses.

The Oakley front end sales activities will be closer to Luxottica as I said, all integrated in our North American headquarters in Mason (Ohio) for the Retail division and in New York for the Wholesale sport division. Brand activities will be more and more coordinated by Milan main office and also the Apparel, Footwear and Accessories' product offer will be simplified, will be more focused. We will have less verticals and you will be able to see immediate effect on Spring 2017 new collections.

So, an immense effort I said, an organizational effort, a super rich portfolio of projects and an overall acceleration of our business model. With that, I hand it over to Stefano for the financial details.

1H 2016 results

Stefano Grassi

1H 2016 net sales performance vs. 2015 comparable figures

Thank you, Massimo and good evening, everybody. Let's start now with our top-line results, and afterwards Paolo and Nicola will share with you a bit more color with respect to the specific performance of their business units.

Looking at the page beginning from the top left hand side, the overall growth for the first six months of the year was +1.6% on a constant forex, -0.7% at current forex. For the second quarter, you are looking at +1.4% at constant and -1.9% at current forex, a fairly consistent growth with the first quarter.

Our current forex results were mainly impacted by the devaluation of the Brazilian real, and the Australian dollar, that devaluated respectively 20% and 6% over the course of the semester. Clearly, our first half results did have some areas of challenges, but you also have to bear in mind that we are growing against a very high base in H1 2015, where you might remember and see on the bottom of the page that we posted a first half growth of approximately +22% at current forex and approximately +7% on a constant forex basis.

Now, if you move to the middle of the page and you look at our Wholesale division, we delivered +1.1% growth on a constant forex for the first six months of the year, with a -1.9% on a current forex basis. Looking at Wholesale, we can't forget that the division, same as the Group, is up against +15% growth in H1 2015. Therefore, a very tough base for comparability.

With that in mind, we are very happy with the growth we achieved despite the spring season that didn't really happen in several countries. We're pleased with our prescription business that confirms to be a strong growth driver and, last but not least, we are delighted with the growth we were able to achieve with our independent optician customers across the different geographies.

Now, moving to the right hand side of the page, retail for the first six months of 2016 grew on a constant forex basis +1.9%, +0.2% was the growth at current forex and +0.6% were the comparable store sales. Same as in Wholesale, we are comparing ourselves against a strong semester last year with Q1 growing +26% and Q2 +27%, clearly not an easy base for comparability.

LensCrafters delivered +1.3% comps in H1, +0.5% in Q2, but remember that Q2 2015 was the best quarter for LensCrafters, so we are not worried about it. Sunglass Hut posted a +5% total sales growth at constant forex. In North America, spring time was challenging because of the weather, but then we were happy with the growth we were able to achieve in the month of June, and all of you know how critical is June for Sunglass Hut. I am very pleased with the way we are entering into Q3 with July that is performing on track with June.

Revenue roadmap by geography

Moving to the next page, let's now run through our different geographies and better understand our first semester. I will begin from the top left hand side of the page, with total North America sales. North America delivered +0.5% at constant forex, definitely a more challenging H1 that we thought, especially on the Wholesale side, where you can see in the middle of the page, we posted a -2% growth (at constant forex) in H1.

I would say four things about Wholesale:

1. MAP policy, a Minimum Advertised Price policy impact that was probably stronger than we thought, but again, let me re-emphasize here, as Paolo did in the past [ref. "FY 2015 Investor and analyst presentation", March 2nd, 2016], that this is right for the long-term health of Luxottica
2. A challenging Oakley Sport channel where in addition we have to deal with some of our clients that operate in the sport industry that are facing a problematic financial situation
3. Conversely, we posted positive growth in Luxottica traditional channel and particularly through independent opticians and specialty retail chains. But we faced a more challenging department store environment.
4. Let's not forget our tough comparison base with last year, where you might remember we grew 30% on a current forex basis and approximately 8% on a constant forex basis in the first semester. Given this background, we are taking a more cautious outlook to Wholesale North America with a top line growth (at constant forex) between 1% and 3% for the FY.

Now, moving to the right hand side to Retail in North America, +1% (at constant forex) which comes on top of a +29% growth last year on a current forex, +6% on a constant forex basis. LensCrafters comps were +1.3% in H1, over +6.1% in H1 2015. So on a two-year basis, you are looking at 7.4% comps growth and I will define that a quite remarkable growth over the two years' period.

Moving to Sunglass Hut, we are pleased with the progression we are seeing in North America. Q2 comps were +0.5% and improved versus -1.3% in Q1, with May very challenging due to the weather, and the negative comps of the stores exposed to international tourism. Then we experienced a strong month of June, and July is continuing with the same pace.

In addition, you can see from the second grey box of Retail North America, H2 base is much easier in Retail, as we grew our top-line only 1% (at constant forex) during the second half of 2015 from the 6% growth (at constant forex) that we were able to achieve in the first half of last year. So now our guidance for the FY in Retail North America is 2-3% growth at constant forex.

Moving to the bottom left of the page, Europe was +5% (at constant forex) in H2, improving in Q2, an outstanding result once again close to double-digit growth in Italy, double-digit growth in Spain, in Turkey and Eastern European countries. So really congratulations to all the organizations that delivered such an outstanding result in Europe, in a region impacted by several terrorist attacks and by an unstable political situation in some countries.

Asia-Pacific was -0.8% (at constant forex) in H1 and +0.5% in Q2 with a couple of hotspots for us: 1) Hong Kong trend continues to be negative in Q2, and I would say overall in the first half of the year; 2) Mainland China, where we decelerated vs. the first quarter as we are pushing our transformation journey in exiting from our relationship with some distributors, and we are developing a more direct relationship with our consumer.

The rest of Asia is a good story. Growth in Korea was in excess of 40% (at constant forex) in Q2, rebounding from the negative time effect we described during the first quarter call. India was up double-digit and Japan was up high-single digit. In light of the current trend we have revised our FY target for Asia-Pacific to a 3-5% growth (at constant forex) expectation.

Last but not least, Latin America, a great story, a booming story for us, +13% (at constant forex) in the first six months of the year. High single-digit in Brazil, with Q2 better than Q1. All despite what's going on in Brazil. Not to mention Mexico, that posted another strong double-digit quarter once again.

Efficiencies driving adjusted profitability

We now move to our P/L. I would say that we are fairly pleased with the way we closed the first semester. In fact, despite a limited top line growth, we were able to further exploit synergies from our P/L and hold strong margins, also considering that in H1 2015, you may remember, our profitability was much stronger than in H2 2015.

In my commentary about P/L, I will focus more on the adjusted results, but then will give you a bit more color with respect to the adjusting items.

At Group level, as I mentioned before, you are looking at 1.6% top line growth on a constant forex basis. From an operating income standpoint, we were able to keep margins substantially flat. And I would define this as an outstanding result, as normally we would need to grow approximately by 3% to keep margins flat at the Group level. This outstanding result was achieved thanks to a tight cost control activity. So for example G&A costs were down over 10% year-over-year.

From a Wholesale perspective, margins did improve over 150 bps on a constant forex, despite a fairly limited top line growth of 1.1%. Wholesale margins on a current forex basis did improve 100 bps year-over-year. This result was achieved thanks to the cost efficiency initiatives that we did

implement mid-last year, with the Oakley integration project as well as a tighter control in our marketing investments.

Moving to Retail now, you can see the Retail margins were down approximately 150 bps on a constant forex basis, as well as on a current forex basis, and that was due to three reasons:

1. The limited leverage on fixed costs
2. The margin dilution we suffered in Sunglass Hut, Oakley Retail, Retail Optical China and Europe
3. I would mention the significant amount of investments that Massimo already mentioned to you before, that we did in our Optical Retail in North America and in Europe for the new initiatives we are implementing. In North America, worth to mention, the opening of LensCrafters in Macy's, the Clarifye Eye Exam rollout, all investments that are right for the long-term growth of Luxottica, but clearly in the short-term they do create a dilution in our Retail P/L.

From a net income standpoint, things are actually considerably better, as our net income grew on a constant forex basis approximately 5.6% or 50 bps vs. last year, over three times our top line growth (at constant forex). And that was mainly thanks to lower interest expenses in 2016 versus 2015. On a current forex basis, you are looking at a net income that improved approximately 30 bps year-over-year.

As you can see, we booked approximately €70 million of adjusting items during the first six months of the year, a portion of those pertain to non-recurring items related to the exit of the previous CEO (for Markets), as well as the accrual for a litigation matter. And the remaining part to the reorganization activities and efficiency projects in several different areas of the business that started towards the end of last year.

Solid financial position

Now, let's move to our debt overview and free cash flow generation, and let me share with you, once again, it was a great semester of strong cash generation for the Group. In the first six months of the year, we generated a record high free cash flow of €403 million. This result was achieved thanks to a tight working capital management. As you can see, our working capital was actually down five days, thanks to one day improvement in our DSO (days sales outstanding) and four days improvement in our DPO (days payables outstanding).

In addition, let me say that, as you can see, we were able to achieve our record high free cash flow, but we were also continuing to invest in our Company. As you can see, our Capex were actually up 30% vs. last year.

Reviewing 2016 rule of thumb

With all that said, it is now time to share with you our financial outlook where, in light of a Q2 that came softer than what we expected, and a more cautious view on H2, we decided to revise our guidance for the FY 2016. So, from a top line perspective, we are now looking at FY growth between 2 and 3% at constant forex, clearly with H2 in acceleration versus the first half of the year, where we grew 1.6%.

Moving to operating income and net income, we are now assuming a growth that is going to be approximately the same as the top line one.

And our Net debt/Ebitda ratio guidance is actually going to stay unchanged excluding the impact of the shares buyback.

But now, let me hand it over to Paolo that together with Nicola will give us a bit more color on what's going on in our different geographies. Paolo please.

North America: marketplace transformation

Paolo Alberti

Thank you, Stefano, and good evening to all of you. In North America, I guess that 1.6% negative of wholesale revenues (at constant forex) can be a little bit outstanding, but on the other hand, if you look at it, that's the merger of two numbers: a positive optical business and a somewhat more challenging sports business. And let me give you a little bit more color of why this is happening and then how we look at it. I mean, I look at this as an exciting number and the reason for that is, we have still the MAP policy. What exactly is a MAP Policy? We have said it many times, it is Minimum Advertised Price. But what does that mean?

That means that all our clients, whether they be brick-and-mortar or online, cannot advertise Ray-Ban with a discount, unless we agree to it. That means for us, so for example Sunglass Hut is not able to do that nor our wholesale clients. In other words, we have to agree not only to when these promotional times happen, but to the amount of discount that can be given. Today discount is zero, that's not allowed. Now, what does that mean? That means that a lot of our clients that were normally buying and then selling, I would say savagely, which is a kind of a tough word, but it's savagely in online and even in their own stores, brick-and-mortar stores are no longer able to do that. And that means that some of our online clients in particular have decreased their sales by 50%, 60%, 70% and one, a very large one, that begins with an A, actually has decreased their sales by 90% in the last two weeks. So this is substantially hitting our sales of Ray-Ban.

On the other hand, why am I excited? You could say as well, this guy is crazy? No, because it is the quality of our sales that is growing, and that means that we are not selling Ray-Ban at minus 50%, 30% or 40% or you know, 70% off and I have seen promotions like that. We are selling it without the discount and what happens in a few months from now, I can't exactly say the right timing, the average unit price for our Ray-Ban sales will go up, and that's going to help all our businesses, both retail and wholesale.

The other thing that we also have to think is that we have been looking at these products and tagging them. So we are tagging with RFIDs the same Ray-Ban products we are talking about in the MAP policy. So if clients do not follow the MAP policy, at the same time we can also understand who they are buying from. And if they are not buying from us and they are buying from diverters, we will be able to offset those diverters. The combination of less diversion, less grey market, less parallel, and the fact that we're discounting less, the two things will help the health of

the Ray-Ban business, which we remember is our largest brand, and actually I am going to exaggerate, that pays our salaries every month. So we need to protect it.

The other thing, that I think is very positive, and again, I don't want to say I didn't manage the sport channel till now and so it is going to go great in the future, but what I can say is that Oakley optical channel, that we have been managing since January, is up strongly, almost double-digit. So I think that where we face lot of challenges is in the Oakley Sport channel, I think that just because it becomes, and again not because I will manage it, but because it will become part of the Luxottica wholesale family that does also run the [Oakley] optical business will help our sales, and will help also some of the power that we can have in negotiations and some of the power that we can get, and I want to call it positive power that we can get because we are part of a larger family.

So I think these two things, while they have hurt a little bit out top line, I think looking forward, I am more than positive to a healthier, much healthier Ray-Ban equity and then true Sport channel results, that will be stronger in the near future.

Nicola Brandolese

Thank you, Paolo, good evening everyone. I will talk a bit about our Retail in North America, starting from LensCrafters. So, LensCrafters, as Stefano was sharing, was up 1.3% in comps in the first half of 2016 on top of a very strong semester last year [+6.1% in 1H 2015]. I would judge LensCrafters performance pretty good considering the amount of business transformation and investments undertaken in the first semester. As Stefano mentioned, we had huge investments that impacted profitability and store operations. We did disrupt a bit our stores in the last few months, we will keep probably feeling some pain in the coming months, but we will see real growth in the back-half of 2016 and throughout 2017.

So I will mention probably three main initiatives we have rolled out over the last few months. First, we covered some 550 locations with our new Clarifye digital eye exam, and we will complete the roll out of Clarifye in 2017, and this is a critical step towards the digital transformation of LensCrafters, we talked about that during our "Investor and analyst presentation" on March 2nd. Clarifye offers a complete new digital eye exam experience, a digital system allowing much shorter patient decision making, more optometrist's consultation time, provides digital view into the eye through an iPad and gives patients more visibility into their eye health.

So we are truly embracing digital like never before in the industry, with data, analytics, a level of personalization and technology really unseen in the industry. So big, big initiative. Second, we got ready to scale up Macy's and today we are sitting on several LensCrafters locations at Macy's already open to date. These are very early days, we're very pleased with the early results so far, we are very happy about what we are seeing. But it's really too soon to claim victory, and we are very, very positive. We will be rolling out approximately 80 LensCrafters at Macy's by the end of the year, most of them in Q3.

And third, we rolled out our new point-of-sales system in another 400 LensCrafters stores for a total of 600 stores. And this will be completed by the end of the year.

So we had three big initiatives, they spread our teams quite thin, and obviously drove extra investments. But in the second half of 2016, we'll take advantage of all the preparatory work done in first semester, and total sales will be definitely stronger, also probably taking advantage of some pricing power opportunity we got at LensCrafters in the second half.

Let me now switch to Sunglass Hut. I think we have got positive news for Sunglass Hut, even if the numbers don't tell it. But we observed a very nice trend over the last months and weeks. So Sunglass Hut is back to positive comps in Q2 after a soft closure of 2015 and soft Q1 as you remember. Store traffic was still down in the first semester of 2016, but it significantly improved over the last weeks and June and July were really, really positive. So first half traffic drop was consistent with the retail industry overall. As expected Sunglass Hut was over proportionately hit by unusually cold and wet spring, particularly in the North Eastern and Western regions of North America.

Sunglass Hut was actually slightly worse than the retail benchmark in bad weather, but much better in June and it is holding in July, when weather is back to normal. We did talk about tourism last time in March, so let me talk about that for a second. Stores in high tourism areas performed worse than the balance of the chain, but improved throughout the semester particularly in June and July. So California is substantially better now, both north and south Florida improved as well. New York dramatically improves after weak April and May due to cold weather there. And now we are back to positive comps. I think probably Las Vegas and Orlando are today the spots where we are still struggling a bit. But the rest improved quite nicely though still weaker than the balance of chain.

I think most importantly we initiated a strong 360 degree turnaround of our brand in North America. We perfectly appreciated that malls and tourist traffic are going to stay soft, but we have new leadership in place there, new energy, new plans, new initiatives. And we have got a few actions with immediate results already in place and longer term actions that will drive our performance in the North American retail market. So, with immediate effect, and we actually started in Q2 with visible effects since May, we dramatically improved our e-com and omni-channel performance, sunglasshut.com grew over 30% in the first half in North America, accelerating in Q2.

We're dramatically growing retention rate and sales to existing customers to offset softness in tourist areas, and we are ready to hit record retention results to existing customers over the last couple of months. And third, we are enhancing conversion rate through better operations, so we are rolling out the new labor model, we have enhanced analytics, segmentation strategy and different and simplified go-to-market approach that will pay back very quickly. So three things with immediate effect.

In the longer term we are also looking at our store footprint, revising the quality of our retail presence and reviewing our brand promise and consumer target for a more effective marketing strategy in North America.

Europe: solid trading environment

Paolo Alberti

So let me take a little bit through Europe in wholesale. I mean, I think, I am going to improperly use this call to congratulate my European team and the reason for that is that without markets booming, and with a sun season that has been quite a bit of a challenge. And so, the sun has actually not helped us this year, I mean it really can make the swing.

In the first three days of this week, actually, the weather was quite good in Europe, and we see what we call telephone sales, but actually they are mostly e-commerce sales that come from our opticians directly into our warehouses, where we could see a switch quite a bit and a negative number can go positive very quickly because we are able to service our client so quickly. In other words, if I sell a pair of sunglasses today, I order it online directly to our warehouse and the next day I have it. Usually 24 hours, 48 hours at the maximum within Europe. And really negative numbers can get positive in a second thanks to the operational excellence we are having in Europe.

Basically our back-order is down, so we don't need to ship eyewear that we have promised a long time ago and the orders get cancelled, that does not exist anymore. We are able to deliver the right product on time always. And on top of that, we are doing that with less expenses. And all this, on top of the operational excellence that we are achieving, we have been able to lower our selling and our G&A expenses, and that is part of that 150 bps increase you see at the end of the first half in the Wholesale division. So Europe is really doing a great job, I would say in all respects. And if the sun comes out, as I hope it will, still not too late, to turn those numbers on even stronger than that 5% [at constant forex] we see today compared to 6% last time [in 1H 2015].

STARS continues to grow in Europe, and that is not only true in Europe, I'll talk a little bit about Brazil later, but STARS continues to be also a churn and continues. Why is that so important to us? Because STARS continues to perform, thanks to assortment policy and a service to our clients that used to perform better than our markets. So that means 2 to 3 points better than the market in general, within Europe, within the world also. So basically, I will not talk about some of the issues that we had in France, and unfortunately in Turkey where some of our clients have cancelled their visits to "Luxottica days", but I'd say that Europe has done an excellent job in May and I feel it will continue to do so in the next half.

Nicola Brandolese

As retail is concerned, we did a solid performance in Europe with Sunglass Hut, fueled by store expansion at Galeries Lafayette in France. We did open 26 stores out of 57 stores that we planned to open by year-end. Obviously, we started with the biggest one, where we are experiencing a nice trend, sales are growing well there and we are positive about beating our opening effort by year-end.

We did have different velocities across different countries: huge strong performance in Iberia, we did have in the first semester a very good performance in Turkey and other countries where we did have instead a soft performance, but overall Sunglass Hut did deliver in Europe.

Asia-Pacific: actions speak louder than figures

Paolo Alberti

And as for Asia-Pacific, we look at India for example and we see that it has had record sales in the first half of this year. Japan performed fantastically, Japan with some of our largest clients did what it had never done in the last, I would say, 10 years, a fantastic growth in high-end distribution. And Korea, where we actually manage our sales a lot more directly even as wholesale because we have the concessions of the partner stores, is again doing fantastic and I can repeat the number because Stefano already gave that, plus 40% growth in sales [at constant forex] in the second quarter.

In terms of China, Mainland China, I would say there are two things worth mentioning. One, it's a difficult task and that is to convert our current distributors, there are about 60 of them, into a more direct approach towards our clients. What does that mean? It means that slowly, slowly, and we have one province where we've already done it, we slowly take power from the distributors who then own the clients into our own hands, hiring salesmen. It's more of a traditional, if you like, approach, something that we have like in the United States or in Europe, but obviously we had to build a certain churn of business before we actually did it ourselves in China. And the reason for that is, well, you can imagine, when we first started we had 50 salesmen for a country the size of China and without these distributors, we probably wouldn't have been able to expand the distribution as we have.

So now one by one, and obviously some of the stronger distributors will stay with us for a certain amount of time, some of the weaker ones will be changed and we will go direct to hire salesmen, we will hire reps and we will serve our independent clients directly. Where we have done so, numbers have improved greatly. So that's the first thing. I think it's going to be exciting and this is something that's going to keep on going for the next year or two at least.

The other exciting thing that I will talk about briefly, but then I will pass the word onto Nicola, is that we are actually opening up some Ray-Ban stores. The Ray-Ban direct stores that in some countries we have as a wholesale because they are store-in-stores, in other words they are hosted by our clients. We are now opening up ourselves. The first 10 stores are open and they are doing very well. And I mean, over and above the actual sales of these direct Ray-Ban stores, there is also a building of the Ray-Ban equity that these stores give and again like I said, it's not just the sales we make there, but it's the impression we make to the public and to the growth of the Ray-Ban equity in China.

Hong Kong is still struggling and it is struggling for wholesale, but I think also for Nicola's side, but let me pass the word to him.

Nicola Brandolese

Yes, Sunglass Hut performance in Hong Kong is still struggling. Overall Sunglass Hut in Asia-Pacific did deliver greatly, amazing performance overall, but Hong Kong was still down with traffic that is down double-digit. The team, however, executed very well and like-for-like sales were slightly negative compensating most of the drop in traffic with better conversion rate overall, so not a very meaningful loss of business overall for us but traffic is still not great.

As far as all the other regions in Asia-Pacific, Sunglass Hut, as I said, did perform very well with positive double-digit growth in Mainland China, thanks to the store network expansion as per plan that we shared last time together.

Sunglass Hut again delivered positive comps in the first half of the year in Australia and New Zealand. We are growing nicely there with excellent execution done by our team there. While talking about Optical retail in Australia and New Zealand kept increasing volumes and customers served by significant amounts, so we are serving more customers, we are selling more glasses and more customers, volumes are growing nicely, thanks to new repositioning of pricing and assortment. And we are pleased with the result. So as discussed last March, we are repositioning our right to win in Australia.

Paolo Alberti

Before switching to Latin America, I just want to say one thing about Australia, because I think I owe it to the team that both Ray-Ban and Oakley in wholesale are growing above double-digit growth. So thank you Australia for that.

Latin America: strong momentum continues

Paolo Alberti

Let me now turn to Latin America which actually is the powerhouse of our growth in this quarter and in this half. Brazil again notwithstanding the issues that we have there and we are talking about a country that obviously has lost 20% of its currency in the last month or two, actually got a little bit better lately, it was even worse before, it has done just an excellent job in raising its AUR, its average unit revenue, its mix and its volume, all three of those things grow together, all at once, where you do see the difference in the P&L.

I think that one important thing to say is, though, that there is one negative side in this, it doesn't really affect Brazil but somehow affects other countries, and that is that the Brazilian tourists because of the Real's weakness may not be visiting Miami or New York or London for that matter as much as they used to. In fact, if you look at Harrod's tourism in Harrods London, #1 customers are coming from Arab countries, #2 was Brazil, they are no longer in the first five. A bit the same thing goes to what's happening in Miami, but the good thing is that the Brazilians, those who are not buying perhaps in Miami or in London, are buying their beautiful blingy eyewear in their own country. So we see a great increase, double-digit growth in the luxury business in Brazil which is counterintuitive. Because we are having a problem here with the economy, but we are selling

much more luxury because Brazilians are staying home. They also have other reasons to stay at home, it's the Olympics, and I think we are going to talk about that soon, which are up and coming. Besides, in March we did raise prices because of the currency fluctuations and we are looking at currencies very acutely to make sure that should the currencies fluctuate again, we will relook at this right now though we have nothing in plan in the near future.

Mexico is doing fantastically. In Mexico we have even stronger relationships with our client, Devlin. now also thanks to their investments in IT as they will invest in SAP and then two of us together will speak much, much, much better. In Mexico another thing that's important is about department stores: while they are weaker in North America, the department stores do very, very good in Mexico and then again our closeness to this client is helping the Mexican numbers very strongly.

I guess two other things worth mentioning, one is that we've opened up last year and doing very well both in Chile and Columbia, and Peru is next upcoming, I would say probably at the beginning of next year. The other very positive news is that we started business in Argentina. Argentina was a closed business for us, we closed the company about a year ago, year and a half, and we restarted business in Argentina slowly but it's always good to see a country where so many people, also because of their Italian descent, love products that we produce, so very positive also for Argentina.

Nicola Brandolese

And I'd say the same tone for retail in Latin America, excellent performance for all our retail brands in Latin America, double-digit sales growth for GMO again and again, so our nearly 500 stores are really performing very well across the four countries with Peru, Chile and Colombia growing very, very strong. So we are very pleased with the performance there, high-single digit growth in comps and the double-digit growth in total sales in the region.

Extraordinary performance of Sunglass Hut in Latin America as well with Mexico, similarly as Paolo was saying, performing strong with double-digit growth in comps in Q2, and the weak peso against the USD obviously is driving also some tourists in the region, partially recovering some of the tourist spending weakness experienced in North America as Paolo was mentioning.

In August we will launch our new flagship in Mexico City and our ecommerce site as well. As far as the Andes region is concerned for Sunglass Hut, it was another good quarter. We did expand, almost doubled out stores network in the region. And in Brazil the negative traffic we had in the first half of the year was offset by very good execution, again an increase in conversion rate. So very pleased by the results of our retail teams in Latin America.

So with this, I think I will turn it to Massimo.

Oakley @the Olympic Games in Rio

Massimo Vian

Before, I talked about Oakley and its integration project, but actually this is an Olympic year. In the past months we concentrated on the launch of a dedicated new product line with a powerful marketing campaign. During this Olympic summer, we will measure Oakley success, of course in sales, but also depending on how many medals our athletes will win, so for all of us and the team in Luxottica it is really a competition time.

The campaign is in execution, new products are available in the stores and on our website. Again, the main innovation we are bringing to the market is a color-enhanced lens with our new prism technology. You will see now a new selection of ultra-light sport frames combined with new color lenses, some dual-mirror effect lenses like you see on the right hand side of the slide. There are new enhanced specific light frequency for specific sports application.

We've just launched those products at the Luxottica days here in Italy. They will be available starting from now. The first feedback from the sales force has been very successful. And as for the prism technology especially, we've also launched a daily prism lifestyle lens which is one of the hit of the events, one of the best sellers.

During the first day of the Olympic games we will also present our wearable device product, "Radar Pace", developed with Intel. We decided to concentrate on lenses and we decided then to have a softer launch for athletes, that is, only less than 100 units will be available fully operational. Our expectation is to increase curiosity and to create a lot of noise on social platforms. Mass launch of this new product will be in October. The platform will be available on Android and iOS at the same time, voice recognition will be fully available in four different languages. We are expecting for this new product to have approximately 50% of sales through our digital oakley.com (B2C) website.

Ray-Ban: "It takes courage"

Massimo Vian

On Ray-Ban, definitely we are very active, with very intense activities. Ray-Ban is 30% of what we do. So "it takes courage" says the campaign, and I think we had the vision and courage as well last year when we decided, as Paolo mentioned before, to go through distribution review helped with new (RFID) technology that we embedded into the frames.

I won't go into details, but 25% of the frames you see on the market, so we are talking about roughly 10 million units per year, they are fit with these RFID sensors, we have to retool everything, basically we created an automatic panel for reading these RFIDs in all our distribution centers, and this solution enabled us today to check the effect of the implementation of the MAP policy.

We are investing heavily also on rayban.com website. We are further developing our virtual try-on experience. Today that algorithm, the virtual mirror is not available on mobile, it's on the web, on

web desktop and APP only in the US. In October, we will be able to see mobile web in Europe, again both for iOS and Android applications. And this we think will further help us a lot in November, during the Thanksgiving season, and as we say specifically for our Christmas campaign.

Paolo talked about our test of Ray-Ban stores in China: they are doing very, very well, they are exceeding our expectations, it is likely too early to say, but the roll-out of the conversion is up to speed and we are converting stores I would say every week.

This spring and summer on Ray-Ban you will see new design languages; Ray-Ban keeps leading the innovation on eyewear. We combined the iconic shape of Clubmaster with a full metal round and we thus created the new Clubround. It is the hit of the moment, and it represents a very specific trend, both in sun and optical, that you will see evolving until next summer.

We've launched Ray-Ban also with color enhanced lenses, its commercial name is Chromance. It's another very important innovation, and they are full polar, contrarily to what they are in Oakley, different Pure Crystal enlightenment in terms of color. As you can imagine, massive synergies with the technology that we used for Prizm: very different consumers, very different product results, and this gives me the opportunity to give you a sort of anticipation.

First one to hear, we are happy to report that we concluded the deal of an acquisition that is small in terms of size, but it's very, very important in terms of owning that technology. We bought a company in the US, in Dayton (Ohio) that is today producing that pigment. And we are fully integrating that technology in-house. It is a very small facility, a chemical industry and we are integrating that into the labs of our Rx manufacturing plants. It is another step in owning every single piece of the chain, and will make us, you know, even more successful as we will roll-out these innovations in the next coming collections.

Entering 2H with good momentum in sun

Massimo Vian

So now we are entering the second half with a positive momentum, specifically in sun. What we see in July is what we missed in May and in the first part of June, specifically in Sunglass Hut. Order portfolio in wholesale is up, the supply chain is ready and, as Paolo said, back order levels are at the historical minimum.

We are expecting to accelerate retail sales as well with a strong back-to-school offering, progressive rollout of LensCrafters in Macy's, Target Optical new stores and Sunglass Hut at Galeries Lafayette. Luxottica Days just finished: they went well, new products were well received, ready for our B2B deliveries in late September.

Thank you for your attention and now we are ready to open the Q&A session.

Q&A session

Cedric Lecasble (Raymond James): Yes, good evening. Cedric Lecasble, Raymond James. I have two questions, if I may, the first one on the US wholesale business. Could you help us understand what is driven by worse sun season, and what is driven by MAP implementation since April? And what makes you confident that MAP will allow for some positives before the annualization in April 2017, as you are losing some wholesale clients as a counterpart of better-quality clients? And the second question is related to Asia. I'm not sure I understood what you said about the change in distribution for Sunglass Hut in China, the change in distributing your products more directly. Could you help a little bit understand, give some sense maybe on what you are doing, and your mid-term targets in this country? Thank you very much.

Paolo Alberti: You are welcome. In terms of MAP policy, it's obvious that we are not actually excluding clients, we are excluding clients only should they be doing the parallel business. What we are doing is we are not allowing clients to, again I say this word improperly, but savagely discount our products where it's possible to do so in the United States. And there are times, instead, where we will allow both our own retail and our wholesale clients to do a certain amount of discounts, but we manage the timing and we manage the actual percentage of discount that you can give. That does not mean, I repeat that does not mean, that if I come in your store, you want to by word of mouth give me a 50% discount and, you still can, okay. That means you can't advertise it, you just can't put it on your window.

Now, how is that going to help? Well as we have diverters decrease their sales or their purchase from us, we may suffer temporarily. What can happen also, at the same time, it is less promotions which means higher price and while that will not have an effect right away on wholesale, it will still on retail that will be able to compete better without savagely discounting and therefore making a bigger profit. I don't know if you want to comment, Nicola, or if you want me to go ahead with the second question.

Nicola Brandolese: No, absolutely, I think we did have the same experience a few years ago with Oakley, we did implement MAP a few years ago with Oakley, we did see a short-term negative effect compensated by very nice mid-term positive rebound.

Paolo Alberti: And that is obviously a positive; we have a company that has integrated its retail and wholesale business. So the wholesale part helps the retail part make a better margin.

The other thing about Asia let's talk about China. I probably was not clear, but in China we grew in the beginning, we had 50 direct salesmen, I'm talking about some years ago and that's how we started the Company there, and then in order to distribute our products we used distributors and that has nothing to do with the change of distribution of Sunglass Hut and maybe I did not understand the question, but Sunglass Hut had nothing to do with this. It's our wholesale business that had used distributors before and now is slowly going to go away from those distributors towards the direct sales force business, which is how we handle the business in many countries around the world.

So we did not go in, at the beginning, with a full Chinese sales force, it would have had to be thousands of salesmen without you know, without any experience or any revenues to back that

up. And so, we used some salesmen and then we used some distributors. The number of distributors will go down and in the more prominent areas where we can do our direct business, we will start a direct business.

That has two effects obviously. You are managing your clients; you are owning your clients much better. The second effect is obviously you are selling at a wholesale price rather than selling to a distributor, who then sells at wholesale price. So you have a profit effect on that and you have a better management, a direct management and more control over your own business. Thank you.

Cedric Lecasble (Raymond James): Just a very small one, if I may. When you show us your table with the store network and the number of Sunglass Hut stores in China, how do you account for them now? We have a smaller number in your most recent data, so I would imagine they still exist, but they are put somewhere else. Could you maybe explain how you account? How did you change the accounting of Sunglass Hut in China, Hong Kong?

Alessandra Senici: Cedric, can you please repeat the question because we were not able to catch it? Thank you.

Cedric Lecasble (Raymond James): Yes. In the table where you show all your stores network there is a China Hong Kong column, that at the end of June shows 19 stores versus 43 at the end of Q1. So I believe these stores have not disappeared. Maybe you account for them in another section, but just to understand.

Alessandra Senici: I think this is a question on how we reclassified between own store and franchising.

Nicola Brandolese: And we transformed some stores from Sunglass Hut into Ray-Ban.

Cedric Lecasble (Raymond James): Okay, okay, okay. So Ray-Ban stores you were mentioning were originally Sunglass Hut stores?

Nicola Brandolese: I would say not all of them, some, yes.

Cedric Lecasble (Raymond James): Okay and they are the ones maybe that went to franchise?

Nicola Brandolese: Yes, yes, correct.

Cedric Lecasble (Raymond James): Okay. Thank you.

Alessandra Senici: You're welcome.

Antoine Belge (HSBC): Hi, good evening. Three questions if I may. The first one regards the Oakley integration. Would you agree that it's taking a bit longer than you had initially expected? And maybe can you comment on the challenges that you're experiencing? Also, would it make sense to actually divest the non-optical business and just keep the true eyewear business? My second question is regarding the sort of 1.1% growth you had in wholesale in the first half, would it be possible to have the growth, actually, the negative growth for Ray-Ban in wholesale, Oakley, and then the license business? And my third question is regarding the revised guidance. You are basically taking 3% off in terms of top-line growth. Would it be possible to quantify the impact of the bad weather on the one side, and then maybe the fact that the consequence of the MAP

program are actually more negative on the short term that you had initially expected? So basically where are the 3% coming from? Thank you.

Massimo Vian: I will take the first one about Oakley and then ask comments from Paolo and from Stefano. So about Oakley integration, I will divide my answer into sections. One is definitely no, it did not take longer than planned in terms of execution of the integration. We created two ways, one is what we integrated last year and it was all about traditional optical channel, both sun and optical frames and that successfully was integrated last year and it was what is helping us in North America this year. The second wave is about sports channel and I think we are actually accelerating that integration and with a project that will be concluded before end of this year.

Second part of my answer is that results are coming later than expected. So the execution is done, we are struggling more than planned on sports channel this year, and we are not disinvesting in non-optical business, but we are heavily working to simplify what we do outside eyewear (apparel, footwear and accessories), and we have still, you know, a quite large store footprint of 290 Oakley stores. They were designed to host eyewear and apparel as well, so footage is quite generous, so there might be further evolution in the next period, but today we are not planning to disinvest on apparel and footwear. For sure, we don't want that this relatively small division will absorb more than needed energies for the Group, that's why we are simplifying it.

Paolo Alberti: Okay let me answer on the wholesale growth. I mean, if I take North America out, that's where the MAP policy is. MAP policy only pertains to North America. Ray-Ban is up, and in fact it is up on a worldwide base, is slightly up, okay, because obviously we've said that we've had a slow start of the sun season. If I take the United States and North America, the sun business of Ray-Ban is down, and that is due to weather and MAP. Now, it is mid single digit decline on Ray-Ban Sun in North America, due to weather and MAP. Exactly the amount for each is kind of difficult to actually articulate, okay. But the license business is also growing, and again, if you look at the fact that we are not growing on Ray-Ban in North America, and we are growing both on the licensing business and on Ray-Ban in the rest of the world, you could kind of figure out what the numbers are, okay, but both are growing.

Stefano Grassi: With respect to the overall revised outlook. Clearly, we discounted here a bit of a weather impact, I mean, we can't be scientific right. We know that May came under our expectations, and May usually is a pretty good month leading into the spring season, and obviously having a pretty rainy spring season across the world didn't really help. MAP impact, as I said, is probably bigger than what we originally estimated, now we are giving 2% to 3% top line guidance, clearly we are discounting a greater extent of MAP policy impact in our top line. But again, nonetheless, let's not forget that second half is going to be in acceleration versus H1, and you can clearly do the math if you look at our first semester. Let's not forget that there are two important items that need to be considered for the second half. First of all the base is going to be much easier H2 versus H1. Other two things, remember that retail, because of the switch from fiscal to Gregorian calendar, is going to have a 4 trading days favorable during H2 2016. And that's going to be a considerable help in the second half of the year.

Last but not least, let's not forget that our retail machine is going to open quite a significant number of stores during the second half of the year. Nicola mentioned LensCrafters in Macy's, we talked about Target Optical expansion, and let's not forget the further development of the expansion Sunglass Hut in Europe in Galeries Lafayette. So there is a lot going on, and this is why we are confident about acceleration in H2 versus the first half of the year.

Antoine Belge (HSBC): Maybe if I can just follow up, you know, I actually understand why H2 should be accelerating, but my question is more on this 3% delta between the new and the old guidance, because the basis of comparison was already known when you gave the initial guidance and the calendar changes, calendar effect was also known. So what I am trying to get is, I don't know weather and MAP account for 1% and the remaining 2% would be retail macro, terrorist attacks and weaker consumer sentiment across the globe. And that is more what I am trying to get at, rather than trying to know why H2 will be better than H1.

Stefano Grassi: So I would say, in the full year guidance clearly there is a Q2 that came below our expectations, no doubt. But there is also a more cautious approach in the second half of the year. If I can make a summary, simply we have a more cautious approach for the remaining part of the year. And now obviously we have a check point that is going to be the closure of third quarter, and we are going to see where we are once we are there.

Antoine Belge (HSBC): Thank you very much.

Operator: The next question is from Elena Mariani with Morgan Stanley. Please go ahead.

Elena Mariani (Morgan Stanley): Hi, good evening. Thank you very much for taking my questions. I'm going to start again with the guidance, actually back in March you had given us an indication also on 2017 and 2018 guidance. Back at the time it was, for sales growth of mid to high single-digit growth, and then for the bottom line to grow more than 1.5 times sales. Are you going to confirm this guidance or do you think that you know, you should take a more cautious approach on these two years as well? The second question is about the store openings plan, are you going to take a slightly more cautious approach on store openings? So maybe can you share with us the guidance with regards to the total openings, but also the total closures that you are expecting, especially with Macy's, I think you have a pretty ambitious rollout plan, but that's exactly where the traffic is actually quite slow in the US. So how do you think about this? And then thirdly, with regards to your exceptional items, are you able to break down the €69 million in the different components and in particular, how much was the item, like the line item related to the write-down on inventories, and should we expect more in the second half? Finally, sorry, I haven't seen the total retail like-for-like for the Group. Could you please share that with us as well? Thanks very much.

Stefano Grassi: So I will take the first answer. I think right now, as I said, we have revised our outlook for 2016, we are taking more cautious approach. It's probably right for us to say that we want to see how things progress in the next few months. We want to take and deliver our

commitment here, and then after that really, you know, we look at future years, and with a more fresh look in light of 2016. Massimo, anything to add?

Massimo Vian: The important message that we'd really love you to take away this evening is, it is really about the really strong activities that is laid down in a sort of anticipation mode to what macroeconomic trends are today. So projects that we started quarters ago and still have to deliver results. So, Stefano's feedback is not defensive at all; I think he is responsible, but we are really confident that all the projects we started were the right ones. And I certainly can ensure you that the level of energy, the level of operational execution in all we do, from design to distribution and sales force management, it is has acted as a really rarely see in my ten years in Luxottica, so that is the important message I love you to take away. That said, our ambition is to be back together year end and look at 2017 and 2018 with renewed commitment for long term growth.

Nicola Brandolese: Let me address the second question on store opening. I think we should divide probably the answer in two parts, optical and sun, starting from North America. The optical retail market is fragmented, is incredibly fragmented, and we do see a huge opportunity for growth, both of the size of the pie and our share of it. So in optical retail, both LensCrafters and Target Optical, we are not changing our plans for growth. At Macy's we do see the opportunity to grow for 450-ish locations. With Macy's we are committed to do so and we think there is huge opportunity to do so, and same for Target Optical, huge opportunity to grow the market and to take advantage of more share.

As far as sun is concerned, we are obviously carefully reviewing trends in traffic North America. We will expand digital as much as we can and we see huge opportunity there. So we may be taking a bit more cautious approach on expansion of Sunglass Hut stores. We don't see huge openings in North America for Sunglass Hut, but we do see huge opportunities, as we shared, in all the emerging countries. So, globally we are taking still a very aggressive approach, a little bit more cautious for Sunglass Hut in North America.

Elena Mariani (Morgan Stanley): Thanks. So, you are not planning any closure?

Nicola Brandolese: Not massive closures, we will refine our store footprint while we go, so we have a few marginal stores, we will optimize our bottom line by closing stores which are underperforming but I think this is pretty much considering what we've been doing over the last years, we may be accelerate a bit more in case traffic should deteriorate even more.

Stefano Grassi: So if I can add to what Nicolas has said, I think it's fair to say that the amount of closure, which obviously will take place as a normal retailer, will be lower in H2 versus H1, as a normal activity. In addition, you will have also a higher number of openings, so the net store count at the end of the year is going to be higher than the one that you are seeing in H1 so far.

Elena Mariani (Morgan Stanley): Okay, thank you.

Stefano Grassi: Sure and then I will probably take the third and the fourth questions you asked. The first one was regarding the breakdown of the €69 million adjusting items that I described to you before. I would say probably 60% of those are referring to non-recurring items, and the reminder part is really related to the reorganization activities and efficiency projects that

we are undertaking. The clean-up of the inventories is probably, I would say roughly speaking, a third of that.

With respect to the retail like-for-like comp in the first six months of the year for the total retail, we are positive +0.6%.

Elena Mariani (Morgan Stanley): Okay, thank you.

Operator: The next question is from Julian Easthope with Barclays. Please go ahead.

Julian Easthope (Barclays): Good evening, everyone. Just a couple of questions from me. First of all, maybe for Paolo in terms of the wholesale business, the second quarter is generally the big sell-in for the sun season, and then reordering patterns take place throughout Q3. I just wondered whether you had a strong view, how full the third parties are in terms of inventory, as to whether or not there will be some destocking, or whether you are worried about reorders taking place as we get to later in the season. Or whether or not your sort of just-in-time delivery means that your logistics parts of your business are so efficient now that most of the stores out there, third-party stores, are actually relatively efficient with regards to inventory. And the second question is for Massimo about the automation of Ray-Ban Aviator. I just wonder how far you'd actually got on producing the lines to fully automate Aviators. Thank you.

Paolo Alberti: I don't know how far we got, but let me just very quickly say that the name of the game is no longer restocking our clients, and that is a positive thing because when they do, it's like giving them a service in a certain sense. When the sun comes out, they sell-out, we are able to replenish them. And the good thing about that is that we are the only ones that can replenish them that quickly, for two reasons. First, our logistics are very efficient and secondly, we have the stock to do so and we have plants behind that, and we are able to produce our products in a timely fashion. The other thing that we need to look at is STARS, and STARS doesn't stock, so it is truly a replenishment of eyewear that are sold, frames that are sold. So obviously we will stock for a bit and that is, you know, in the sun season. If the sun season is not good, that is why we are able to and we try to push also our prescription frame business so that we are not completely relying on the sun, and we are less reliant on the sun today than we were three, four, five years ago.

So, I will add STARS in that too, saying that both our ability to produce, stock and then ship in a timely fashion sun frames is going to help our business. Secondly, STARS helps that too, in other words STARS doesn't stock our clients. So that's why I say, even if the sun season starts tomorrow, I've already had the problem in the second quarter and Q3 will just be replenishment and no, I have not stocked my clients or I should probably had better numbers. But I have not stocked my clients in sun for sure, now I sold more prescription frames and that's why the numbers are good, again, no stocking in Q2.

Julian Easthope (Barclays): Thank you.

Paolo Alberti: You're welcome.

Massimo Vian: The automation program is you know, giving us really lot of satisfaction, completely rolled out as planned, 30%, 35% of Ray-Ban Aviator that we assembled from May, June, July, they came out from a fully automated line. And the second one will be available at the end of this year in our Italian manufacturing plant in Northern Italy. So next year starting in January 70% of Ray-Ban Aviator will be fully assembled without one second of human labor and also the new robots in our Agordo facility are not working anymore in the engineering prototype department, but in line side-by-side with humans, with operators right now.

Julian Easthope (Barclays): Fantastic. Thank you very much.

Operator: The next question is from Domenico Ghilotti with Equita SIM. Please go ahead, sir.

Domenico Ghilotti (Equita): Good evening, a few questions. The first is related to the recovery in Sunglass Hut you were mentioning in June, July I am curious about the drivers that are driving this recovery in terms of traffic or conversion or price mix? And second, on Ray-Ban performance in North America if I am not wrong you were mentioning down mid single-digit, if I understood properly the impact of the MAP, so I would expect that volumes have been even lower and then you had quite significant price mix if you can elaborate on this? And the third question is on the net income guidance, I am a little surprised to see that you are seeing acceleration at constant currency in top line, probably also some acceleration in the operating profitability, while you are well above in the first half in terms of net income, and so I wonder if in the guidance there is something that I should be aware of in terms of additional cost we should take into account?

Nicola Brandolese: Okay, I'll start with the first one on Sunglass Hut recovery in June and July. I would say that the key factors are the ones that I mentioned before, so clients retention and conversion. But getting back to the KPIs, traffic improved in June, July with weather. We saw 2-4 points improvement in traffic, still negative but much better than it was in the first four, five months of the year. Conversion held very strongly throughout the last months, up 4%, 5% vs. last year, so it was up and strong and it was very strong in June and July. AURs didn't materially change. We did raise the amount of multiple pairs, so we did increase the amount of glasses sold to our existing customers and that, in a nutshell, is what drove that performance in June and July.

Paolo Alberti: In terms of Ray-Ban North America when I said down mid-single digit, I was talking about sun only because that was really affected by the MAP policy. If I take total Ray-Ban in North America, right now it is slightly up, because the prescription frame sales were able to compensate what lost in the sun, that again, I said, I didn't want to go into exactly how much was MAP and how much sun. What I can say is that, Ray-Ban sun obviously suffered for two reasons, one was the lack of sun, and the other one was the MAP policy. In terms of actual price-mix, you don't really feel the MAP policy yet. It can't really give that kind of, I in other words, to think that maybe because of this I will be selling Ray-Ban at a more expensive price. It's going to happen, it will happen faster in the retail business because they were giving less discounts. In terms of actual pricing of Ray-Ban there is a small price increase that will happen in North America coming soon on a certain amount of products that are not a significant line for the US, but will always give us a

slight, a bit of help. So again, Ray-Ban total, North America slightly up, Ray-Ban sun, mid single-digit down Ray Ban prescription frames strongly up to compensate that loss.

Domenico Ghilotti: Okay. Thank you.

Stefano Grassi: Okay, I will just add on the third question with respect to guidance. I think when we look at our two profitability indicators, operating income and net income and we look at our first half results, I would say that probably the net income one, is the one where we probably do have a bit more upside in light of the first six months performance. There isn't really anything different that it is going to change the benefit that we are seeing in the first half, for the vast majority, from a net income perspective should carry down in the remainder part of the year. Probably, some of the interest expense reduction are going to anniversary between end of Q3 and Q4, as we repaid a portion of our debt during the second half of last year. But, in the vast majority of the benefit should reply during the second half. So net income is probably where we feel even more optimistic about the operating income in terms of the growth for the full year.

Domenico Ghilotti (Equita): Okay and just a clarification on my previous question. The same-store sales at Group level, I was surprised to see the minus 0.3% in the second quarter, while basically any other chain is reporting much better or better performance.

Stefano Grassi: Can you please repeat your comments? I think you are saying why, while you see +0.6% same store sales, while all the chain that we talked about were higher than that, right?

Domenico Ghilotti (Equita): Yes. It's even more evident on the second quarter.

Nicola Brandolese: The main effect was driven by Oakley retail, Hong Kong and China. We didn't talk about these specific numbers. But, those were the two main hits.

Domenico Ghilotti (Equita): Okay. Thank you.

Operator: The next question is from Piral Dadhania with RBC. Please go ahead?

Piral Dadhania (RBC): Thank you for taking my questions. I just have one on Sunglass Hut to start with. I just wanted to understand whether there is any cannibalization occurring between a strong e-commerce growth rate, plus 20%, versus your bricks-and-mortar performance. And could you also remind us whether your Sunglass Hut like-for-like includes your e-commerce growth, just a clarification there, please? And then just in terms of your revised guidance, sorry to have to come back to this, but you haven't adjusted your European regional guidance and it still stands at 4% to 5%, I just wanted to understand what gives you confidence, given all of the worsening geopolitical risk that we are seeing in this market that you will be able to deliver a mid single digit top line growth rate in Europe. And then just finally on Europe, what actions have been taken consistent with MAP, I know, you can't use MAP specifically in Europe, but what actions have been taken to clean up distribution of Ray-Ban in the European market, and to limit great market activity for Ray-Ban you know, to compliment the actions you are taking North America. Thank you.

Nicola Brandolese: So, thank you. I will start with the first one. So, e-com is actually added to our store sales, we do see an effect of aggressive and discounted e-com sales on third party sites, which will obviously start improving as a consequence of MAP, and that is what kind of synergies between wholesale and retail that Paolo was talking about, but that did have a strong effect over the last 18 months on Sunglass Hut store traffic. As far as our e-com sales are concerned, actually we don't see a negative effect, price is the same, and the customers do love to shop between stores and the website. Our comps do not include e-com data for sunglass.com. So, we are really referring to our store sales.

Paolo Alberti: I will not talk about the guidance per se of the Company. But I will say what's happening in Europe right now. We are enjoying increasing shares, in other words, we are doing better than our competition. Now, we say again that, if I had to take the reasons for that, and there are mainly two. The first is, the brands that we have are very attractive, I mean I don't want to talk about competition, but all of our brands, wherever they may stand, either in the lower end or the higher end, are attractive and doing very, very well. The other thing is that, I said it a moment ago, when the times get a little rough, those competitors that are able to supply the clients in a timely and more precise fashion, actually are the ones that went out in the market. Because if I think about many of these clients that we have, a lot of them are large chains run by very intelligent people that will not, just simply as in the past, be stocked.

So once they don't get stocked and things do get sold out, they are more than happy to choose Luxottica over other competitors because we were able to supply them so quickly and correctly. So again, that's why I think we can still do better than the market.

Finally, we should never forget and, I know that this is a game that I keep on talking about, but it is so important for wholesale business, it continues to be STARS. STARS' performance is 3 to 4 points better than the markets. So even if you see that a market average for Europe right now, and Europe for us is a large region because it includes Europe, Africa, Middle East, and it goes from Russia all the way down to Israel. And so, Europe is a bit larger than what may be, what other companies call Europe, but if you look at the growth in Europe and add STARS performance to that, you guess where the growth comes in. And that's why I am still confident, it is obvious that I cannot predict complete future and that I am always very hopeful and positive about hoping that things get better in terms of geopolitical terms.

As far as the MAP is concerned, there is no MAP possibility in Europe. But, there is something else that we are doing which is just as powerful. What happens is this, we have signed exclusive distribution agreements with our clients for Ray-Ban. This was not true, three or four years ago, where the only country that had an exclusive distribution agreement with our clients was actually France. Actually, thanks to the European Union we were able to expand this to all the European countries that are within the Union. So we have signed these documents with our clients, this allows them to sell intra-exclusive distribution agreements, so for a client that has an exclusive distribution agreement it is not possible to sell outside that agreement, meaning that if he does so, well, I can see it through the RFID on the glasses that he has sold outside the distribution agreement network. And therefore, I won't do it probably on the first time I catch him, but again

that's up to me, up to us, and the relationship that you have with the new client, you could take that exclusive distribution agreement away from him and stop selling Ray-Ban legally, okay. So we are not talking about pricing here, we are talking about selling outside of distribution of an organized distribution network and that is true for many luxury products even in other categories.

Massimo Vian: And maybe I could couple Paolo's comments on the retail side, also saying that remember, during second half, we are going to possibly boost our retail expansion, especially in Sunglass Hut with Galeries Lafayette, as Nicola mentioned, and also in the early start of the second half of the year we are very positive in Europe, especially in that part of Europe where sun is coming up. And I refer especially to the Northern part of Europe and the Southern part. So we are happy with the way we started and we understand and noticed the possible risk, but we are pretty optimistic for Europe.

Piral Dadhania (RBC): Thank you.

Operator: The next question is from Jamie Bajwa with Goldman Sachs. Please go ahead.

Jamie Bajwa (Goldman Sachs): Good evening, everyone, just a couple of quick questions from me. First of all, you mentioned in your press release that e-commerce was up 20%. I just want to confirm, is that just in your retail business, or is that including your wholesale business? And the second one is also relating to just your half-yearly profit number. I noticed that A&P has been reduced quite significantly. I'm just wondering in terms of how we should be thinking about this line item going forward, particularly as you are going to continue to be opening stores.

Stefano Grassi: So on the e-commerce business, it's part on the retail side for Sunglass Hut.com and Oakley.com and a portion of that resides within the wholesale side for Ray-Ban.com. So it's obviously referring to directly operated websites. In terms of A&P spending, Paolo, you might want to give a comment.

Paolo Alberti: Okay. I think that again A&P has been rebalanced out and it is obvious that we did that in order to have the right balance to keep on pushing the brands that we have. Obviously, we don't change the A&P on our license agreements because it's a percentage of the turnover and instead on Ray-Ban we did so, also including some of the lesser positive numbers we got in the sun, so I think that we did something very positive. The sun didn't come, the sun didn't help us. We lowered our spending on advertising where we could. Should the sun be there, should the sun help us, it goes back again. Luckily advertising in today's world, and considering today's economy, is quite a variable cost in our P&L. So I would not say that as a guidance for the future, let's remember for how many years we raised our A&P by half a point as percentage of sales in that. So I think that this year we able to manage it better than we have in the past, again without being negative of the past.

Jamie Bajwa (Goldman Sachs): Okay, great. Thank you very much.

Operator: The next question is from Catherine Tillson with Credit Suisse. Please go ahead.

Catherine Tillson (Credit Suisse): Hi, so I was just going back to Sunglass Hut in Mainland China. I just wanted to understand the 30 Sunglass Hut stores which were launched last year. Why did they move to Ray-Ban or franchising? Can you just give us a bit more color around that? And what should we take away from this change? And then sorry if I missed this, but could you quantify the Sunglass Hut like-for-like in North America? Thank you.

Massimo Vian: So for Sunglass Hut China, I will take the questions, only few of Sunglass Hut have been converted into Ray-Ban stores because we are concentrating our activities of conversion on LensCrafters. Actually the beauty and the power of our Ray-Ban conversion project really rely a lot on optical Ray-Ban business with prescription lenses. This is really the bet we are today winning, although it's early, in China in Ray-Ban stores.

In terms of Sunglass Hut franchising in Mainland China, we are moving some of the Sunglass Hut into franchising. We want to keep Sunglass Hut in China in the main cities, Shanghai, Beijing, while expanding the retail brand across China, building franchising models.

Nicola Brandolese: And Sunglass Hut like-for-like growth in North America in Q2 was slightly positive. I mean it's slightly positive as a consequence of the different drivers that we talked about, so slightly better traffic, good conversion, and AUR was in line with the first half of the year.

Catherine Tillson (Credit Suisse): Okay. Thank you.

Operator: The next question is from Chiara Battistini with J.P. Morgan. Please go ahead.

Chiara Battistini (J.P. Morgan): Hello, good evening. I just have two quick follow-up questions please for me. First of all on the like-for-like for the quarter, if I understand correctly, that should've been negative at minus 0.3%. But from your slide on page 26, I see all the banners in positive territory. So what am I missing that is driving the like-for-like for the overall Group to a negative, please? And the second question on the gross margin for the first half that was down almost 300 basis points, would you be able to provide more color on what the drivers of such declines between pricing measures, forex and other drivers there that have led to the decline, please. Thank you.

Stefano Grassi: So I would say both of them. I think, as we said before, Oakley retail and the negative comps in Hong Kong are the drivers. With respect to gross margin, I would say a couple of things, probably the worst and most important is the pricing impact. As you might remember, our price adjustment, our price alignment, it was taken during second half of last year. So we haven't anniversary that yet during H1 this year. So that is obviously taking a negative impact on the AUR, average unit retail and obviously that close into the margin.

The other impact is related to the industrial cost that in the first semester, excluding currency effect, hasn't helped us. And I would say really a combination of a couple of things. One, we are producing richer products for our collection, richer and more complicated products. Secondly, the cost absorption year-over-year has been a bit more limited than what we've seen in the past. And thus the combination of the two creates that gross margin impact that you've seen for the first six months of the year.

Chiara Battistini: Okay. Thank you very much.

Stefano Grassi: Sure.

Alessandra Senici: So thank you Chiara, thank you, Stefano. Thank you all. It has been a long call. We thank you all for staying connected and for listening and we wish you all a great summer. Have a good evening. Bye-bye.