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PRESENTATION

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(presentation)



So with Francesco, we are very happy to welcome you at this first Capital Market Day of EssilorLuxottica. I know it has been a long waited event. It's now happening, and we are very happy to be with you today, Francesco and I, so we can deliver the vision we have and explain to you how we are building EssilorLuxottica.

So before we go there, I would like just a few reminder on how and why we are building this EssilorLuxottica company.

We are in a EUR 100 billion company market, industry, very fragmented, still in the early stage of development. And at the same moment, today, the needs of the 7.4 billion people on the planet for better vision and protection and style, it's more than EUR 300 billion. Does it work? Okay.

So we are in a EUR 100 billion market, right? At the same moment, the need of our colleagues, the 7.4 billion on the planet, it's EUR 300 billion to see well, see better, protect their eyes and are -- look great and have a look -- style.

So what happened? We need to transform this industry so we close that huge gap between what the industry is doing today, is delivering to today to consumer and the real need today of the consumer. And in order to do that, we need a strong leader. And EssilorLuxottica is that strong leader that will transform the industry. And you will tell -- we will see how we will do that.

On top of that, we want EssilorLuxottica with a strong purpose. As you know, we have the clear ambition to eliminate poor vision in one generation, 30 years. Today, 2.5 billion people, they don't see well and they don't have access to any product to -- and then to see well.

The good news is that now we have a plan. And last Tuesday in New York, site for the General Assembly of the United Nation, Hubert and Jayanth, which is somewhere in the room, they delivered this plan. It's a EUR 14 billion plan that we need to collect, gather, collect all the resources with partners, government, insurance company, all the player in the industry. So in 30 years from now, we could be very proud. The young generation will be very proud that everyone will see well on the planet. So that's the main rationale to build this strong leader, EssilorLuxottica.

So now it's -- we started this journey 1 year ago, 1st of October last year. What have we achieved since that moment? If you remember well, at the beginning, the model to combine the company was to keep the 2 stand-alone company operationally independent and, through the integration process we have built, to start to build the initiatives and action plan to deliver synergies.

We said at the beginning it would be EUR 420 million to EUR 600 million synergies in 3 to 5 years, and this is happening. And Pierluigi and Eric Leonard, they will show you with some business manager which are here in the room how it's happening.

We confirmed those synergy in March. And then we realized that really, to unlock the full potential of what could be EssilorLuxottica as far as value creation, in the spring, in May actually, we decided that we need to accelerate the unification and the integration of the company. And this -- at that moment that we're -- Francesco and I, we have been given the mandates to do it in 12 to 24 months from now. So that's what we are working on. You will see as well that there's a few decisions that had been taken to move in that direction, and that will be at that moment the full potential will be freed when we'll be successful in that.

At the same time, we have continued to implement the synergy of EssilorLuxottica, the growth synergy of EssilorLuxottica with acquisition, organic growth, innovation, go-to-market and so on. And the highlight of the first half has been this project of acquiring GrandVision that I'm sure you mentioned. So at the same time we are building EssilorLuxottica, we continue to deploy access and product so the consumer and our customers are satisfied.

That's the 2 main opening comment I would -- I wanted to do. And now we go to this vision. So Francesco and I, we will share with you the vision we have on how we want to build this strong leader that will transform the industry.

Francesco, I think it's yours.

Francesco Milleri - *EssilorLuxottica Société anonyme - Non-Independent Director*

Thanks. It's not working. The other one. I have to use this? Okay.

So thanks for -- to be here. I'm really proud and happy to have so many people listening on what we want to do and to listen to our dreams and also to our result. I try in 5 minutes just to bring you into the future of our company. Sometimes, you will feel that we are too much far away, but it's not in this way.

We started many years ago thinking about the future of this industry. We have now in place a wonderful strategy that is working very well based on small or major acquisition, new products, new technology. And since the last year, we believe really that they could last forever.

Then we start thinking in a completely different way, looking at the future in maybe 5 years, 10 years but also maybe just in 2 or 3 years. And we started all together imagine what can happen and how we can prepare the company and how we can extract value from this new vision.

A question, I think, sir, could been -- can be natural: Why you won't -- can't -- change your strategy that work -- is working so well and worked so well in the last 50 years and not stay on this strategy and continue just improve?

To give an answer, I just start with a picture that show you the evolution of the market in the last 10 years. I selected 10 years, but if we look at 20, 30, 40 years, nothing is really different. 10 years give you the clear understanding that nothing happened outside the market. But any dynamics are inside the competition.

We go a little bit further. We had a little bit more than what we have right now, but we are positive, and we believe that we'll get there.

But this picture of the market tell you many things, things that you can see and, what's more important, things that you cannot see. What we can see, that is a leader that is 20x bigger than the first follower. Then there are many players that are not full optical players, but they behave in a -- and act in a totally different market and complementary the business with Optical, Walmart and Costco and many others. Then you can see a pure player like Fielmann or National Vision, but they are not global.

So the first things that we understood looking at this clear number is we cannot compete in the future with the rule that now we have in the market.

First, we are too big. Second, we have to take the responsibility that to be so big give to us. Second thing that we understood looking at numbers is what you cannot see here. After 10 years but also after 20 years, you cannot see any players growing to a large dimension. And we are looking at the market that is growing EUR 3 billion to 5 billion per year.

And so we said that what happened, why there is no one that can catch all this value and become maybe EUR 4 billion company up any -- all the other markets. Sports, you have 2 leaders, Nike and Adidas, and you see from out of the blue Under Armour coming there in the market and become EUR 3 billion company. Not happened here.

So that means that all the growth is based on huge fragmentation of the market. Every year, we see thousand and thousand new players, very small, coming to the market and taking a part of the behavior of demand.

So that for us was, I don't know, something so clear that we had to change our strategy. Acquisition, there is a room for acquisition, but we don't know how long it lasts. Small acquisition are becoming very expensive. It takes a lot of time. Improving quality and taking more market share can work, but you are going to compete with a small single company that really has to defend their market because the market for that company is a lie.

So we are thinking we'd move to a totally new approach. And so we move. And you can give me the next slide.

Thinking of the future not anymore as EssilorLuxottica -- as a company focused just on brand. Product, technology remain as our pillars, but we think anymore to Luxottica as a huge network that can connect all the players in the market.

We already started this journey. This is not just a far -- a future in 10 or 20 years. We already started and implemented many application, digital application that are linking many operator of the market. We call Luxottica for consumer, we call Frame Dream, we call STARS and many but at the end are all the same things. It's a digital platform, can connect all the players in the market, sharing value, sharing product.

What we see in the future, that really the rule of this market will change totally. We see that the way the single stores or players will change, behave and target. And what more, that they can access through our network to really huge services, assortments without all the risk connected to inventory obsolescence. And then we can go with the last one.

And so we arrive to a clear idea. It will require a lot of investment in the future. But what we believe is that thinking as a collaborative market much more than as a competitive market, it can bring a huge advantage to everybody.

Last point, just to be really --to go to money, what we can get from that. You look at our merge. Two company can merge like Essilor and Luxottica, and you can estimate EUR 600 million synergy just because you see a huge duplication in the 2 company. When we think an eventual merger with GrandVision, you see synergy just because GrandVision as our company has an inventory, an obsolescence system, warehouse, labs.

Think for one moment. If we can do the same full integration, linking together 400,000 players in the market, no more of obsolescence in the world, no more small assortment, poor lenses, nothing that now a small competitor has to experience because it's not easy to get the best product and services everywhere.

And the second step of that is not just to provide network and connect the players in the retail. But we believe in the near future, we also can connect all producer, people that won't start with a new product, delivering all the capability that we have.

If we think in a world that is collaborative and not more competitive, this could be done in an easy way. Open our capability, open our R&D, open our delivery power to everybody, everybody can access and use this network, catching a part of the synergy.

And we arrive at the last things that we are talking a lot about. This huge amount of money that can come from eliminate the inefficiency of this market, how we are to use? The answer is back to our dimension role and also our mission. See more, be more. Take time, we believe that our company has to get the synergy that can be enough to run this entire platform, huge platform, then to deliver a part of the synergy of our partners at that time so they can improve their products, they can improve their services. And the end, the most important part, that what we can deliver, we will leave to find a customer.

So our idea when we see better, do better, live better is something real, that is concrete, is something that we can deliver. And at the end, then we can have a better market but also a better world. Thanks a lot.

Laurent Vacherot - *EssilorLuxottica Société anonyme - Deputy CEO of Essilor*

So obviously, when you want to build that strong leader that will connect one way or the others all the player of the industry, the hundred of thousands of optician, optometrists, small labs, small wholesaler and so on that will be attracted by the proposition -- proposal from EssilorLuxottica, there is 2 things on the top we should do. Number one, the innovation. So as you know, it has been at the DNA of both Essilor and Luxottica in the past and probably one of the reason for the success. It will continue to be so. It will continue in a different way because when I see the team, and you will see the presentation from Federico Buffa and Norbert Gorny, working since now 1 year on what is the next level, next generation of eyewear, what is the next generation of eye exam, what is the next generation of what's happening in store, what are the next -- how the digital world could help consumer to see better and find the right product, you will see how amazing the potential for future innovation is. It's a little bit that we have done nothing in the last hundred years. It's a totally new dimension. So that's very important. And even more important, that innovation, as we did in the past, will be open and available to all the players. So the one which are interested, the 500,000 one, they will be interested to be part of that journey. And so they will deliver better product in a more efficient way to their consumer.

The other thing we need to do, because it's a long-term journey, it's a long journey to get there, is to be sustainable. What does that mean exactly? We want to do thing right. When you're the leader, when you're driving an industry, accelerating the growth of the industry, you're very visible,



and you need to do the things right: principal value, sharing the value creation. As you understand, this value creation could be huge once we have unified the company, once we have executed that strategy. Once we will have continued -- complement the network with acquisition and with partner coming in, then we need to do right and we need to share the value created first for the consumer because I'm sure all of you, you believe eye care, eyewear is too expensive, is too cumbersome. The consumer journey is not attractive. And that's why you don't go so often in a store to get an eyeglasses. And that's why we see many, many of you with no eyeglasses. At the moment, we have the blue light in the sky, on the roof damage your eyes because you don't know or because you don't want or because it's boring to go to an eye doctor, some eye doctor. So all of that we need to transform, and we need to reinvest part of the value we'll create for you as a consumer in being more attractive with a solution we can provide to you. We need obviously to be -- to share that value with all the stakeholder, shareholders, employee that are part of that journey and make it happen.

So that's basically the 4 pillars on which we want to build this EssilorLuxottica as a strong leader, accelerating the development of the industry and solving the issue of provision in the next generation. Thank you.

Now what will we do this afternoon? We will do 3 things. You will have Chiara and Grita that will explain to you the dynamic of the market and the potential of the market. You will have Paul that will explain to you how this unique asset we have in EssilorLuxottica will be helpful to transform the industry. So how will it happen? And maybe the most important part for today will be led by Eric Leonard and Pierluigi Longo and many managers, business manager who are around that you will discover or you already know about what's really happening as far as the integration process and synergy. And they will explain new, fantastic things. So that's the 3 things you should remember for this day. Thank you.

Chiara Occulti

Thank you, Laurent, for the introduction. Welcome, everybody, and good morning even from Grita and myself.

So the intent of the next 15 minutes is really to lead you through our perspective and our vision on the industry, specifically connecting with like the key category drivers that we've been identifying. Some of them are linked to the, yes, I would say, some demographic evolution. So there are more secular trends, if you like, that play in our favor; lifestyle changes; and then like more interesting, I would say, probably the 3 drivers that we feel are really our interpretation of the industry and the way we can disrupt the industry. Specifically, we are going to talk about category underpenetration; we are going to talk about branding and premiumization; and last but not least, about retail transformation.

Starting from demographic and lifestyle change. I think you are all familiar that in the past years, there has been an incredible growth of the middle class. In the past actually 9 years, that the middle class has been almost doubling as a percentage of the total population. And clearly, the bulk of that is coming from people living in Asia. So today, we have more than 50% of the middle class population that actually do live in Asia.

The trend won't stop. We feel that in next 10 years, the trend will continue. And in 2030, we do expect to have almost 65% of the global middle-class population to be living in Asia.

As you can imagine, that's definitely a trend that plays in our favor because middle class means people that have different level of education, people that have different level of accessibility, people that like look at wealth and well-being with totally different eyes and even look at brands and style with totally different eyes. So it's something that is definitely positive news for us.

On top of that, we know that our lifestyle is changing. We live definitely more indoor. We are definitely all exposed in -- for a long part of the day to screens. We have some genetic transformation. And all of that is increasing the percentage of people that are suffering from myopia. Based on our expectation, in 2050, we are going to have 1 out of 2 people globally that are going to suffer from myopia. And on top of that, if we look at the percentage of eye myopia sufferers, we see that, that percentage is growing more than proportionally. Unfortunately, we know that eye myopia may lead to very serious eye disease, including blindness.

Obviously, at EssilorLuxottica, we cannot stand still on this point. And actually, later in the presentation, you will see as we want -- the way we want to tackle it, especially in China. That is clearly within the total Asia one of the country where this is becoming really an issue, and Eric will lead you through that specific session.



Obviously, thinking about aging population, we know that's something that is happening worldwide. And again, like the use of screens, that is impacting even presbyopia. Today, we know that like 40% -- 30% of the population aged above 40 years old, so 1 out of 3 of the 45-year-old people are suffering from presbyopia or have first sign of presbyopia. In 2050, this percentage would rise to 4 out of 10. And actually, the age will decrease from 45 to 40 years old. So we are probably facing early signs of presbyopia even at 40 years old. Again, I think that's something that plays in our favor, like -- and obviously, it's something that we want to act against.

Grita Loeb sack

Okay. So I hope you're not too depressed now knowing that 4 out of 10 will be presbyopes or 1 out of 2 will be a myope in the future. But I think as Chiara just has shown, there are lots of demographics and lifestyle changes that are really playing in the favor of our industry.

But you're going to ask me what about today. So today, what is the situation? And you've seen this chart probably before, but we believe it's really important to highlight it again.

Out of the current population of 7.6 billion, 60% will require vision correction. But only 43%, so pretty much 4 out of 10, who should be corrected are corrected today.

So the obvious question then is why are 2.6 billion people who should be corrected not corrected? And there are many reasons, and we're going to elaborate on some of them.

Of course, access, education, awareness. And also, not seeing well doesn't actually hurt, right? It's not like something you can immediately feel and you run to the doctor. But you know that not seeing well does, of course, impair your lifestyle, your education and your quality of life. And also, you would probably think that most of the uncorrected are obviously in Asia, in Africa and in the Middle East, but please remember that we estimate there to be 60 million people also living in Europe and in North America who today should be corrected and who are not. So that's on the first part, which is correction.

If you then look at the protection part, and all of you here are exposed to blue light, UV light, everybody here should be 100% protected, should be wearing sunglasses, at least sometimes, or blue light protection. And today, only 18% of the people are wearing sunglasses. And who better than EssilorLuxottica with the power of the brands and the retail can develop this market.

Another way of looking at it is looking at today the categories that we have. And this chart shows you category global penetration, different ones from polarized to blue-cut, to the progressive ones. So comparing our global penetration to the best-in-class country penetration. And again, there's no really any reason here why in some parts of the world people should not be wearing the blue-cut penetration to the same level of the best-in-class country. Remember also what Chiara said, the myopia evolution: The more myopes -- the more myopia needs you will have, the thinner you will want your lenses to be to correct it and to have an aesthetic look.

Similarly, progressives, yes, if 4 out of 10 people will need -- will have early symptoms of presbyopia, again there is no reason why in many parts of the world, including in Asia, the penetration cannot go to as high as it is. Here, the example is of France of 36%. All of this makes us believe, of course, that the industry still has a lot of potential.

And then this is one of my favorite charts, and you've seen -- some of you have seen it before. But there's absolutely no good reason why people should be spending in the long term 3x more on their teeth than on their vision or 4x more on their shoes or on clothes.

If you think about it, vision is the #1 sense. It's the most important sense of them all through which, by the way, you perceive 85% of all of your perceptions come through vision. So we really believe it is really up to us to make this happen.

But of course, we need to do some things, and Chiara will now talk to you about one of these levers that can help us develop the market, which are our brands.



Chiara Occulti

So we know the journey that we've been going through with the brands, both on the lens side and on the frame side. Like in the past 20 years or so, they've been driving -- like with the change in consumer attitude and consumer mindset, they've been driving premiumization, they've been driving value into the market, they've been driving purchase frequency. Clearly, that's thanks to technology on one side, by an awareness on the other side, but even like to all the work that we've done on the frame side, for example, to really move from more functional need to a lifestyle need. So from being a kind of tool to react against an impairment to an accessory.

Clearly, all of that has been a journey that we've been living through. And clearly, the -- both sides like have been benefiting from that. We expect the journey to continue and even more, if you like, together. Clearly, the brands remain very powerful in even today's society.

And consumer are evolving, and the purchase cycle is evolving, the consumer journey is evolving. That's why there is a need even for the distribution channel to adapt to the new consumer journey. You will hear more about retail transformation from Grita afterwards. But even like in Paolo and Norbert and Bernhard speech later, you will see how we do expect our retail to be a -- to transform to readdress this new consumer journey.

There are lots of questions about role of brands, especially when we think about the new generation. Frankly speaking, we believe that brands will remain, both on the lens and on the frame side, a key catalyst of growth for the future.

It's important clearly to evolve the way the brand communicate to consumer. Like back probably just 5 years ago, brands were used to tell consumers what to do or what not to do. Clearly, that's probably no longer the right approach for the new consumer. Like they want to have conversations. They want to have 1 month, 1 relationship with a brand. They want to say like what they think to the brand. And so it's important in the evolution, our communication strategy and the way we are building our brands to always keep these in mind.

And more importantly, especially for teen -- the youngest generation today, it's important -- understanding their needs. So what they are looking for from the brands, but even more, sharing their values. We know that like for the younger consumer, values is probably one of the most important thing they look at when I think about brands. And like they look for brands that really show their value. That's why I think it's a rallying cry very much, especially in the last few days, sustainability like the ecosystem and the environmental issues that we all need to face. Clearly, that is an important topic that we are all working against. You will learn more, but clearly, that is a journey there that we need to keep having in mind.

And clearly, I think like it's important having our own point of view. So the brands needs to put their (inaudible) to say what we feel like the values are, the needs are and like amplify what we're saying to be relevant, to be visible and, going back to what Grita was mentioning, to secure that people consider like eyewear and eye care as important in their life as they consider shoes, apparel and feet. And probably, it's definitely, for the time being, more relevant than eyewear and eye care.

Grita Loeb sack

Okay. Thank you. But of course, brands are not enough. And the brands of our lens brands, our frame brands or our retail brands will not do the job to grow the size of this industry. Access is absolutely fundamental. And as you can see on this chart, the retail density, so the number of inhabitants per store in North America and in Europe versus China, we're talking about a ratio from 1 to 3. So if there are 7,000 inhabitants in North America and Europe per retail store, this goes up to 20,000 in China and as high as 80,000 and 40,000 in Africa and in India. So obviously, if you don't have access, it is very, very difficult to equip -- to raise the awareness. And just opening a store, by the way, isn't enough either because you need those famous ECPs, the eye care professionals, because you need optometrists, you need -- in order to prescribe the exact need of what they need, the fitting, et cetera, et cetera. So all of this is a complex journey that is not as easy as just buying apparel shoes of yourself. And of course, we're working also on technologies of making some of these things easier online. But first and foremost, creating access is absolutely key. And again, we and the industry here can play a critical role.



When you look at also the fragmentation of this industry, retail is fragmented and independents account more than 50% -- 56% of the total global retail. In some regions, this goes as high as 90% or 80%, yes. So it is a very, very fragmented market, and Francesco was making allusion to that earlier on.

So we're also seeing, of course, some very important trends in the retail experience overall. So as I just mentioned, the independence are still, of course, by far the largest part of the market. And there, we see trends of doctor alliances like our Vision Source, just one example, where they create alliances and groups, specialists and specializing on vision care. So this is a very, very important trend in which we play in.

Then, of course, you have your multi-brand retailers. We have our own with LensCrafters and Sunglass Hut just as an example, but there are many others out there also playing at different price points.

Then you have like many other major brands, what we call the mono-brand omni channels, which, of course, have wholesale, retail and online, with always the attempt to make the customer experience as seamless as possible, and the Ray-Ban brand and Oakley are just an example.

But then you also have upcoming new brands like the (inaudible) in China or some of our competitors JINS in Japan and OWNDAYS, and there are many, many other examples, who are really becoming also brands in their own right and which have, in a way, disrupted a little bit the journey, the customer journey.

And then very important, last but not least, the pure online players, and we have many examples here within the group. And in some markets like the U.S., we already know that 10% of the prescriptions can be bought online. And the interesting thing in the online is that the repurchase rate is actually higher than it is in physical stores. So again, the online part is still relatively small compared to other categories that you could think of, but it is, of course, increasing and will continue to increase.

So the overall message here, I just want to say, is retail will improve the customer experience, and this will be absolutely fundamental in creating this desire and the need and making it from a dysfunctional purchase to actually one that you want.

So to sum it all up with Chiara. So in the 10 minutes that we had with you, what we want to give you as an outlook is, of course we're expecting the industry to continue to grow at 3% to 4% per annum as it has, but we fundamentally believe that the changes in demographics and lifestyle changes that we mentioned at the beginning, that the overall underpenetration, i.e., the number of uncorrected that should be corrected, the number of unprotected that should be protected and, within the categories, overall branding and premiumization, I think the share of voice of the optical industry is still relatively low, I think all of these different players will help to create the awareness and the need. And then, of course, the access and the retail transformation make us believe that this industry, and Laurent was alluding to that earlier on, should actually be 3x the size that it is today.

So with that, thank you for your attention from both Grita and myself, and we now hand it over to Paul du Saillant. Thank you.

Paul du Saillant - *EssilorLuxottica Société anonyme* - Deputy CEO

Do I have the mic? Yes, I have the mic. Good afternoon.

So I am very lucky because I am going to share with you in 10 minutes, which is challenging, how powerful and unique are the assets of EssilorLuxottica. And as I do that, I will also highlight for you 3 disruption in the market for which those assets are unique to make them happen. And you will see that this translate very well into what the team after are going to explain to you about what we are doing. It also tie extremely well into what Laurent and Francesco gave us as our vision for the industry and for EssilorLuxottica. And it ties very well into what Chiara and Grita showed us on the market potential.

So bear with me. This is key to unlock the growth of the market for EssilorLuxottica to accelerate in this market and develop significant efficiency in the entire industry and in the company.



So we are a very unique player. We are a unique player, first, and you keep that in mind through all of my address because innovation is embedded in all of what we do. As it was said, Federico, Norbert and many of the team will show you this innovation everywhere.

And the second thing also which is embedded in everything we do is the digitalization of the company So keep that in mind.

The first uniqueness is the global reach of EssilorLuxottica. You know that very well. These are the 12 key countries, top countries for EssilorLuxottica. Well balanced geographically but still underbalanced in the fast-growing market.

And when we will add in the future GrandVision -- sorry, yes -- we will go to EUR 20 billion. Like it was showed by Francesco, we will rebalance our U.S.-Europe footprint, but we will still be only 18% in the fast-growing market. So we are very global and the most global actor in this industry. Still not where we should be in the fast-growing market. I'll get back to it later.

Second key asset are, of course, the brand. But what has been achieved through the combination and through the bringing together Luxottica and Essilor is unique. You have the most powerful frame brands, and you are the most powerful lens brand. And in that, you also have brand in the entry part of the market all the way to the premium. So an assembly of powerful brand, allowing to address all consumer needs everywhere. And some of those brands are already starting to carry together the frame and the lens like Ray-Ban, of course, like Oakley, like Costa. I could go on. So that's why I positioned them in the middle. So second highly powerful asset is the brands. And you knew all of that. Well, maybe nothing new.

Third is the go-to-market. The go-to-market, we -- it's -- I have just a quick run through it. But what is the uniqueness of it is to be, at the same time, direct and indirect. At the same time in retail, online, but with a very important wholesale activity.

So first, we have our own retail, 11,000 store that it was shown. Second, we have 7 online banners at work today in the group. Third, we have in the U.S. managed care activity, very key in the strategy and in addressing the consumer, the market need. Fourth, completely different angle, we have developed already, and Jayanth is here, he'll talk about his merged (inaudible) eye, increases business model, 12,000 local entrepreneur in India, in Pakistan, in Indonesia that are addressing the entry need for good vision. Fourth and most important or equally important, we do business with 400,000 independent retail actors throughout the world. So we are connected in parallel to our own direct activity equally through all of the markets like it was shown by Francesco and Laurent.

So this go-to-market that you have in front of you is unique in the industry and gives us a fantastic platform to address the new transformation of the consumer journey. I will get back to it. So that is the full picture. When you add -- or when we will add in the future GrandVision, you add 2 online banners and 7,000 store mainly in Europe and in South America.

Next amazing asset that Giorgio Striano later on will talk in more detail about is the supply chain. And the supply chain in this industry is highly strategic. But now today, we have, and I did -- I would say in a provocative manner we have 2 supply chain. We have a supply chain world class on frame with manufacturing. Anything you want to manufacture in frame, Luxottica is the best in class with a very robust and globally deployed supply chain. And Essilor is world-class lens manufacturing platform all the way into the very local reach.

I won't go through the number, but you can see 270 million pair of prescription lenses, prescription eyewear per year, massive, through -- being deployed in service through close to 500 local service point. 170 million pair -- not pair -- frame sunglass or optical frame. Massive supply chain, highly deployed. But those 2 supply chain are in parallel, okay? There is some [flaps], but the optimization potential is very significant.

And the last asset I want to highlight to you, often we don't talk about it enough, are the 150,000 people of EssilorLuxottica. This is, in this industry, an amazing group of people that have all the competency, from research to manufacturing, to distribution, to marketing, to sales, to support, to the digitalization, IT. You name it in the house, you have all over the world a group of people well connected, working well together more and more that are the heart of those assets. And I went through then -- they are competent, they have a lot of diversity, they are globally deployed, they are entrepreneurial, they are responsible, and they share into the value-creation model.

So what I want to leave with you now is 3 very simple ideas. When you combine those assets, you can do 3 things in a totally new way versus what we have been doing in our industry so far. You can combine the frame and the lens in the innovation. And Norbert and Federico are going to take

many examples, but also Arnaud when he talks to you about the new paradigm in instruments or when Eric Thoreux talk to you about myopia. So the whole innovation platform of EssilorLuxottica is under transformation by the fact that now we can play with the frame and with the lens at the same time in many different aspects and that there is a digitalization network in this part also.

Second is the consumer journey. It was already mentioned by Chiara and Grita. You saw those assets. So first topic is: Are the people aware? No, they are not aware to take care of their vision. There's a lot on the left part of this slide, talking about creating the awareness.

In the middle, you have this idea that Bernhard Nuesser and Paolo Alberti will talk to you later about, that the consumer experience in the store or online is completely changing. And the group is at the forefront of it, but it is just starting to happen.

And on the right, you have the accessibility, which is becoming, first, has to stay very segmented, has to be deployed at all price points for all type of consumer and has to be providing an omnichannel experience. And when you look back into the go-to-market assets of the group, you can see that these assets allow this to be envisioned.

And the third disruption transformation in the market is, of course, in the supply chain. We now can take the full supply chain of frame and of lens and progressively, over the next year, decades, bring it together. It's a massive transformation. And the good news, in a way, is that it is not just a 5-year topic. We have things to do now, the next 5 years, the next 10 years, the next 20 years. There is a full transformation of the supply chain, moving from 2 supply chain, not much digitalized. It was like, as I've said, a lot of inventory, a lot of returns, a lot of parallel flow, a lot of sites that we are going to bring progressively together. And as we do that, we are going to go to a full job model. We deliver today only 17 million of our jobs as a full payer for own retail or online. That should move pretty fast to 50 million-plus in the years to come, and that will be sort of bringing together the DC, the manufacturing, the lab.

So I wanted to show you those very powerful assets, lay in front of you the 3 disruptions that are happening in the industry and at which we are in the center. And those are going to allow us to unlock the market -- growth of the market, sell to consumer in all segments at all price points, deliver a balanced growth in value in between our direct business and indirect, but also in between our more mature market and fast-growing market, and I said in value. We will definitely increase the presence of the group in the fast-growing market. And in the efficiency part of the company, as you understood, we have quite a bit of opportunity in front of us. So this was the message I wanted to leave with you. This puts us in a very good position to address and deliver on the purpose of the company: see well, be well.

And having said so, now I propose that we move to the building of EssilorLuxottica with Pierluigi and Eric Leonard so you see practically how we are assembling the 2 companies together, starting to deliver synergies and unifying the 2 companies. Thank you very much.

Pierluigi Longo - *EssilorLuxottica Société anonyme - Chief Integration Officer & Head of M&A*

Good morning, and welcome to London. Eric and I now will start getting deeper in the integration journey that we started since October last year. We're going to have some business leaders explaining and describing the initiatives that we started and the progresses that we're making, the plan that we have for the next months.

You heard about the challenges and the opportunity that we have in our industry and the fantastic growth that we can see ahead of us in order to serve our growing and more demanding universe of customers. Our industry is changing under 2 strong and highly interconnected forces: the evolution of the technology and the evolution of the needs of our customers. But as Paul just said, we truly believe that we're uniquely positioned in order to seize the opportunities that the future will bring to us.

We have complementary and powerful brands both in the eye care and in the eyewear solutions. We have advanced technology, a state-of-the-art R&D and operation platform. We have a proven expertise in buying companies, integrating complex organization. And above all, we have great assets we are leveraging on: the human capital. We have thousands of people in our organization which are working today in order to deliver on the synergies and to reshape the functioning of EssilorLuxottica, moving from the concept of Essilor and Luxottica to the concept of a new unified and single organization, which as Francesco and Laurent said at the beginning, hopefully, will also reshape the way the industry will work in the future.

Eric Leonard

So just 1 year ago, we merged. So what we have done, Pierluigi and I, since last October, the first part was mainly around building the infrastructure of the merger. It was about identifying the key topics we wanted to work on, focusing on the quick wins that we could have but also building a common shared understanding of each company. You know Essilor and Luxottica are pretty different. Having different assets was very important to understand in depth what does that mean.

Then after the general assembly, we decided to accelerate, as Francesco and Laurent explained. This acceleration, you will see it in 2 elements in our presentation today. You will see it in the second part of the presentation when our colleagues are going to explain you in more details some of the key initiatives that we have. The second element that you will see is -- and that we are going to present now in a minute is the first key decision we made in order to build one single organization. You know that it's at the core of the process, of course, to not have 2 companies but 1 company, and we will explain you the first key steps that we have made into the direction.

Pierluigi Longo - *EssilorLuxottica Société anonyme - Chief Integration Officer & Head of M&A*

Now let's get into what we have been doing having this principle in mind. First, we had to build a process management model which could support us and the entire management team in order to track, monitor all the initiatives that we put in place.

Integration -- the integration journey is pretty complex and cumbersome. You have a lot of people. We have more than 20 work streams -- major work streams, which have been splitted in 160 initiatives, which means a lot of things to be done, a lot of people to be involved to get aligned. We have 40 top managers of the company which are fully dedicated on delivering the integration, on delivering the synergies, on improving the way we serve our customers; who will talk to our employee.

So we had to make sure that everybody was aligned. We spend our day in calls -- conference calls, meetings, exchanging information in order to make sure that everybody knows what needs to be done, what is the -- what are the targets, the deliverables, who has to do what, where. We have functions which are working in Asia together with people in the States or people working in the operations which need to get connected to our marketing team, our wholesale organization. So we have to put in place a strong model which help us and the top management to track and monitor whatever we're doing and also to take decision and to remove roadblocks or bottlenecks because they are common in such a process.

So this is important also because -- and this is a concept that we will keep stressing in our presentation. We felt the need of building a new company, a new group, a single organization, a unified organization, so having a process management tool and a model that can put us all around the same table, all around, let's say, the same initiatives is helping us to create common values and sharing information, sharing data. This is for us important, as important as the delivery on the synergies because, at a certain point, this process will end. The integration process, by definition, is an interim process, but we need to make sure that whatever is going to be built will last for longer. So on this basis, we are comfortable that the synergies that we estimated will be delivered in a nice leeway.

Eric Leonard

So now maybe a few words about decision-making process. We wanted to share it with you again because I think it's absolutely key. You understand that merging these 2 companies is a pretty large project, complex project, so it's very important to have an easy and efficient decision-making process.

So this decision-making body that we have at the core is integration committee. The integration committee is headed by our chairman, our vice chairman. They meet every 2 weeks. And in this meeting, work stream owner presents very short presentation, generally 1 or 2 slides, explaining what are the decisions that are at stake. There's a discussion and then there's a decision, so very simple, very straightforward process.

In order to make it happen -- of course, there's a lot of work that Pierluigi and I are doing to make it happen with our teams. Of course, we are in contact several times every day in order to coordinate this. But even more important, there's a lot of work from our colleagues in the different work streams that are working very hard in order to prepare this meeting and make sure that the decision are out there.

And you will see today -- and we enjoy it every day. You see the power of the people both on the Essilor side and the Luxottica side. We have an extremely strong team on both side. And it makes our life, Pierluigi and I, really a pleasure every day thanks to that.

So that's a [bottoms- up] process. We insist on this because it's important for us to have a very clear progress. Now we'll move to the first step we made to build one unified company.

Pierluigi Longo - *EssilorLuxottica Société anonyme - Chief Integration Officer & Head of M&A*

Getting back on this principle. In the last general meeting, we announced the intention to move at an accelerated pace on the integration and to create as fast as possible a unified company under the new leadership of Francesco and Laurent. In order to do that, we put in place selected initiatives which are building the new EssilorLuxottica which are very important, so key decisions that have been taken.

First of all, we need to make sure that we all feel to be part of a new group of EssilorLuxottica. For us here, it's pretty obvious. For people in Paris, in France, in Italy, in the States, we meet every day. We go to see clients together. We have a conference call. We connect to exchange ideas and opportunities. But there are a lot of other geographies where this is not that obvious yet.

So we have decided to create a single headquarter organization, so -- where we are moving in all the regions all our people under the same roof. This obviously will not happen overnight. It's an ongoing process, but we want to make sure that, as soon as possible, all our people will be seated together.

This is important. This is important to create bonding, to create trust, to make sure that our people become friends and not only colleagues. Sometimes it's possible, sometimes it's more difficult. But we need to try that. We need to make sure that this integration process will become a natural process within the organization so that the people will come up with their own idea. We will not call them integration work stream. We are going to call them idea, opportunities to be exploited by the EssilorLuxottica.

Second, we need to make sure that we speak the same language. We are working on it, and it might take some time to speak both English, Italian and French. But in the physical world, it's a story; in the digital environment, this is much easier and faster. So we are building a single IT platform in order to make sure that everybody will have access to the same information across geographies, across function. You don't need to say I'm from Essilor or from Luxottica. Whatever we have is going to be available to the entire organization, and we are going to present and deliver our services in the same manner with the same IT services to our final customers. We are going to talk the same language everywhere.

Right now, there is a pilot in Italy where 100 people are working together in order to deploy a new IT platform, working for the entire EssilorLuxottica in Italy. This is the first step, and more will come in the coming months.

Eric Leonard

And thanks to this, of course, we will also move to one single back-office activity. We have started to -- a project in the U.S. to move into this direction. We think that we should have one shared back office that will serve both the activity of Essilor and the activity of Luxottica.

Then I think we will continue to move to the single lab network that already has been indicated by Paul. Giorgio at the -- after the break will come back to this. It's at the core of what EssilorLuxottica engine is, is to have -- we want to have a fully integrated supply chain for lens and frames together. And it will give us a very strong competitive advantage and will give us the opportunity to deliver much better service and much more efficiently to our customers globally.



Then and not -- and last but not least, I think because we know that in order to build this single organization, we need to build a single culture, we need to unite all the people from Essilor and Luxottica. And one very concrete step we have decided is -- you know that shareholding has been at the core of the culture of Essilor forever. What has been decided is that, very soon, we will introduce the same program for all Luxottica employees in Italy.

So you see, these 5 decisions, I think, are really extremely important. They are the first steps in developing one single organization managing EssilorLuxottica. This single organization will enable us not only to secure the synergies that we have announced, but to go much beyond that. And that's really what is exciting for us, Pierluigi and I, is to be at the core of this process to build from the asset of Essilor, the asset of Luxottica, to take the best of both of it and to create one unique company. And this unique company is not going to be what Essilor was, what Luxottica was. It's something new, but it's going to be something extremely powerful and successful.

Pierluigi Longo - *EssilorLuxottica Société anonyme - Chief Integration Officer & Head of M&A*

So now that we give you a sense of the machine that we built and how we are building the house hosting the EssilorLuxottica, we're getting to the real initiatives that we are deploying. And we are going to leave the floor to the people which are going to -- which are working on it every day on the field, which are driving this tremendous effort. But before doing that, just a snap chat -- a snapshot on what we are doing and how we are doing. Obviously, we said we want to make sure that we are going to deliver the synergies. We're going to -- on revenues and on cost. We want to make sure we are going to have a more efficient company which is going to be able to serve our customers in a much better way.

But how we are doing that? First of all, we started from the product. We have a powerful R&D network in both entities. We decided to combine it, to put it together to make sure that we can accelerate on innovation, we can accelerate the delivery and the rollout of innovative product together. This is important because you heard about the evolution of our market, but also about the untapped opportunities that we have.

We have billions of customers which need protection, billion of customers which need correction, and we need to make sure that we keep serving our existing customer in a better way with better solution. But also, we introduced new products and new solution, which can serve people that today either they don't find what they needed just because there is a lack of access in certain geographies or because they are not comfortable with the services and the products that are offered to them. So this is our ongoing work. We need to make sure that we do not feel happy about what we do, but we keep improving, we keep evolving.

Secondly, we need to make sure that we rely on our key assets and we deploy them wherever it's possible, cross-fertilizing the organization. We have businesses where we have a brand. We have technologies which are highly complementary, and we need to make sure that we present them to our final customers in a more organized and coordinated approach. So we have teams working on reinventing the way we serve our final customers. Both on -- in the wholesale and in the retail, the language, the products, the way we approach them is going to be different because they have different needs, but we need to make sure that they feel that EssilorLuxottica is a new company.

For instance, in the wholesale, we have, as I said, moving towards a more coordinated approach where we put together all our products, services, from lenses to brands to managed vision care in the States so that our wholesale customers feel that EssilorLuxottica is a one-stop shop. They can find vision solution, they can find brands, they can find services, they can find digital platform, they can find the fulfillment services, they can find logistic. So all you heard from -- so far is something we are putting together and make it available to our wholesale customers in a better way.

On retail, again, there is another very solid and important opportunities because we own products and we own the dialogue with the customers. So we have a trustful relationship with final customer both through our retail network and our digital platform. We need to make sure that the story we tell to our customer is improved, and we can rely on the assets coming from both organization and make them available to the final customer. You are going to hear that. You're going to see what we have been doing within our retail with Transitions, but the same is happening with other.

Finally, still on the revenue synergies, we're putting product together to make better product. Chiara and Grita will tell you about it. But we have, again, brands, services. We have eyewear brands. We have eye care brands. We are putting them together in order to launch on the market new solution which haven't been, let's say, available so far or which haven't been promoted in the right way.



This is on the revenue side, but we need to improve the way we work, the efficiency of the overall organization by optimizing costs. So we are working on our supply chain. We have logistic. We have a lab network. We have our operations which are behind the scenes. Probably some of you have visited them. They are powerful, and they employ a lot of people. It's very -- I mean it's a very solid organization. We are moving them together. We are making sure that we can work in a better way together, always in the interest of, let's say, improving the quality of our services, optimizing the cost.

So the same is applying also on our support function, which are in both companies. We are studying and analyzing, and we have plans in order to put them together in order to rationalize the way we operate without jeopardizing and affecting the services that this function are delivering to the organization.

Eric Leonard

So in a minute, you will have a break. But before that, I want to introduce you all the presentation that will go just after the break. So first of all, you will have a presentation from Giorgio. Giorgio is going to talk about the transformation of our supply chain and how we are building the supply chain organization, is leading the projects together with Eric Javellaud from the Essilor side, and he will explain to you why we are so excited about that.

Then you will have Federico and Norbert that will explain you the key project -- or some of the key projects that we have in terms of innovation. And you will see they have something like 40 projects in innovations. They will just touch some of them, but it will give you a good idea of the program of innovation.

Then we will have a special presentation on instruments because we believe that instrument and especially the new generation of instrument that we are just introducing now is going to change the consumer experience quite a lot. It's very attractive, and Arnaud is going to explain it to you.

We will then move to more our branded activity, and we'll show how we are leveraging the power of Luxottica retail organization. And the example will be in Italy with Salmoiraghi & Viganò to reinforce one of the key brands of Essilor, which is Transitions. And Chrystel and Leonardo Maria are going to present this to you.

Then we will look at how we are going to move into branded lens organization and complete pair. Our key flagship product in this is going to be the Ray-Ban complete pair program, combining the power of the technology of Essilor and the powerful brand of Luxottica -- of Ray-Ban. And Chiara and Grita are going to present this to you.

Then we'll talk about digitalization. Digitalization is going to touch the full chain of -- from the consumer, from a very first interaction with our product around -- or the need of vision up to the store. And Bernhard and Paolo are going to present you all the activities that we have -- or some of the activities that we have in this field that is very important.

And last, we'll talk about China. Eric Thoreux is going to present to you how we are going to face this formidable challenge of myopia. You know myopia, it has been explained already by Chiara and Grita, is becoming a pandemia. But of course, the first country -- or the country that is most impacted by myopia is China so we wanted to focus on China and how in China we will address the myopia challenge. So that's it.

And now we have a break to relax a little bit after all this information. Thank you very much.

Pierluigi Longo - EssilorLuxottica Société anonyme - Chief Integration Officer & Head of M&A

Thanks a lot.

(Break)

Giorgio Striano - Luxottica Group S.p.A. - COO

Good afternoon, and welcome back from the break. So I will talk about the supply chain transformation that our team are starting and developing together. Since -- actually, since the first day that we got the approval from the various antitrust authorities, our team started working together and understanding each other, knowing each other and understanding and calculating what could be the synergies that we could achieve together and how to set the base for one single supply chain organization.

We structure our work into 5 work streams: sourcing, in-sourcing, processes and manufacturing technologies, Rx lab network and frame manufacturing. And it was clear since the very beginning, the high value that our team could generate together because there are so many opportunities that we will discover today that came out easily, even overcoming some difficulties due to different initial organization, a different system in place.

Let's just start with the sourcing. So sourcing is the synergies combining from -- coming from the combined spending of the overlapping categories and using the best practice applied from both parties. It's not just leveraging a combined volume spending. It's applied best practice. It's try to simplify the supplier base. It's try to look at each single process and how we can standardize or develop together a new combined solution.

So we went through all the categories from raw material to packaging, consumables, contact lenses, logistics. We analyzed each logistic route to see how we can combine and consolidate it together. We achieved a good number of saving starting -- since this year and also good projection for next year. While on the in-sourcing side, we want to maximize the purchasing coming from the Essilor and Luxottica product in comparison with the third-party companies.

So the first easy example is Rx lenses. Historically, in Luxottica lab, we used -- 45% of lenses was Essilor-branded. Okay? Today, it's almost more than 80%. Thousands of coat has been codified, industrialized, engineered, qualified and put in production. And we managed a very smooth phaseout of the old stock and phase in of the old stock already existing into our labs and we continue. So we allow Essilor leveraging the Luxottica capability in terms of frame manufacturing. I will talk in a minute about Costa or the Plano lenses manufacturing or Luxottica benefit from the Essilor special lenses. Instead of buying from third party, we buy from their specialty labs. It's not high volume in terms of quantity, but it's definitely high value, high quality and very important addition inside our portfolio.

So we analyzed the spending on those 2 categories. And in the initiatives that we analyzed, we look at the possibility to reach at least a 6% cost reduction in the categories that we consider it. So it was definitely a great opportunity that is already existing. And it's already delivering saving this year, and the same will be for next years.

After that, after material, we're also considering looking at the process and the manufacturing technologies, so sharing the best practice and combining the expertise of the 2 companies. In a typical world, there is one frame manufacturer that is designing frames, lens manufacturer designing lenses, and at the end of their design process, they try to fit the 2 products together. The magic of our group is that we've moved this activities at the early stage of the design. And therefore, when we create Oakley broad frames, Ray-Ban flat frames or iconic Oliver Peoples or Persol frames, we ask the support of Essilor to develop specific lenses for those frames, creating the possibility to have a unique single execution for the complete pair, a unique. It's not just fitting but it's perfect matching.

And we went through all the other strengths of our portfolio. So we look at the Sun Rx category, so developing the colors that are totally in line with the Plano version, offering a very consistent experience through the Essilor technologies. And we introduced already into our Luxottica lab the premium coating coming from the Essilor technology like antireflective coatings or anti-scratch coatings for a better quality of our product.

And then we went to the manufacturing equipment. One of the Luxottica strengths is to implement the automation inside our manufacturing processes. So if you go into one of our lab, it could be Dallas, but it could be the most recent one, Sedico lab, we introduced a new [Satisloh] line with block of automation. That has been designed not just to fit the new installation, but the design was to fit also already existing installation in order to be extended to the overall EssilorLuxottica networks of labs.

And finally, what is very, very important related to this chapter is the decision to adopt a common IT platform in terms of ERP, in terms of lab management system, in terms of calculator design, which will support a greater flexibility across the entire Luxottica network. So we said we'll

standardize material, already started. We'll standardize processes and equipment. We will standardize and we are already active on that standardizing IT platform. So we are creating the condition to have one single network of EssilorLuxottica lab to serve our customers, to offer the complete -- the experience of the complete job, to announce the growth of the Sun Rx category and to enlarge the offer through the integrated platform of the e-commerce consumer.

We started looking at not overall network, but we focus on the highest-value part of the network, the highest-value lab of the network, which accounts almost for 50% of the spending, okay? And we defined a set -- a very precise set of KPIs and activity where to focus on. We define best practice to share with a fine target, and we start looking every week at those targets, how we are progressing against those targets. We started consolidating delivery and distribution in order to reduce, of course, the logistic cost.

And we can use better our asset. If you look at the -- how the overall network is located, there are some areas where we can consolidate it. We're already active on that. So in Chile, Colombia and Peru, where we had double presence, we are going to have one single presence, okay, in order to consolidate our structure or using the network to support the proximity. We started LensCrafters in India. We didn't create a Luxottica lab. We are using the Essilor network in India.

We -- you know that the Australian optical retailer OPSM is supported by the integrated hub of Luxottica in China. But for the flow of frame to come or customer own frames, we use the Essilor fit center in Australia in order to reduce the time to market. In LensCrafters North America, we are making a test where we are using an industrial lab to support a proximity of around 15 stores, okay, and to give a premium service of 24, 48 hours.

So this is the utilization of the overall network. And of course, in this combined network, there is the possibility -- okay. No, going back, sorry. Okay. There is the possibility to have a better asset allocation, doing the investment where it's necessary, okay, thinking of the global network and to be much faster introducing the innovation. Very recently, last July, we introduced the latest generation Transitions Gen 8 into LensCrafters North America. We decided that we were very well synchronized in order to phase out the old product, to phase in the new product. And with the fixed date, we'll launch it on the market and we respect that date.

So optimizing those costs, of course, we have the benefit of having much less working capital. Of course, we have the possibility to have better service, faster service, better quality. And for the perimeter that we considered, we understood that it is possible to reduce our manufacturing transformation cost of 3% in the perimeter that we already considered that I mentioned, again, at least in this moment, 50% of the overall network.

And finally, I want to mention another great example of integration, that is the journey of Costa being part of Luxottica portfolio benefited from the strengths of Luxottica in terms of service and product innovation. So January -- beginning from January 1, Costa eyewear will be totally part of Luxottica portfolio. It's not just a supply chain integration. It's a full integration that goes from sharing manufacturing factories to logistic asset and also supporting the wholesale global organizations. So moving from a pure North America brand to a more global brand and being part of our assortment into our own retail. Of course, the target is to increase the sales and to double the margin because we can benefit from the fixed cost that we have already in place.

Okay. So this is already existing. It's already in place. Now we are creating the condition to support the vision that Francesco and Laurent introduced: to connect all the 400,000 doors existing in the world through the standardization and the integrated platform.

Now I leave the word to Federico Buffa and Norbert Gorny to introduce the product innovation. Thank you.

Federico Buffa

Arnaud, he forget to introduce you.

Arnaud Ribadeau Dumas

It's fine. Thank you.



Norbert Gorny - *EssilorLuxottica Société anonyme - Chief R&D Officer*

Good afternoon, everyone. Last year in fall, Federico, our teams and myself, we met for the very first time to explore opportunities that could potentially bring value to EssilorLuxottica in the future. It took us only a few hours to discover that the skills and the capabilities that we bring are absolutely complementary. And the second observation was that intuitively or consciously, we have decided on certain paradigms of innovation management like being absolutely consumer-centric that helped to exchange very quickly on the tools that we want to use to manage programs and projects together and to cut short the time to market that has become of utmost importance in our industry.

That being said helped our R&D teams to get a head start in the post-merger integration process. It helped us to build the foundation quickly to collaborate and to co-invent. And with this kind of foundation, we were able to develop 5 major strategic thrusts that we have the pleasure to present to you today, including a couple of very tangible results, partially to be live demonstrated on stage in order to show you what has been achieved after 12 months in this game.

Federico Buffa

On this super energetic and positive environment, we have been able together to identify in the past 12 months, more or less, 40 R&D major programs under a common governance umbrella, but moreover, with a high level of really co-development and co-design since the beginning from our 2 teams. With a large spread of maturity of the programs, we are a lot from the blue sky to really close to the industrialization. And today, we have the honor and the pleasure to introduce you to 3 of them that we can consider, let me say, the closer -- or the closest to the go to market, so something that really you can see tangible in our go-to-market plan in the next year. And they are also well connected with all what you have seen from a strategic point of view in the previous presentation also from the early stage of this morning.

First one is what we say addressing in a different manner a consumer experience, the consumer experience for children, okay, with a fully dedicated design, complex system. Second is the myopia as a brand-new technology. We are proud to introduce you a brand-new technology that should or we aim we can address and control and help reduce the progression of myopia technically. And you have just seen before how the pandemia especially in the eastern part of the world in the younger generations is becoming really, really tough.

Last but not least, the first simultaneous application of electronics on frame and lenses on the same system. Our company in the past was already -- we were already involved in development on frame or lens side, and here is really the first application that show us as a unique company, how we can be a really robust partner with all the electronic partnering in the world of smart eyewear and Internet of Things.

I will leave you to explain the background and commonalities.

Norbert Gorny - *EssilorLuxottica Société anonyme - Chief R&D Officer*

Prior to getting started in those exciting activities, there's one little thing that you have to match. You have to be unified. And there were 3 things that we did. First of all, we listened to each other. Secondly, we learned from each other. And thirdly, we showed respect of what has been achieved in the past and what has to be committed going jointly into the future.

By doing so, we discovered that there's 33 powerful consumer brands, one of them the most wanted in the optical industry, that come to this merger through EssilorLuxottica. There's a first-class design and development process in place to deliver frames for the applications that we have in the jewelry and luxury industry, in fast fashion, in lifestyle, in performance on and off the field, but also in more delicate applications like military services.

We in Essilor have focused traditionally on, of course, correction and prevention of eyesight, but also more and more on preservation of eyesight. Our scientists have delivered over time, and I'm talking decades here, not just the first progressive industrial design in lenses, we have developed the industrialization strategy for plastics in making lenses. We have developed most recently a powerful filtering technology for cutting off harmful



blue light. That being said has enabled us to define a couple of thrusts going forward that we would like to present to you in this -- in the course of this afternoon.

First and foremost, we are committed to develop a continuum of outstanding innovations to boost our branded categories. That goes all the way from Ray-Ban into Varilux and all the way back. Secondly, we have the means in place to unlock the growth potential in the prescription industry in sun, which is a totally untapped opportunity not really met and exploited by anyone in these days. Number three, we have the power and only we have the power to come forward with a perfectly designed pair of lens and frames. It was mentioned a couple of times by the speakers that were ahead of us, but I can tell you this is a very exciting exercise that is quite unseen in this type of industry.

We have a range of innovation that is global, which is to say we can unlock growth potential in yet still emerging markets. And finally, we are dead set to build a strong position for EssilorLuxottica in the augmented reality and virtual reality industry. By that, I think we can create unique consumer experiences throughout the world.

Federico Buffa

But to make it happen -- we can drive, but we need an engine. And this is our engine, and we are also a little bit proud of how many horsepower we got together with us. And I will really try to address your attention -- this slide from 3 different point of view. First of all, the differentiation, the diversity and the complementarity of these kits, okay? Here, you can really find scientists, style design, industrial design, product engineering and product application. So really, a diversity of skill and a complexity of skills.

The second point of view is the geographical distribution, Americas, Europe, Asia, so trying always to stay close as much as we can both on the science or academic source, what is needed, to the consumer where you stay to understand really the consumer needs. Last but not least, to stay close to the manufacturing footprint, as Giorgio just introduced to us because, at the end, someone has to make it happen, our innovation, and transform it into mass production. So staying closer to the engineering and the supply chain world is also needed, so this balance on a geographic world.

Last point of view is some numbers, 900 resources in the world that give us, enable us to release in between 10 to 12 new IP patents every month and more than 2,000 new -- total new products every year. So this balance really enable us to have the finest design, catching the last trends, having the highest and last cutting-edge technology in material process and application, but also having the right speed in the go to market to catch the wave when it's time to approach fashion or a new category like electronics or smart eyewear.

Here we are. So to be sure that all those horsepower, all those energy is addressing always and focused in a right manner, myself and Norbert, we identified what we call 5 more -- 5 direction, 5 work stream and 1 mantra, okay. So this slide is 5 plus 1. Let's say from the mantra.

Sustainability. We have been introduced by Laurent at the beginning for company has to be very holistic. And so here, we are regrouping all the contribution that the research and product development can really give to the sustainability in a coherent manner. So not only relating to look always for new material, new process, new technology, they are in line with the environmental needs and so on. But moreover also, we are introducing 2,000 new product per year. We need to take care about the go to market, but also the expiring date, so the end of life of our products. So this kind of mantra is passing through all the pillar.

While the single pillar -- and I will deep dive on the first 2 -- they are trying to focalize and prioritize each single of our 900 resources in a direction that is a common direction. So -- and you can see how they are aligned with what you've seen before. Let's start from the first one, what we call the branded product strategy. This is a complete system, frame plus lenses design. And really here is offering us to not only see a system like it was before, a frame plus lenses assembled like a spare parts from a third party, but design since the beginning, the full system, think it to the final customer and try to analyze which kind of needs, which kind of environment, which kind of attitude and lifestyle he or she can have. And you will see during the exemplification of the children brand -- children customer experience strategy.



The second one is quite easy but reveal really a big novelty. Essilor Sun Solution on one side, Luxottica on the other with sport and military performance of Oakley, with the new acquisition of Barberini with the mineral glass lenses, the top and the finest quality. So each of us is bringing to the table also in the sun plano a lot of technology and know-how about the sun lenses.

But in reality here, the -- really, the job, the difference, the disruption is to look at the consumer and try to avoid what is the compromise that the 50% of the people that are entering today in a sunglasses store they have to compromise with. So a huge offer in term of shapes, material, size, [finishure] on a sun plano lenses. But then if you got an optical disease, you have to compromise. You will never have the same level of source and same level of differentiation on plano, also on prescription. So right now, our challenge is to enable, since the beginning, all new features that we are having on a sun plano, keeping available also with the prescription too without compromising an experience of each of our customer in a sunglass store.

Norbert Gorny - *EssilorLuxottica Société anonyme - Chief R&D Officer*

Being #1 in the optical industry is a wonderful starting position to do more. But being #1 in the analog world as of today is not a good paradigm in moving into the future. We still the obligation to lead the digital transformation in the optics industry, and when we talk about smart eyewear, we talk about critical technical components but also fully developed systems. Within this workstream, we have addressed in our programs everything around connected eyewear. We are making critical contributions to the augmented reality and virtual reality world. We talk about electrochromic lenses. We talk about electrofocal lenses. All of that is combined in a workstream that has been defined between Federico and myself and resources, as we speak, are deployed to deliver.

Luxottica and Essilor, independently from each other, have gathered a lot of insight into technologies, technologies to make products, technologies to design products. We have started to fruitfully exchange between the 2 companies this portfolio of technology where you see that we can improve not just product performance, quality, but definitely also cost, thereby driving productivity in our company.

Finally, I would like to focus your attention on the first consumer segment we would like to serve as EssilorLuxottica. I'm talking children. Children are partially completely underserved or nonserved. But in the developed markets, children are offered an optical trade, quite often a compromise between lens and frame. We want to change this and we will to change this. And how we're going to do this is going to be explained to you by Federico.

Federico Buffa

That is the real first example of application that we'll be launching in 2020. So from the different angle on which you can see from a brand perspective, Ray-Ban kids, a Oakley youth or a Vogue girl, in reality behind those, you can see really different kind of lifestyle, attitude and daily activities, okay?

Try to imagine the Oakley youth, 14 years old, morning in the classroom; afternoon playing out in playground, sports, baseball or what is the preferred sport; in the evening, a challenge online, gaming with their friends on some PSP game or something like that. So those 3 kind of stuff really need: a dedicated frame in terms of fit and design; a dedicated lens design with a different field of view; a dedicated blue light protection; a dedicated grip; a dedicated impact resistance of the lens once it's assembled; and moreover also, an unallergic material that can ensure him also to use in a not proper way. So somehow, putting all together the technology that we can, for example, the ballistic performance that we got on military heading in the way in which we are hedging the lenses for the retention and all the field of view that we can imagine due to the fact that you are positioned anywhere, you can see probably from bottom to the half, you will have a different field of view also in the lens design, et cetera. So design since the beginning, think it to the final customer, can create really an added value for the consumer experience itself including the next generation.

Norbert Gorny - *EssilorLuxottica Société anonyme - Chief R&D Officer*

Building on what Paul du Saillant said earlier today, we are not living and operating in a commoditized industry. We are in an industry that is going to experience a lot of disruption, and one of those disruptions is going to happen in the field of myopia. What I'm trying to show you right now is

a scientific publication we did 3 weeks ago in Tokyo at the International Myopia Conference, where we introduced for the very first time a revolutionary technology that has the potential to help people to control their progression in myopia.

Give me 10 seconds to explain to you what causes myopia. The eye of a myopic person is not spherical anymore. It has a background on the retina that allows light to fall behind the retina. Any light signal behind the retina is a biological trigger for the eyeball to grow. If the eyeball grows, you have a self-enhancing effect of becoming even more myopic. We have developed a technology that integrates invisible microlenses into a regular spherical lens. This array of lenses manages light energy, instead of behind the retina, in front of the retina, which allows myopia to slow down. Or if we perfection this technology, maybe one fine day, we have a therapeutic lens that can stop the evolution of myopia.

Given the importance of that, I think it is one of the most important developments that we have in this global battle fighting myopia. We have it secured with more than 10 patent applications already. We have a couple of hundred children, as we speak, in clinical trials. We received fantastic responses on the efficacy of that, and we plan to do a first market launch in Asia in the course of 2020.

Finally, I would like to invite you to follow me into the digital part of our industry. We all know photochromic lenses, and we know that this is a very successful category in our industry, currently comprising roughly 150 million lenses, constantly growing with a high satisfaction rate in terms of consumers. The chemistry we deploy there will still see further and further improvements, but there are some aspects that this chemistry cannot resolve, which is partially temperature dependency or a slow chemical kinetics. The answer to that solution or to that problem is an electrochromic solution.

We have developed a proprietary technology in EssilorLuxottica that will manage transmission between 90% and 10%, meaning class 1, class 4 optical eyewear within seconds. Completely temperature independent and ready for many, many new applications that transmission management actually expects to deliver.

Federico Buffa

Naturally, managing the light and managing the filter in the quantity of light that is coming to us is becoming more and more important if you imagine the different moment of the -- your daily life. Both, if you are practice in sports, you are probably in the outdoor, you depend a lot if it's a sunny day, a partially cloudy or cloudy day. If you are getting in and out or you're getting in front of a screen, if you have to control your computer when you are running a bicycle or you have to look around, so you need to continue to change the quantity of light that you want to filter on it. The same could be for the augmented reality and the virtual reality. Managing the light behind the scene can support us also to read something in the space or to receive some signal.

So those tons of kind of application give us the opportunity right now to introduce you this technology that is a normal Ray-Ban Wayfarer, on which with a normal app, I can fully control. If I'm inside or outside, you can see my eyes or you can see no more of my eyes just tapping on the iPhone. So in this case, the transmitter is getting too dark. In this case -- I'm coming back. I'm coming back or I can only be in intermediate level, so just control. You can imagine that you can control light, color. You can imagine also an aesthetic application. If I want to be aligned with our advertiser, it will be dark. Otherwise it can be red or green or what you want. So aesthetical application...

Norbert Gorny - EssilorLuxottica Société anonyme - Chief R&D Officer

I think this was just one demonstration of what we consider tangible output of our successful collaboration in R&D. We are happy to deliver more. But innovation is not just stopping with frame and lens. Innovation, as we define it, happens before, during and after the purchase of our products. And that means we go deeply into the dispensing room. And even further, we go more deeply into the refraction room.

I have the pleasure to announce Arnaud, who is presenting to you what we envision the refraction and the consumer experience of...

Federico Buffa

Would you like mine or prefer yours?

Arnaud Ribadeau Dumas

I will keep mine. Thank you. Thank you. And I will now bring -- you've seen the power when you combine the big technologies of EssilorLuxottica together. Now let's bring it to a retail store and see what is happening in a store. Because you can have the best technology in the world, if it is not properly fitted or dispensed in a store, then unfortunately, the consumer experience is bad, and then you lose your customer. So if you are able to get a very comprehensive consumer experience, and the consumer is happy with the product but also the way he goes in and out with the best product ever, then you can increase a lot your traffic. Your conversion rates, you can convince more consumer to buy your products. You can trade it up, so you can provide much better lenses, frame around it, and you increase the efficiency of a store.

So when we go to a store, we want to make sure that we have a very important moment, which is the screening, the diagnosis and the refraction. So I want to introduce you a very unique technology, which is going to totally revolutionize the way the refraction is done in a store. The refraction works much better than the button. Yes, thank you.

So this is a technology. So now I bring you a little bit of technology, but much less than what we have seen with my R&D colleagues today. This is about the way you check your eye refraction. So in the past, we were using it very traditionally, and the precision was totally different. Now we are bringing a very high-precision tool, but we combine with the products. And at the end, it creates an advanced technology. We call it A-V-A, AVA, which is the Advanced Visual Accuracy.

What it is made of? It's first made of a new phoropter. So the one who were in the coffee break probably have seen this equipment on the upper stage, and I saw probably 20 or 25 people who tested it. So currently, there is interest in getting it. It gives you, first of all, a unique precision, 0.01 diopter of precision. And the usual precision of a phoropter has been 0.25 for years, 100 years actually. So we know that 95% of the people are sensitive to more than 0.25 diopter. So here for the first time ever, we are bringing the 0.01 sensitivity of your refraction, and you can notice the difference. So that's very specific lens components you see on the bottom left of your screen here.

But it's not enough. We are also bringing in a totally different consumer experience in the way you do the refraction, and this is actually piloted on kind of a artificial intelligence algorithm so that you are going very naturally to your exact precision. So you don't have to bother with a lot of different lenses we put on your eye, and you have the feeling that you are getting to a test or an examine and you can fail. Actually, you go through a very smooth path to what is the best, unique, precise refraction of your eye.

And we do that such a way that it's not depending on the operator. So it could be totally done by any of us in this room. With 10, 15 minutes training, we would be able to make a refraction. So that's also a way to unlock the capability of the stores in the mature market if the ophthalmologist or optometrist want to delegate the process. But you can imagine in the fast-growing market, where there is a lack of access, as we have seen very well in the previous presentations, the potential of having much more access into those countries. So these refractions all together is led to the products where we embed the best quality, and then the best fitting in the best precise lenses and the best-looking frames makes for the best consumer experience.

So we have tested it, and we have tested it both in our own retail and in our customers' retailers, and we got a lot of very positive feedback. The first one is, I got much stronger traffic and loyalty from my consumers. They want to see it. They want to test it. And you see some of the quotes here are very clear about, I trigger the interest of a consumer to enter a retail store.

The second one is the conversion rate because you can experience a real life, very precise refraction, and you want to see it on your eyes. So the -- wow, it's champagne already? Thanks a lot. But we wait a little bit. Let's continue on the trade-up and the conversion and trade-up. People are so excited about getting a precise refraction, that they are getting to get the best lens and frame combination, and we have seen a high percentage of trade-up and a better mix price in the retailers.

The third or fourth one, but it's not obvious, but the level of error is also reduced because the way you do the refraction is more natural so you don't bother yourself with too many different choices, and you get right to the point. So we've less errors, but you have less returns, you have more efficiency in the store, and you can even do a much faster refraction if you are at the peak hour or if you don't have a very skilled optometrist ready to do the refraction.

And the last one, I mentioned it, but I'm living in China, for those who don't know. There, myopia is a big issue, but the biggest issue is actually access. How can I get my prescription done? If we are able to bring that to the Chinese market and get access to the 450 million Chinese who do not have prescription today, this is a very big opportunity. So we believe it's a EUR 1 billion opportunity overall between the machines we are going to equip in the retail stores, our 11,000 stores and the 400,000 or 350,000 stores that we sell every day potentially, at the point of time, could get access to that. I'm not saying we are going to sell 350,000. I'm saying that everybody would be probably interested by having this kind of technology. Then the lenses trade up, when you sell the lenses to our -- your own customers is increasing a lot. And last but not least, the tests we have done in our retail, in LensCrafters in the United States has shown very positive result, and we are starting the rollout all over in different countries and in different retail banners in the weeks, months and the 2020 year. So that's the big power of when you get the best of the lenses and frame technologies into the best dispensing in the store is actually boosting and accelerating retail.

But that's not enough. You also need to bring brands into your stores, and that's where I am bringing to this stage and asking to see an example that is being done in Italy, where combining Transitions into the Salmoiraghi & Viganò is just boosting the sales of the company. So I'm also calling on stage now to come, Chrystel and Leonardo Maria.

Thank you.

Chrystel Barranger

Thank you, Arnaud. Good afternoon, everybody. So this afternoon, with Leonardo Maria, actually, we will present to you a very concrete initiative that has started at the beginning of the year this year to accelerate the growth of Transition (sic) [Transitions] at group retail, LensCrafters and especially Salmoiraghi & Viganò, and where we can already now demonstrate to you some business results. So personally, I will tell you why actually having direct access to consumer is a game-changing for growing Transition. Why? Leonardo Maria, you will explain us.

Leonardo Maria Del Vecchio

I'm very happy that I can explain you a real success story that we had in Italy and a real success story, not about only the product, not only the sales -- of course, we are here to sell more -- but about collaboration and integration between the companies. So I'm very honored to be here.

Chrystel Barranger

So let me remind you for those who don't know very well Transition, what is Transition. Transition is a visionary brand since the '90s. This is a brand, which is advocating that when we speak about vision, we have to go beyond correction and take light into account. Actually, we're human. We don't live in labs. We live in real life where light is all around, and it impacts our vision performance and our vision health.

This brand is offering a genius technology, a light-intelligent technology that constantly adapt to the light in which you're exposed. They turn dark outdoor, and they go back to clear indoor. At the very core of the proposition of Transitions, there is eye protection. This is a smart eyewear. This is a smart proposition for taking care of our eyes. Actually, our eyes are exposed to natural light and also to artificial light all day long. They're exposed to potential damage, and they're also very tired at the end because they have to adapt constantly. And this is a product when people wear it, where actually they declare they feel less tired.

This -- in term of business, this brand has been the champion of the category over the last, (foreign language), 30 years. Investing, partnering with everybody in the industry, all across geography, across channel with all lens caster. And today, it's a \$4 billion category. 70% of the business is driven by product made by Transition with Transition technology. And it's really an industry brand.

This brand has innovated and constantly improved the performance and set the standard. We're now launching Gen 8, which will be even faster than ever and the best performance in photochromic. Of course, we're not there yet to the electrochromic. But this one, I can tell you is beating everything.

This is, for the group already, a growth engine, and we have reignited the growth over the last 2 years. The good thing is that we can further grow with this brand and especially, if you think about the insourcing, the cross-selling and also the partner with the other brands.

So what does it take to harvest this huge growth potential that we have in front of us? This category is still only 10% penetration, which means that only 1 out of 10 glasses wearers is wearing Transition. It's pretty small. It varies across region from 2% in China to 20% in the U.S., and with some retailer already at 30%. The good news is that when you recruit a consumer, he wears Transition for light (sic) [life], he loves the benefit.

So to grow, we need to recruit new people. So we could think that recruiting new people around these clear glasses wear would be difficult. But when we test this product, they prefer it. The one challenge is that when consumer enter in a store, they trust their ECP, their eye care professional. And if the eye care professional do not recommend, they don't really try it or buy it. And that's the place where we can change the game because now having access to consumers, this is something we can change. And that what we're going to see in the example.

We can do that in the group retail, and we can also engage the rest of the industry to go for it. Actually, this is the right moment to do so. The market is ready. The global health challenge is there. People know that we're not exposed enough to natural health and that the eyes are really exposed to artificial light. When you ask a simple question to people, "Are you light sensitive?" referring to their everyday life, 9 out of 10 tell you they are light sensitive, much more than people that needs correction. So there is a need. People feel alone. And actually, they want the ECP to propose a solution. And Transition is definitely a very good solution.

The one challenge why people -- why ECP are not proposing, most of the time, they also think that it's not just -- people don't need it and also it's old fashion. So I turn to you because I know...

Leonardo Maria Del Vecchio

Yes. Here, I must interrupt you because I can be the proof that it's not. I'm 24 and I'm wearing Transition. And honestly, I love it. So really, it's an amazing product.

Chrystel Barranger

Thank you. But actually, we wanted to attack head on this challenge. And if I can have the next slide. Thank you.

So for the last 2 years, to recruit, to be in a position where we could recruit new wearers, we have worked on the brand to rejuvenate and innovate. The first thing, we have introduced a new campaign just to showcase basically how these product fit in everyday lives for people who are 20, 30. When you go out of the subway, when you want to be at the terrace, where in all this moment, where actually, it's very convenient to have your glasses adapting.

The second thing, we're introducing an even faster-than-ever product that -- with Gen 8, and that will be roll out. Last but not least, the colors. We introduced 4 colors and 7 mirrors, and this is a place where the style is also playing a big role. Because actually, it allows people to personalize their glasses to adjust -- and you know that there is a trend of oversize frame. And when you have this tendency on the optical frame and you match that with transition, you really get a special look. And the magic of outdoor having this kind of different colors is really working and recruiting new wearers. 50% of these people buying this product are new wearers to the brand.

In term of innovation -- and I know this one is also some of your favorite, we had the chance to introduce with J&J at the beginning of this year, a very breakthrough innovation, which is ACUVUE OASYS with Transition. This is the first-of-its-kind contact lens, which actually it's light intelligent. So this one is also something that you're going...

Leonardo Maria Del Vecchio

Yes. It's something I care because it's already been launched in America, and I have the pleasure to be the one in Italy to launch the Transition contact lenses for the market. So this is another step forward our collaboration, and this is another incredible project, which I'm sure will bring value to our company.

Chrystel Barranger

So once we have done all of that about the brand, the next thing, the next very important thing to unlock the recruitment of new wearers is really the conversion in store. And that's why since the beginning of the year, they have been programmed across the different group retail, LensCrafters and Salmoiraghi especially, to really reaccelerate the growth. I will leave you the floor for Salmoiraghi. I just say a few words about what's going on at LensCrafters. Giorgio mentioned it. Actually, the teams on the floor have worked pretty heavily to secure that the launch of Gen 8 would be really rock solid in LensCrafters. So they have been first to launch. And I know that they have almost doubled their growth of penetration after this launch.

Leonardo Maria Del Vecchio

And I'm quite jealous about it actually because they launched before me this time. So...

Chrystel Barranger

Yes. I'm sorry. We're going to work further. So with this, I hand over to you, Leonardo.

Leonardo Maria Del Vecchio

Thank you very much. I got it. So Salmoiraghi & Viganò, just a little overview about who we are in Italy. So it's more than 400 stores. We're growing very fast. We're very proud of it. And so really teamwork, and I'm in position since 1 year, so it's 1 year that we are collaborating together. So it's a real success of the team. I say, again, I will not be tired of saying, this is true. So high single digits, it's almost 10% growth. It's the first optical retail chain for awareness. It's 90% in Milan, but it's higher than 80% along whole Italy.

So those are our employees that were involved in the launch of Transition lenses. And our employees, I'm very proud to say, they are well trained, they are professional, and we invest a lot of time in training them because we know that trained staff will bring -- will add value, will up sale and that will really make the project make a success. That's why Transition was a -- that's another reason because Transition was a success.

And between these 2,000 people, 55% of them are wearing Transition right now, so this is an incredible, an incredible number. They're the first one to advocate for the brand, and that's how you sell more.

So knowing about -- so even the stores and the omnichannel strategy was a key pillar of success. So first of all, the advertising we made, along with the Transition team, for our store windows. Then we installed and we delivered the iPads in all our stores, and the sales associate and optometrists can show the -- how your frame, your complete pair with Transitions will look like and the benefit you will have from that. And then we contacted our best clients, our best customers, more than 120,000 people received an e-mail to benefit from the Transitions in the stores.

So those are the results. In the first graph you see, this is the single vision market right now in Italy. This is the penetration of Transition, and this is the penetration we had in Salmoiraghi & Viganò with the effort we've made. So it's almost double penetration, and it's growing 25% compared to the market.

On multifocal, we got until 35% of the total progressive lenses that we sell that are Transitions. And most important, Transitions, almost only 1 year, they got to 20% of incidence of the total revenues of lenses of Salmoiraghi & Viganò. These are really big numbers, but it's not only about Salmoiraghi & Viganò and our retail. This is happening in all our retail in around the world. This is happening in Australia. It's happening in America, as Chrystel mentioned before, but I think this is a real opportunity for all our ECPs and our wholesale customers that they can really see an uplift in their sale and a real -- like -- and deliver quality and better service to all their clients. So this, I think, for me is the greatest success.

Chrystel Barranger

So it's just the beginning.

Leonardo Maria Del Vecchio

It's just the beginning.

Chrystel Barranger

Thank you very much.

Before leaving you, actually, we wanted to leave you in the world of Transitions, so you will see something which is not an advertising, something which is an inspirational video that we have shown to ECPs to reconcentrate them on the challenge of light and the exposure of the eye, and how Transition can be a solution.

Thank you very much.

Grita Loeb sack

We are back, Chiara and I, for the second session of this afternoon. So the reason why I shared this film with you is that this session is about bringing the best of our brands, the crown jewels of EssilorLuxottica together. And you will also have noticed, after the Transitions great presentation from Chrystel and Leonardo, that I've changed my glasses. So I now am wearing an Aviator, which is the top-selling frame of Ray-Ban with Transition XTRActive, Crizal, Varilux, the full monty. I mean this is really the best yet. And to be honest with you, and I told this to some people in the break, what I love about them, being a woman and maybe for men that could be relevant too, is it sort of hides your wrinkles. So you don't see my eyes as well. But I actually find it quite useful, and they even go dark when I drive. So this is just an introduction, I think, into the section we really want to talk to you about. But before we go into the world of Ray-Ban Rx and Oakley Rx, I just want to remind you of the Essilor brand.

So again, a lot of people obviously think Essilor is the company and it is, of course, the company. But Essilor is also the brand. Is our most premium lens brand that covers all needs: correction, protection and enhancement. And as our R&D teams shared, there will also be a myopia solution very, very soon, which obviously goes into the correction part.

We estimate that the total retail value of the Essilor brand is EUR 8.4 billion, and it is growing. So very important. And we have been -- and for all of you in the room here who are lucky to be wearing a Varilux, you should be 2x more satisfied than if you wear any other progressive lens because our R&D teams have really been putting the best of their technologies for the many, many years into the Varilux brand.

Crizal, similarly, and on some of you, I can even detect of those who have the Previncia, the blue cut top technology because there's a little sort of purple reflect. So I can see it with some of you. So there are 4 -- there are 9 out of 10 users who use Crizal are very satisfied versus another one.



Transitions, I think Chrystel made a very, very powerful speech of how this brand is really driving satisfaction. And many people used to say, it's sort of for older people. I've been telling you, with this pair of lenses, people have stopped me on the street, and my 12-year-old daughter wants them. So this is about the rejuvenation of brands.

So brands are category developers, very, very important. Varilux, we've celebrated its 60 years, and the R&D teams have been evolving it ever, ever more, and there's even more excitement to come. Crizal, again, a very powerful brand as well. And also, more recently, we've invented the first lens for the connected lifestyle, which is Eyezen with blue protection. And this is very important in the decemertization of this market that Paul and many others mentioned before.

So what do we want to be? Essilor, we want to be -- we are the preferred vision brand in the world that builds, of course, on the technology brands that are so well-known to the ECPs. We drive desirability across 4 key targets. This is why the marketing, the commercial job is fun at Essilor because it's not just about the consumer. It is about convincing doctors. It is convincing these ECP, the famous eye care professional: optometrist, opticians, depending on the market. It is also about managed care, and you will see that in some markets, managed care can actually drive the category development when you look at the per capita spend that I talked about in the introduction. And more and more also, consumers. Consumers, I'll talk about it a little bit later. But Essilor as a brand is, of course, enjoys the highest awareness in the market across ECPs. This is something we measure across the globe. And we don't just want to be known, but we want to be the most recommended brand by ECPs, the most trusted, the one that sets the industry standard and, of course, that has the most advanced technology. And that's also why it can warrant a certain premium.

And this is important. Consumers also now want to feel empowered more and more. This is -- I think we're in 2019. People go online. Actually, we look at what they search online. There's a lot about the eye exam, where can I get it? Why are lenses expensive, et cetera, et cetera. People want to know more. And it's no longer enough for just the ECP to be telling them everything. Consumers also want to know it. And that's why we really believe also that the consumer awareness of our brands is increasingly important. And in this sense, this is the segue to -- and this is the segue to now the exciting part, which is putting those 2 brands together.

And now I'm very happy to hand back over to Chiara to talk about Ray-Ban and Oakley Rx.

Chiara Occulti

Thank you, Grita. So like you know, I think you've been hearing across all the presentation a touch on brand complete pair. So some of that probably is something -- is some information you've been hearing from Giorgio, from Federico even before. But now we are trying to use this session to really like tell you what are the plans that we have in place and we are putting in place in the next few months when it comes to our branded complete pair proposition. But as Grita mentioned in the beginning of the presentation, it's really putting on the table the crown jewel of the 2 companies. So there is a lot of passion, lots of enthusiasm, lots of focus on both sides to really make it work.

We know, and Grita mentioned before, about the journey of consumer. They want to be empowered. When it comes to prescription, it's a word that sometimes -- and I see some of you like wearing glasses, so I guess, you know what exactly we're meaning. It's a very complex journey. It's fragmented; there are lots of pain points; lots of step; lots of like moments in the journey, which consumer not necessarily feel empowered and satisfied.

On top of that, when you've been thinking about complete pair before, let's say, there has always been the feeling of having an assembled product. So putting lens and frame together, not necessarily fitting perfectly, not necessarily born to be one piece. And if we think about some prescription, it's even worse. The sun plano, so the sunglasses come already with lenses. And like, to put on prescription, it means getting rid of the original lenses, put on new lenses. There are lots of anxiety how the frame will look like after that work.

With the proposition, the complete pair and the branded proposition of complete pair, we feel we are going to, like, satisfy lots of the unmet needs that consumers have been looking for in the past few years. And at the end of the day, it's really like Ray-Ban offering something that is an answer for one of the most personal intimate need of consumer, that's really vision impairment and sight, with the proposition that talks about a product that was born to be like that since the beginning. So frames and lens together born together since the first step of the production journey. And we know that that's a super compelling proposition for our consumer, like when we mentioned Ray-Ban complete pair, we have like more than 80%



of consumer that will go for it. We know that consumer just one of the piece of the puzzle and of the journey. We need to convince ECP that that's definitely an opportunity for them as well, and that's where we feel that the joint forces of the 2 companies can really drive that acceptance, drive that level of satisfaction and even level of awareness about why we feel complete pair can revolutionize the market and the industry going forward.

Just look -- going back into the pain points of the process. I think it's worth looking at what's going on, on the sun side versus what's going on, on the clear side because it's a bit of 2 different worlds. When we think about sun, what consumer are afraid of, and I mentioned that before, is that the glasses that they are going to get after putting the prescription on is not exactly the one that they've seen on the shelf on its original version, that we call plano version. Clearly, that's, like, it's potentially an upsetting situation like what the work that we've been doing together, even with our R&D colleagues in the past few months, has been really to increase in a significant way the number of opportunities.

So we've been able to almost double, and that is going to be live, like starting in few months, almost 60% of the Ray-Ban sun plano frames that are going to be available in prescription. So consumer, whether they want like a mirror lens, whether they want a gradient lens, whether they want a light-tinted lens, they will be able to get it exactly with the exact same -- with the prescription that they need.

So that is an amazing step change. Together, we are like almost around 30%. So we are saying we are doubling it. And it's like really happening in the next few months. We believe that, that is going to be a big empowerment for our business and our consumer, obviously.

On top of that, it's really important that consumer have the same and can feel the same shopping experience, so there is a lot that we're doing even to understand what we need to be true from consumer but even associate point of view. We have some pilots running, for example, in Salmoiraghi & Viganò, others in LensCrafters to really try to understand what's the best language to convey to consumer but even to our associate that, at the end of the day, are really the spokesperson.

When it comes to clear instead, as I mentioned before, the situation is slightly different. It's more about how do we create the perfect fit and the perfect customization. We are in the era of customization. I think everyone talks about, like made for you, tailor-made design on your needs. That's a perfect customization that we can provide to consumer. So really, like lenses and frames that were born together to meet like the correction needs of our consumer.

And we believe -- and obviously, with the Ray-Ban logo on top that, like, for our consumer, it's definitely adding value. So all of that for us is a super-compelling proposition to drive our journey. And like just to give you a sense of how we are communicating to consumer, like our prescription journey, we can have a look at the video.

So be it for you to really say that's like constructed since the beginning to meet your needs. And as we both mentioned already, so that's really about putting on the table the crown jewel of the 2 companies where the passion, the energy on both sides of our sites. So brands on Luxottica side and Ray-Ban specifically in this case, with all the lens brands and lens technology that is on the Essilor side. That is like really a win-win proposition. That's where really, in a way, we can test ourselves and like potentially really defining what's the next industry growth.

When we think about how do we measure that, like, we have 2 different metrics that we look at. The first one is what we call attachment rate. That means the number of frames that come out as complete pairs. So the percentage of Ray-Ban optical on suns or some frames that come up with Ray-Ban lenses, whether it's clear or sun. Obviously, our intent is to maximize that. As a benchmark, we have the work that we've been doing on our retail environment right now where we stand at 50% attachment rate on our clear business and almost 80% on our sun business. Those numbers are for us, I will say the benchmark that we want to look at when we think of the broader market and so really, like looking at the ECP. And that's really, as I mentioned before, where we feel that together, like we can join forces and convince not just consumer but even ECP about the relevancy of the complete pair for the evolution of the marketplace.

On the broader discussion is instead on the sun side. That's probably the biggest opportunity. It's more of, I will say, a mid-, long-term opportunity, and it's about category penetration growth. We have been seeing during the previous presentation on the market assessment that we really have huge opportunity to drive underpenetrated category. And we know that sun prescription is one of them. It takes clearly time, energy, focus, investment to make consumer, ECP, and even sometimes doctor aware about the opportunity of the sun prescription. And clearly, we believe that

with the famous plano proposition that we've been discussing before, the power of Essilor on one side and the power of Ray-Ban brand on the other is really something that can kick it off.

In terms of timing, we are aiming at launching 2 pilot tests in 2 different geographies starting first half 2020 to really prove that all, like the assortment work that we're doing, the pricing strategy that we've been designing, the execution in-store is powerful and successful enough to reach the goals and the challenging objective that we all have in front of us. I would say that we are pretty confident and like -- but clearly, I think it's going to be a learning path, a learning journey and like that is going to be definitely the biggest opportunity that we have around the table.

That's for Ray-Ban. But obviously, we have Oakley. That is another relevant brand in the portfolio where like we've been launching sun prescription for sport performance back in 1992. So the journey there started a bit earlier, I will say. But despite that, the work that we're doing together to really -- if you've been hearing before, like to work on lenses, lens technology and clearly, on the clear side, as we've been mentioning, will help us to accelerate the path and accelerate the growth on the Oakley side as well. Obviously, our commitment there is to make sure that the pair of sun sport performance and clear sport performance frame will be kept with Oakley authentic lenses.

I cannot leave you without talking just quickly about Prizm. Both Federico, Norbert and Giorgio talked about the work that we're doing on the Prizm lens technology. It's a work that started 15 years ago, but clearly, now it's becoming more and more relevant even in the logic of the future strategies. Prizm is the most advanced contrast enhancer -- enhancement technology for sports performance. In the past 4 years, there has been a big focus even from a communication point of view. And this year specifically, that has been all about See it in Prizm to really push consumer awareness and as well as ECPs on one side, associate on the other because that's another opportunity to drive value.

Prizm delivers a 15% up-charge on the standard non-Prizm lenses, and clearly, that's value for the company. And on top of that, we've been able, thanks to the effort of the past years, to really drive the penetration of Prizm in the sun platform for Oakley. And we moved from being more than 10% to almost 60% in the past 4 years. So all of that, clearly, it's a journey that we want to keep going.

And clearly, the testimony of that, it's the last announcement of our partnership with NFL that happened just at the end of August in New York. Clearly, we've been able and we are very proud, I will say, as a combined team to change the rule of the biggest North American sport, that is really American football, like to allow the usage of visor with light-tinted lens powered by Prizm technology. So that is a massive achievement for us. I think it's the biggest opportunity like going forward.

And just like to bring you a bit in the vein what game and what that looks like, you can have a look at the video. So thank you very much for that. We'll pass the word to Paolo Alberti and Bernhard Nuesser, who are going to talk about go-to-market approach.

Bernhard Nuesser - EssilorLuxottica Société anonyme - President of Online

So Paolo?

Paolo Alberti - Luxottica Group S.p.A. - President of Wholesale

Bernhard?

Bernhard Nuesser - EssilorLuxottica Société anonyme - President of Online

We are in the unique position...

Paolo Alberti - Luxottica Group S.p.A. - President of Wholesale

To be one of the last ones.

Bernhard Nuesser - *EssilorLuxottica Société anonyme - President of Online*

Not only us but with all our team to lead the digital consumer -- change in the consumer experience for our category worldwide. So that's what we want to share with you over the next 10 minutes. As you know, why do we talk digital? Digital is fundamentally transforming and reshaping the way that you, the way that all consumers interact and engage with product categories around the world, including optics.

Let me first share some research with you. Today, when you're in the market for a new car, a new television, a new fridge or new pair of glasses, your first reaction is you go online. You do your discovery online. You go online and you search for style and fashion, product and prices, a place to shop, vision conditions.

Your online experience will be crucial in determining your choice of retail. So what you see online makes you decide where you shop and where you get your eye examination. On top of it, an emerging trend with our younger consumer groups is that basically, the in-store experience, which Paolo will share with you, the in-store experience becomes the key differentiator and the reason why you go to a store. So everything that we can do to help consumers touch and feel our product, even virtually, experience the product's virtual try-on, endless aisle catalogs, are becoming crucial differentiators. And so therefore, we need to lead in those technologies.

So these consumer -- that was one -- these consumer -- new consumer behaviors and the way that consumer interact with our category and engage more and more is, of course, great for the entire market because it drives more interest and more demand and desire for the consumers. At EssilorLuxottica together, today, we're investing in the tens of millions of U.S. dollar to reshape that consumer experience.

Let me show you a clear example from our largest market and deepest market, the U.S. In the U.S., as you know, the group has built an incredible ecosystem, an incredible ecosystem not only online. Online, we have the leading online presence, so for all consumers that come online and search for vision, the #1 website is All About Vision. Consumers that would search for fashion and style, of course, they would go to a Brand.com, Ray-Ban, Sunglass Hut, Costa del Mar. If you search for medical benefits, you will find EyeMed. If you search for lens benefits, you will find Essilor and All About Vision. So we have a unique, really powerful ecosystem online to capture demand and capture consumer attention.

We have, in the U.S., over 100 million unique visitors across our entire online ecosystem. Now contrast this with the 80 million people that buy eyeglasses every year in the U.S. Somehow, we suspect that every one of those will come at one stage to one of our online platforms. On the other hand, we have built an amazing retail ecosystem. We have more than 10,000 owned, operated, franchised, affiliated stores that are in our ecosystem.

And so how do we create value? How do we monetize this incredible opportunity? Two things: number one, we have to connect, we have to weave together, we have to stitch together the system; and number two, we have to build a unified data platform, of course, to better understand consumer needs and improve our consumer marketing.

So let me just show you on one more slide how we really do this in 3 key ways. The first key way is our web-to-store. So the key in the web-to-store really is to drive eye examination from your online assets into the stores because in the U.S., it all starts with the eye examination. So think of what we are building and what we're doing as the new Booking.com of eye examinations in the U.S.

Number two, our web-to-web connections. So here, this is all about linking, cross-referencing. And here, you have an example on All About Vision, where we get 35 million unique visitors in the U.S. every year, how contextually you see linking to EyeBuyDirect or sometimes to Ray-Ban, depending on which page you're at.

And finally, our CRM, which is all around audience sharing, consumer data and understanding and, of course, consumer marketing. You cannot imagine, and I hope I can transmit to you how exciting this opportunity is, the value creation, the monetization of that system, when it will stand and be totally complete, which should be in about 12 months from now, could potentially, in the U.S. alone, generate in the hundreds of millions of dollars of additional revenue for the group.

And now imagine the same system extrapolated to the 10, 15 key countries around the world that Paolo was presenting to you this morning, and you get a sense of the magnitude of that opportunity and the reason why we are putting so much resources into it already today.

And now once we drive all of these people to the store, what do they find, Paolo?

Paolo Alberti - *Luxottica Group S.p.A. - President of Wholesale*

I'm going to take you one step back and take you to where this all started coming, and it was actually born between operations and sales. So what was happening? They had to design products, industrialize them. This is while the catwalk was happening. Do not worry, this stage is kind of inviting, but I'm not going to do the catwalk here.

But what happens is this. All of a sudden, we were selling products, and the people look, having seen the products in store, and there was already another catwalk. So what do we have to do? We had to try to understand whether we could sell things, products digitally before they were even produced. And that's the first step towards the retail part. We kind of started understanding that it's possible.

And since pictures are worth more than a thousand words, let me show you a bit about how it was possible and how we took that and then took this idea into the stores. And so what happens is 2 great advantages. We only produce what's been ordered, and our clients, at the end, have things that go to market much faster. And so they're not getting into their stores something that is already past and old.

But then we see something else, and actually, I wrote this, citing a great advantage, "Don't convert an old store into a new old store." And I'll tell you where I wrote this. I had the great privilege in New York, thanks to a friend of mine, to see a conference. This conference was a retailer. Some of the big -- someone in the stock market. I won't tell you who they are. And the other guys were the biggest retailer in the world, which starts with an A and ends with an N. And not all of it was televised, but I started seeing interactions, and at a certain point, one of these guys, an important man, asked the guy from -- and he said, do I -- "Should I worry at the end?" And he said, "No, you should be terrified."

And so what did this guy do, which by the way, was fine? He turned his old store -- stores into a new old store. And the issue was how do we solve that problem. Well, you have to let things get really tight. And what are those things? Maybe even get married. It is the digital assets and the physical store. And once we're able to do that, you're able to unleash the power of both together. And we have some digital assets that we'll see in a minute that we give not only to our own retail stores, as Leonardo Maria showed. But also, we give to my wholesale plants all over the world. So we can call it a democratization or the democracy of digital assets. And I think I'm very proud of that. Because how would we be doing it with -- only with one or the other? It would be kind of unfair.

What are the advantages? You'll see them individually. Let me just try to explain some of the advantages. So there are advantages for everyone. The store owner or a chain doesn't have to order all the products they normally would do from me in order to have that kind of an assortment. So I think not all of you were present, but last time I said, you have a 20-meter store, and all of a sudden, you digitally turn it into a 2,000-meter store. With an assortment, it is almost infinite.

And so those infinite assortment, they haven't purchased from us, but they were able to already sell it, giving them a great advantage. At the same time, you can all show them, turn it very personal and have an ability to personalize products. And instead of looking at this vast amount of assortment, you can make one product just for you. And that's inside the store. And again, we're creating traffic for our store owners. And again, we give them that non-boredom takes them towards the

bandwidth.

So that journey that starts from within that we're able to give towards the outside world has an amazing power. I'm not going to make the connection yet that people will be able to buy in store what we haven't even industrialized yet. That's a bit too far. But if you think about it, this was not possible some time ago.

Actually, my speech concludes here. But because I'm kind of the last -- one of the last ones, I hope that I can make you smile in one way. I was born in the Silicon Valley, so I guess I'm kind of a techie, even though I'm not 24. I'm 24 times 2 plus 9. But I'm still proud I came from California. So what I'm going to do is this. If it doesn't work, well, you guys can call this and put it right down the San Francisco fiasco. But if it does work, it's kind of cool. You guys have envelopes there that we gave to you. Most of you opened them. I think maybe some of you actually pushed the buttons on

it. But this is what you actually have to do, and you could either do it -- do with the screen if it's large enough. If you're far away, worse. What you've got to do is basically open up your phone camera or -- on the Android, I have no idea because I'm -- like I'm not -- don't have an Android. But you've got to scan the QR code, which is -- if this is a phone, it's right on top here. It's not taking -- don't take a picture of it. And then look at the instructions, look at your phone, and have a smile, hopefully.

Bernhard Nuesser - *EssilorLuxottica Société anonyme - President of Online*

Hopefully.

Paolo Alberti - *Luxottica Group S.p.A. - President of Wholesale*

Hopefully. Is any -- if somebody who works for somebody, let me know. It's the San Francisco fiasco. Did it work?

Bernhard Nuesser - *EssilorLuxottica Société anonyme - President of Online*

Well...

Paolo Alberti - *Luxottica Group S.p.A. - President of Wholesale*

It's working.

Bernhard Nuesser - *EssilorLuxottica Société anonyme - President of Online*

It's working there.

Paolo Alberti - *Luxottica Group S.p.A. - President of Wholesale*

It's working. Fantastic. Have fun. Well, you can bring it, do it at home and study it a bit more, but it should work. Anyhow, thank you very much, and I'm going to pass the word over to Eric Thoreux to talk about myopia in China and then my other colleagues. Thanks a lot.

Eric Thoreux - *EssilorLuxottica Société anonyme - Co-COO & President Sun, Readers and China*

So welcome in China. And thank you, Paolo, for waking up the room because here, this is about a very serious ambition. This is about tackling myopia in China.

China is big, and they are developed and growing at a solid 7% growth. There are 950 million consumers in China who needs correction. Big market. It is already the #1 market in volume, #2 in value, behind the U.S. At EUR 11 billion, this is north of 10% of the global optical market but only 1/3 of the U.S. Why? Because this is drastically under penetrated and developed.

First, there is a lack of access. More than 50% of the population who should be corrected is not corrected yet. And it is, as I said, under penetrated, very low penetration of progressive lens, low penetration of photochromic lens, as we have heard. But also, entire categories like sunglass or branded optical frame are not really developed.

In reality, the potential of China, if 100% of the people were corrected, converging to the category penetration of Hong Kong and Taiwan, very important, I am not talking Paris, Milan or New York, converting to the penetration achieved in Hong Kong and Taiwan, then the market would be



EUR 66 billion, 6x what it is today. So you understand the challenge of Essilor and Luxottica together as a leader is to accelerate the momentum of China from currently 7% growth to 9%, 10%.

So that -- for this, we can leverage not only the usual optical market drivers but also specific one of China: myopia explosion, as we will talk; middle class boom, especially the upper middle class and affluent middle class; urbanization, especially Tier 3 and Tier 4 city, where the growth is happening today; new channels; premiumization; and the very unique Chinese digital consumer.

So let me take only myopia today to see how we can shape the market. Myopia is a pandemic, as we have said. 40% of the total population in China is myope. Why is it a problem? Well, it's 40% of the population. But if you look at the university students, it's 80% of them who are myope. You understand that this is exploding because of the new lifestyle.

Secondly, the prevalence of high myopia. So myopia below minus 6 is also booming, and this means an acceleration of the risk of retinopathy, which is a key cause of blindness. So we need to tackle myopia. And to do this, we need to understand very clearly the difference between the 2 key consumer segments: the kids and the adults who have specific needs.

130 million kids and teens below 18 are myopes. Here, the myopia could worsen every year by commonly 0.5 diopter, sometimes up to minus 1 diopter per year. So here, we need to help the optician, secure a precise refraction. Ideally, every 3 months, we'll be able to tag the progression precisely every 3 months. And here, it's less about correcting the myopia. It's really -- the challenge is to stop it or at least to start to slow it down.

For the 500 million adults who are myopes, 1/3 are living in the rural areas. Here, the challenge is to give them access to optical care, access to a quality eye exam almost independent of the quality of the optician they have to go to, and lastly, give them the proper correction to their myopia. For both myopia correction and myopia progression control, Essilor and Luxottica can give the solution in the form of an eyeglass with the proper lens. This is a major news based on all what you have heard today.

So how do we go to market for such a thing? We are not going to put the lens in an optician -- or a frame in an optician like we have always done. We need to shape the market. We need to approach it in a holistic way with some unique go-to-market. For example, we started as early as 2015 to sponsor a study with a very well-known ophthalmic officer in Beijing. This led to a recent decision of the standing committee of China to make myopia a #1 priority for the country and to ask every single local government to have a plan to cure down myopia.

Our dream at EssilorLuxottica is obviously to become the partner of choice of the Chinese government. To start, as an example, we have set up an agreement with the Shanghai School Association so that we will train the 3,500 nurses to do screening in all the school for kids. This is just the beginning. Raising government awareness is, you understand, the first step to raise the consumer awareness on the importance to protect their vision and choose the proper visual solution.

To optimize our go-to-market, we secured specific strategic partnership, for example, with Aier Hospital, which is the #1 private ophthalmic hospital chain in China. And hospital is the place where family brings their kids for their first eye exam. So you need to win the battle first in the hospital. Strategic partnership with Alibaba. Here, this is to work together on educating the consumer on the importance of good vision and the risk of myopia but also define together new business model to access remote rural areas, leveraging the pickup centers they have developed in villages with Taobao.

Being together, EssilorLuxottica is obviously reinforcing our credibility as a partner of choice. It helps accelerating the professionalization of the opticians and also win the digital battle. Traffic cost, consumer address collection, online to off-line optimization, all this holistic go-to-market is obviously supported by a joint innovation plan, like always, in Essilor and in Luxottica.

For kids, you heard Norbert and Federico present new kid frames really designed based on the needs of the kids as well as this -- I can only call it revolutionary new lens with invisible microlens, able to slow down the myopia. This is a super powerful promise for parents with only one kid, who are ready to invest what it takes to solve the future vision of their kids.



For adults, we are decommo-ditizing the market, decommo-ditizing the eye exam. The VR800, you have seen, is a precise machine, but more important, it's a machine which is less dependent from the operator quality. We are decommo-ditizing the lens. You have seen Eyezen for the young adults. You know that the presbyope myope segment is booming. And here also, we have solution with Varilux and Transition. Lastly, decommo-ditizing the frame market, which, in China, is dominating by private label optical frame, which we are, as we speak, converting to Bolon and Molsion, which means a 50% increase in price versus the normal RMB 200 to RMB 400 price of private label frame. This is -- first conversion is, again, just the beginning. This is paving the way in the future for real branded premium and luxury optical frame market.

Lastly, you have industry China and FGM, fast-growing market, in general, a critical place to win because they represent altogether 65% of the growth of the optical market over the next 10 years. And China is a big piece of it. Essilor and Luxottica together in China, this is an incredible set of complementary assets with the best preferred lens brand, Essilor; the preferred frame brands, Bolon and Ray-Ban; a unique wholesale capability able to reach up to 35,000 doors; a complementary proposal in retail between multi-brands format, LensCrafters and Sunglass Hut, as well as mono-brand formats, Ray-Ban store, Ajo store, MJS store; lastly, a unique online capability.

In a way, if Europe has been built in the past on the development of Varilux and Crizal, if the U.S. development was largely dependent on the polycarbonate lens, the photochromic and also the coating like Crizal, China future development and value creation will largely depend of the myopia battle. Essilor and Luxottica will win this battle, and we are ready to build a EUR 2 billion China business by 2025.

Thank you very much, and I will call now Hilary and

Stefano. Thank you.

Hilary Halper - *EssilorLuxottica Société anonyme - Co-CFO*

Hello. Good afternoon, everyone. So we're the last presentation before the Q&A, we promise. So today, we've heard a lot about the initiatives and opportunities we have together as the combined EssilorLuxottica. And what we're going to do now is really tell you how that translates into our financial performance.

So what we'd like to do is take a look backwards before we start to take a look forward into our future. So just to focus on the highlights from 2018, we really are moving forward with our future based on a very strong financial foundation.

So 2018 numbers: 3.2% year-over-year growth at constant currency; close to 16% margins; and a very, very robust balance sheet. That balance sheet and our financial flexibility have really enabled us to go forward with the announced acquisition of GrandVision over the summer.

And if I move to things from a more operational perspective, let's first talk about our brands. We've heard a lot today about our brands. I've seen a lot of you at the coffee break and people in the audience wearing our brands, and that's great, but not everyone, so that's good for our growth as well. But from a financial perspective, we have a number of brands that are multi-hundred-million-dollar brands, and we have also a number of blockbusters like Ray-Ban and Transitions, which you've heard a lot about today.

Innovation leadership. In financial terms, we as EssilorLuxottica spent close to EUR 300 million last year on R&D. We're one of the industry leaders here. And what does that really allow us to do? That allows us to continue to invest behind our brands, behind our frames, behind our lenses and all of the truly innovative and truly disruptive things that we heard Norbert and Federico talk about earlier this afternoon.

Developing sustainable growth levers. What are we talking about here? We need to think about our business not just from a short-term, midterm but also from a long-term perspective. So what have we done? We've invested in fast-growing markets. We've invested in e-commerce. We've continued to invest in omni-channel and programs like STARS, and we're really starting to see the benefit of all those investments coming through.

Where are we now in our investment cycle? Well, we have the myopia and myopia control initiative, which is going to create a truly novel product for consumers. We can't forget the 2.5 billion people in the world who still do not have access to vision care. And we, as EssilorLuxottica, really need



to continue to build the infrastructure to build an enduring franchise for those 2.5 billion people. I talked about our balance sheet a little bit. We can leverage new acquisitions to continue upon our short-term, medium-term and long-term growth.

And efficiencies. We have a huge opportunity here, combining 2 global leaders in the industry. And we need to continue to realize these synergies through increased simplification and streamlining of our business and also the full unification of our business. And all these things really couldn't be possible without the 150,000 people we have working at our company worldwide.

So we've talked about the past. Let's now move to the future. We have the growth ambition from a sales perspective to go from 3.2% to mid-single-digit growth. If I try and put this in a little bit of perspective from financial terms, where are we really going to see this uplift coming from? If you think about our growth algorithm a little bit, about 3/4 of this growth is going to come from our core base business and about 1/4 of the uplift is going to come from synergies.

If you think about where this growth is coming from in terms of how you break down our business a little bit further, we have fast-growing markets, we're currently at about 20% here. Our goal is to be at over 25% going forward. And we have lots of opportunities as a combined company in order to achieve this.

One example, Indonesia. Indonesia is a huge market for us, and we've been able, together, to open up this market as a combined company by leveraging one of our existing legal structures that existed before the combination. It's a huge opportunity for us.

Direct-to-consumer. We've heard a lot today about the evolving marketplace, how consumers are evolving, how we need to evolve to meet consumer needs. We have a huge runway to continue to develop our direct physical -- direct-to-consumer physical presence and also combine that with our online business to really continue to drive our direct-to-consumer business over time.

If I move on to our value-creation levers, what we've really tried to do here is -- you've heard a lot of ideas today, and we've tried to weave this into how it fits into our P&L over time. And the key message here is that we really have the underlying goal to sustain our growth over the long term. But in order to sustain our growth over the long term, we need to think about things in the short term, in the midterm and also in the long term.

So we have business opportunities. We have our combined offers, which you've heard about, innovation, brand development. And all of these things are really driving our growth today, and they will continue to drive our growth over the long term.

In terms of new markets and channels, we have online; fast-growing markets; a new category that we can continue to build upon, which is very underdeveloped today, which is Sun Rx. And this is driving growth today, but obviously, these areas need a lot of investment. So you'll continue to see that accelerated over the longer term.

And operating efficiencies. Industrial efficiency, cost management, supply chain, this really creates leverage through our operating margins to continue to grow over time.

Let me just talk a little bit about cash conversion and leverage. We are in a very robust position from a balance sheet perspective. We convert close to 100% of our net income to free cash flow, and this really allows us to delever, as you can see on the right-hand side of this chart. Why is this important? It gives us a lot of balance sheet flexibility, and it provides us with access to relatively cheap sources of financing given our strong rating. And even with the acquisition that we've announced with GrandVision, we will continue to have this balance sheet flexibility going forward. And so from a capital allocation perspective, this is quite important for us because we'll be able to maintain our optionality to continue to grow in the future.

So we have a very, very strong base business that's going to continue to be highly cash generative, and we have a strong balance sheet. So we really have the best of both worlds to really continue on our growth journey together as EssilorLuxottica.

With that, I'll hand it over to Stefano.



Stefano Grassi - *EssilorLuxottica Société anonyme - Co-CFO*

Thank you, Hilary.

Hilary Halper - *EssilorLuxottica Société anonyme - Co-CFO*

Your night.

Stefano Grassi - *EssilorLuxottica Société anonyme - Co-CFO*

And good afternoon, everybody. One important pillar for the future of EssilorLuxottica is represented by our capital investment. Our CapEx today do run between 5.5% to 6% of our total sales. In absolute terms, we are talking about 1 billion in total investments for EssilorLuxottica.

When I think about our CapEx, there are really 3 major buckets that encompass about 80% of our total spending. The first bucket is the biggest one, operation and production. And when I think about that, where we're going to invest in the future about operation and production, I think about the simplification of our lab network, the one that was described before by Paul, by Giorgio, where we're heading to one single lab network for EssilorLuxottica fully integrated.

I think about the simplification of our supply chain. Today, we have the lens supply chain. Today, we have our frame supply chain. And we're going to go through a progressive simplification and unification of our supply chain. That will require investment in the years to come.

The second important market is represented by the store investment. And here, clearly, you have 2 source of investment. On one side, the expansion of our store footprint. On top of GrandVision, we know we have opportunity to grow even bigger in fast-growing markets, where we do have room to expand our store footprint. On the other side, we're also looking at our existing store base, and we found opportunity to renew, to renovate, to refurbish our existing store base, adding more digital content and overall elevating the experience that our consumers have in our store.

We took this journey in the last 12, 18 months with Sunglass Hut. As you step in our Sunglass Hut location today in the United States, you do use the smart shopper digital application in-store. If you look at some of our LensCrafters store, they started with a renovation program, and we're going to beat more ambitions in the years to come. In the following months, we'll give you a little bit more detail about our renovation plan. We did the same in Australia with our leading optical retail chain, OPSM, and we will continue to do in the years to come.

The third important bucket is probably a key enabler for the execution of our synergy, the IT investment. Whether we're talking about back-office ERP unification, whether we are talking about unification of our supply chain or even on the front end of the business, across all the different point-of-sales, across all the digital platform, we want to create something that is consistently interacting with our consumer in a very consistent manner or with our B2B clients.

But now we talk about synergies. And I think one of the most important thing is just to see where are we with the synergy number. I will draw your attention on the number on the bottom right, which is nothing different from what you've seen before, EUR 420 million to EUR 600 million in total synergies. But in this page, there are 2 things that I think are new today. One is visible. The other one is not.

The first thing that is very visible is the segmentation of our delivery for synergies between the short, medium term and the longer term. Today, we're committing to synergy delivered in 2020 and 2021 of over 60% of the overall synergy pie that you've seen so far.

The second important thing that is new is the angle on which we look at those numbers here. Few months ago, we were starting knowing each other. We were starting understanding each other's business model. Today, we are in a full execution mode. Today, you have, as Pierluigi and Eric described before, more than 800 employees from both organizations actively working on over 20 workstream, 160 project plan that derive from those workstream, committed to deliver a seamless and successful execution of our synergy number.



Before we talk about guidance, I think it's important to just have a look at our currencies. Currency do play a critical role. Guidance are given on a constant FX, but currency do play a critical role in our numbers: sometimes create some headwinds in our results, as you've seen in 2018; some other time creates some nice tailwinds in our numbers.

So what I thought we would do today with you is handing over what we like to call currency toolkit. It's really a breakdown of our sales and costs across the major currencies. And what it comes out from this page, that you really have 3 different buckets of currency: the one in which we have a net positive exposure, like the U.S. dollar; the other currency in which you do have a net negative exposure, like the CNY or the euro, and that is very much in light of our manufacturing footprint; then there is a third set of currency, like the Brazilian real, in which we do have a natural hedge between revenue and cost.

But now let's have a look at our guidance and our outlook for the future years. So we are providing an ambition or where we think we're going to be up to 2023. And we are providing that expectation by looking at our top line as well as our profitability. So from a top line perspective, and here, we mentioned before already, we do have an expectation to grow, on average, up to 2023 in a mid-single-digit territory. That clearly represents an acceleration to the 3% growth rate that you've already seen delivered in 2018 on a constant FX basis.

From a profitability standpoint, our expectation is to grow operating profit and with between 1 to 1.4x our sales growth. And from a net income perspective, our expectation is to have our net income growing anywhere between 1 to 1.5x sales growth up to 2023. Those numbers, again, are provided with the fully loaded synergy number but do not include strategic acquisitions like GrandVision.

The way we're going to achieve this number, I think, is even more important than the number itself. This is going to be an operating machine that is going to balance every day, every year, investment with efficiency, synergies with investment in brands, with investment to fight myopia, with investment to become bigger in China, with investment to launch new products. All the things that you've seen today do require investment. And we're never going to scale back because we know, on the other side, we're going to have the synergies. We're going to have efficiencies that we're going to pursue and go after in a very balancing effort.

With that, I think we are done for the final section, and we'll hand it over and get ready for the Q&A section. Thank you very much.

QUESTIONS AND ANSWERS

Laurent Vacherot - *EssilorLuxottica Société anonyme - Deputy CEO of Essilor*

So for the Q&A, we decided to -- Francesco and I, to have the co-CFOs and the co-CIOs and Paul. But obviously, if there's a question for other team member that presented today, they will be ready and happy to answer. So let's start with the first question in the back over there. Yes. Okay. You have the mic.

Cedric Lecasble - *MainFirst Bank AG, Research Division - Research Analyst*

Yes. I'm lucky I have the mic. Cedric Lecasble from MainFirst. I have 2 questions. The first one is a little specific, and the second is more general to your guidance. So specific questions is about Rx and Sun, so Sun Rx. So this seemed intuitively to be a huge opportunity for your company. And you say, in terms of profit, it's a little more complicated than that because you have a lot of costs associated, and I tended to believe that you could, for instance, offer prescription at Sunglass Hut, go into many cross-selling initiatives. So could you maybe come back on why is it so complicated to make nice sales but also nice money in Sun Rx?

And the second question, just more general to your guidance. Your operating leverage includes synergies, and your synergy ramp-up is quite fast, actually. And you said 60% in the 2 years. So it's more on the underlying, what it means on your industry, excluding all that. So the lack of operating leverage, excluding synergies, does it come from the fact that you're already at high profitability levels and that you are focusing more on top line? Or does it come from all the costs that you need to put, to add to get these extra synergies? Just to understand the logic of the guidance.

Laurent Vacherot - *EssilorLuxottica Société anonyme - Deputy CEO of Essilor*

So maybe, Stefano, you could answer on the cost to implement this important opportunity of Sun Rx. And then I could take maybe -- could start the answer on the second part.

Stefano Grassi - *EssilorLuxottica Société anonyme - Co-CFO*

The cost for running the Sun Rx initiatives is -- I mean is not actually overly material in a way. It is the products. It's a matter of designing frames. They do fit lenses on the prescription side of the business. So again, we do need investment in order to eventually adapt store retail environment whenever it's necessary. But again, from a pure technical standpoint, there is already a road map to make more Rx-able a lot of our Plano Sun frames. And that is true for both Ray-Ban as well as Oakley. And actually, Oakley is a bit more advanced than Ray-Ban in that journey.

So it's not a matter of profitability. I think it's a matter of investing in awareness in the product. We have seen the tremendous amount of success than the Ray-Ban Rx lenses had in the market, when people were buying something that had exactly the same shape from a lens standpoint of Plano Sun lenses, exactly the same color than a Plano Sun lenses; and the logo, which nobody else, nobody else, could put on a Ray-Ban lens.

And now with the work that the 2 teams are doing together, we're going to take that to the next level. So we have the capabilities. We have the technical expertise. We will require some eventual adjustment in a retail environment to adapt that in terms of launch of Rx whenever it's possible. But again, it's not a matter of margin dilution for that initially.

With respect to the profitability, I think we need to go back to the concept of balancing investment with efficiencies. A lot of the things that you heard today, a lot of the activities that we're doing together, a lot of the things that we even done before on a standalone basis are all about investing in our brands. We're now undertaking, for example, a very important partnership with NFL. That's an important investment to nurture the equity of the Oakley brand. And we know that, that is a very much needed investment.

So some of the things that we are doing here are very much for the long-term health of the brands. And I think one of the things that is important to say is that the more the 2 companies come together, the least we're going to talk about Essilor or Luxottica, and we're going to talk about EssilorLuxottica. That means that even the synergy in itself will become part of the day-to-day run of the business. So for us, it's structurally embedded into our numbers, the synergy that you see over there. That's why we are not concerned about the numbers with or without synergy because we know that this will become part of the daily day-to-day work. And you've seen it in the lens penetration within our retail environment, and you've seen in many other play where it's -- sometimes, it's also hard to say what is the synergy, what is not, because it's embedded in the way we do business.

Laurent Vacherot - *EssilorLuxottica Société anonyme - Deputy CEO of Essilor*

And your second part of the question, I think you have noticed that the direction we gave is to accelerate growth without strategic acquisition. You have seen that only one part of that growth is coming from the synergy -- the revenue from synergy, which is the other part is coming from other initiatives, like for example, growing faster in fast-growing market, like once the GrandVision deal will be closed, reaccelerating bolt-on acquisition like we did.

And as you know, in the traditional model we had, it could slightly dilutive to the core business improve. We reinvest in growth, specifically FGM and some bolt-on acquisition. And we add up to that the synergy of growth to go to the mid-single-digit that we hope it's more above 5 than below 5.

So the first -- on the first row, maybe, here. And then on the one, two -- third row.

Elena Mariani - *Morgan Stanley, Research Division - Executive Director of Luxury Goods and Brands*

Elena Mariani from Morgan Stanley. Again, on the synergies, I'm afraid. I would like to understand what's your degree of confidence in these synergies number? And what are the impediments for this number to be bigger? I remember that upon announcing the deal, you were clearly saying that you are seeing these synergies estimate as potentially conservative over the long term. I haven't seen anything today that was suggesting that number could be potentially bigger maybe beyond 2023.

So is it that you're perhaps a bit conservative now? Or maybe after the due diligence process, you've realized that everything is a little bit more complex? You need to invest a little bit more, and so you are taking into account this incremental reinvesting? Or maybe you have some dissynergies that you hadn't taken into account? That's question number one.

Laurent Vacherot - *EssilorLuxottica Société anonyme - Deputy CEO of Essilor*

So I take the mic and then try to answer your question. I think what I tried to say at the beginning of the decision is that now we have, in the sense, 3 layer of value creation. That is what we said in 2017, that we confirm it's happening. It will happen. And as you -- as Stefano showed it happen faster for a big part of it, then probably it was anticipated.

Then there is this unification of the company that will unlock, obviously, more value creation. And then there is this strategic development of the company that, with Francesco, we explained as well that at the end, for sure, we'll expect to do better when you add up all those 3 layers.

Now how much, and when, and so on, still too early to tell because, obviously, Stefano and Francesco and I, we work for now, what, 2 months, 2.5 months on this new dynamic? So I think maybe that's the answer to your question.

Elena Mariani - *Morgan Stanley, Research Division - Executive Director of Luxury Goods and Brands*

And maybe one small follow-up. How should we think about the revenue synergies at the revenue level? So what's the implied margin? Because I want to understand in this mid-single-digit growth guidance that you're giving, how much is the underlying business versus these incremental synergies? I know it's a difficult answer to give, but...

Hilary Halper - *EssilorLuxottica Société anonyme - Co-CFO*

So I think I talked about this a little. I was trying to clarify on our growth algorithm. About 2/3 of the growth -- or 3/4 of the growth, rather, is coming from an uplift from our core business. That will obviously include some bolt-ons, but the primary bulk will come from our core business, and about 1/4 of it is coming from the uplift in revenue synergies.

Elena Mariani - *Morgan Stanley, Research Division - Executive Director of Luxury Goods and Brands*

Okay. Now this was my first question. The second one, you've talked a lot -- I mean Giorgio Striano talked a lot about supply chain efficiencies and the integration of your entire supply chain. What does it mean for your cash conversion cycle and working capital? So right now, as a combined entity, you are around 16% of sales in terms of working capital. How should we think about it going forward?

And then final question, putting GrandVision into the picture, can you give us a little bit of a flavor on what you expect in terms of value-generation potential from this deal? I think we're all hungry to understand whether the synergies potential could be larger, maybe minimal.



Laurent Vacherot - *EssilorLuxottica Société anonyme - Deputy CEO of Essilor*

A lot of great questions. The simple answer to your first question about the working capital and how the efficiency and the integration of the supply chain, it will reduce inventory. It will accelerate speed. Because -- and I'm not an expert, but because we will specialize some part of the special -- of the supply chain on some specific product, those -- that part will be more efficient than today where some lines are doing everything. It will contribute to the simplification of the offer so the sustainability, less material and so on. Maybe we have an idea of more precise figures. But...

Hilary Halper - *EssilorLuxottica Société anonyme - Co-CFO*

I mean, I think on the cash conversion levels, it will be roughly equal to where we are today. We still have to continue to invest in the business. And I think, as Laurent said, with respect to GrandVision and the synergies, it's still too early. It's early days there. But obviously, we anticipate value creation coming from those as well.

Stefano Grassi - *EssilorLuxottica Société anonyme - Co-CFO*

Yes. If I may I add just another part of our discussion. You are still asking to understand better synergies. What you can get today is just we remain absolutely consistent with what we declared 2 years ago. That is, in part, because it's true. The estimation was right. And another part is really connected to what is going on in our company. We have a big acquisition that we tried to close in a year, as you know, GrandVision. We have many other adjustment in our structure. And synergy are not something synthetic that you can just get because they are in a bank account and you can cash. It's really -- they came from many, sometime complicated, sometime easy action that has to implement.

So the position that we have now, because we don't see any reason to change this position, is to remain consistent with our declaration. In a short future, maybe we can go ahead and explain a little bit better, and so maybe satisfy the curiosity and all the question that you can arise. But today, I think, in the synergy, we really -- we don't like to see much more.

Antoine Belge - *HSBC, Research Division - Global of Consumer and Retail Research*

Antoine Belge, HSBC. I've got 3 questions. Actually, I'd like to come back to Elena's question about how we've moved from the -- an EBIT figure to a sales figure. So it was the multiplier that you've used to go from sales to EBIT. My second question is about the mid-single-digit top line guidance, which I understand includes synergies for like 1/4 of the growth. I remember in 2015, here in London, for Essilor standalone, you had set the target to come back to like-for-like of around 6%, to which we've usually added around 2% of bolt-on acquisition. So what has really changed? I mean are you expecting less growth from a loss on the loan? Or are you assuming a relatively lower growth at Luxottica going forward?

And finally, I know Leonardo and Hubert are not there today, but is it possible to have an update on the search for a Group CEO, please?

Laurent Vacherot - *EssilorLuxottica Société anonyme - Deputy CEO of Essilor*

I think the answer on the last quick part of the question is you should refer to what has been officially said in the past. No change on that. I don't think it's smart -- it's -- there's a value to split the future growth of the EssilorLuxottica company in what Essilor will do and Luxottica will do. Because, again, in a few months, a quarter from now, that will be one company, delivering what we explained as a vision Francesco and I, implementing the strategies. And so what will be Essilor sales and what would be Luxottica, I don't think it's a matter anymore. What's matter is how together we grow faster. We could generate value. What kind of the value we'll reinvest in initiative for growth, and how fast we go to close this gap with all the industry and our customers to this gap between the needs and what the industry is delivering today.

So I think I wouldn't like to spend too many time on what would be Essilor in 5 years and what would be Luxottica in 5 years. We don't think like that now, not anymore.

Stefano Grassi - *EssilorLuxottica Société anonyme - Co-CFO*

With respect to the sales multipliers. I mean, Antoine, and the thing that we need to see here is that this is an outlook over 5 -- 4 years' time. So clearly, it's an average. And clearly, within that range, you might have years on which the velocity in itself might be different. So in years in which we're probably going to go with the highest profitable initiatives, which probably may have a different time from others, we might be on the upper part of that kind of range.

In years in which we probably need to invest in fast-growing market or new markets, as Laurent mentioned before, probably that velocity will be slightly lower. And this is really the reason why we provided today a range, and this is why that range is kind of given over the next 4 years kind of time line.

James Robert Grzinic - *Jefferies LLC, Research Division - Equity Analyst*

I'm going to try and steer your attention towards the opposite side, if you can see me. It's James Grzinic here from Jefferies.

I had 2 questions. The first one is around CapEx. And Francesco, I appreciate the vision you've given in terms of the longer-term role of the enlarged business. But I presume, if we think over the next 3 to 5 years, that CapEx envelope is really going to be driven by knitting together the 2 bits and really coming to a unified supply chain before you try and knit that into the customer base.

When I think about that, is 5.5% to 6% CapEx the right level to achieve that? And is there an exceptional effort that goes within exceptional cash costs in order to achieve that? Because I presume there's going to be a lot of changes to deliver that. And then I had -- my second question was around -- can you -- I mean, quite clearly, there are big lumps of investment that, I presume, explain the disconnect between you illustrating what seem to be gross margin-enhancing initiatives and the lack of significant margin leverage. What are they besides Oakley and the NFL agreement, and clearly, the big push in China? Are there any other ones that you can identify for us?

Laurent Vacherot - *EssilorLuxottica Société anonyme - Deputy CEO of Essilor*

So Stefano and Hilary, you may...

Hilary Halper - *EssilorLuxottica Société anonyme - Co-CFO*

So in terms of our CapEx and the exceptionals, that's not included in the numbers that we've presented here. Obviously, there will be one-offs. There will be IT initiatives that we will need to invest behind and things like that, things of that manner, and those aren't included in the normalized numbers that you saw there. But I'll leave it to Stefano to talk about kind of the ongoing CapEx.

James Robert Grzinic - *Jefferies LLC, Research Division - Equity Analyst*

Can you give us an idea of the magnitude of those brands?

Hilary Halper - *EssilorLuxottica Société anonyme - Co-CFO*

It's still too early days. I mean we have a number of initiatives underway. Some are further progressed than others. We can't be so proscriptive today.

Stefano Grassi - *EssilorLuxottica Société anonyme - Co-CFO*

And in terms of CapEx, yes, presumably, that percentage that you see there today in a range could go up. But again, let's not forget that this is a company that on a combined basis, generates slightly less than EUR 2 billion in free cash flow. Our net debt-to-EBITDA ratio at the end of this year, it's going to be around 1.

So as long as we invest in things that do have the proper return, which is exactly what we're doing and I think you have the entire team committed to do that, I think we are in the right place.

You mentioned NFL. NFL is probably a perfect example, just seeing the excitement of the U.S. population. And Paolo, you've probably been one of the leading person to support this project with (inaudible). The excitement that, that launch generated in the United States, the amount of excitement, the followers that we gain on the digital channel and the social network, it's amazing. And those are the investments that we want to continue to do on a go-forward basis. And those are exactly the reason why we continue to believe the brands nurturing. It is a constituent part of this combination.

James Robert Grzanic - *Jefferies LLC, Research Division - Equity Analyst*

Any other you would identify of that nature, that lumpiness to really try and address specific issues, like in this case, Oakley, I presume, wasn't as cool as it was some years ago?

Stefano Grassi - *EssilorLuxottica Société anonyme - Co-CFO*

You have our name here. I think some of the investment, for example, in China are very much instrumental to get us bigger than what we are today. If you think about it, today, if we look at the currency pie chart, right -- I mean the K over there, and what you saw there is that the size of our manufacturing footprint is so much bigger than the revenue contribution that we have today. I don't think any of us today is happy with that contribution coming from that currency called CNY. So our challenge here is how do we get bigger. And if we want to get bigger, we need to invest. We need to invest to fight against myopia. We need to invest to further more boost the equity of our brands within the Chinese environments, but those are the well-set and high-return investment that we need to make for that purpose.

Laurent Vacherot - *EssilorLuxottica Société anonyme - Deputy CEO of Essilor*

The next question over there?

Francesca Di Pasquantonio - *Deutsche Bank AG, Research Division - Research Analyst*

Can I -- it's Francesca Di Pasquantonio from Deutsche Bank. I have a couple of questions on the number, and one more, let's say, strategic.

The questions on the numbers are, what assumptions, if any, did you make on retaliation when you showed us your synergies? The second is what shall we assume for one-offs over the next 3 to 5 years in terms of the implementation costs, not the investments or CapEx, but really the P&L charges into the P&L to achieve those synergies?

On the more strategic side, I'm interested in understanding how you are looking at the opportunities in the value segment. It was all about premiumization a few years ago. It seems the market, the consumers are shifting towards more value propositions. And the new setup may enable you to capitalize better on new strengths and complementarity to pursue, maybe, more aggressively this positioning. And how would you balance premium versus value? And especially when it comes to emerging markets, how do you look at growth through volumes or growth through more quality, more price offering?

Hilary Halper - *EssilorLuxottica Société anonyme - Co-CFO*

So I'll take the first question on the retaliation. So we had this similar circumstance when we announced the combination of EssilorLuxottica. We had some very emotional initial responses from people in the U.S., et cetera. And yes, there was a spike and an emotional response, but we spent a lot of time mediating the initial emotional responses. And we're able to communicate to our consumers. And eventually, that evened out. And we didn't see a huge impact.

Obviously, there are some consumers today that are also having that same emotional initial impact, but we are out there, Paul's out there meeting with a number of our customers. And we're really trying to educate them about the value of the GrandVision acquisition. And so we don't anticipate, and it's still early days. But we don't anticipate a huge impact. Still early days, let's see. But we're doing everything we can to mitigate against that. So our numbers at this point in time, they are normal course of business. I don't know, Paul, if you want to...

Paul du Saillant - *EssilorLuxottica Société anonyme - Deputy CEO*

No. I can give some color on the market reaction. It's very interesting what Hilary just said. We had a pattern in 2017, where there was a lot of emotion when we announced the combination with Luxottica first quarter of '17, second quarter. And then in that phase, you have to be very close to your customers, very close to your partners and explain the rationale, the merit of the combination.

Then after that, certainly some actors in the market are opportunistic about it. That's life. But then what is very key is what you do to continue grow and animate the market. And so we went from the second half of '17, both companies, in a very active road show with new product. We accelerated the launch of certain new product on the Essilor side. Some Varilux, Eyezen, new Crizal Sapphire. And progressively, the people, they need to run their business. They need to have new product. They need to have new things to offer to their consumer, to their -- and so business went on, and our growth was there.

So the way I look at it, we are in the back-to-school period. We are in the emotional part. And of course, the customers are very sensitive on what does it mean for me in France, for me in Germany, for me in Scandinavia, wherever.

We have a very robust pipeline of products coming to market. You heard Chrystel talk about transition. There is a lot of things also on the Luxottica side, so there is a lot of good things to animate and be close to our customers and to address the consumer needs. So we will see how the business dynamic is, but you can be sure that our team are in the field.

Tomorrow, I would go to the CMO in France. There will be a lot of customers. And we interact with our partners. In the end, we have always been growing the market. We have been 2 companies and now one company who grows the market, create categories, bring brands, bring services, new solution. You heard Federico and Norbert, they have great thing in the pipe. And so in the end, you want to run your business and your practice when you are an ECP. So you'll see. But you can be sure we'll be in the field and not just waiting for phone calls.

Laurent Vacherot - *EssilorLuxottica Société anonyme - Deputy CEO of Essilor*

You had, I think, last part of your question was about the dynamic in the market. We compete in the different segment of the market, premium, more value proposition and so on. I think we will not grow the industry for EUR 100 billion to EUR 300 billion, which is the need with only one category. The market will be segmented as far as proposition for frames, for lenses, for the retail proposition. And I think the chance we have, as EssilorLuxottica, because of the integration from consumer to innovation or vice versa, actively price point, because of the efficiency, we will be able to create will be that, as I said, not only share part of the value creation to the consumer, to our customers inside our own integrated chain inside our e-commerce capabilities and to create value. If I miss, is what, every price point, we should be the one able to create value at every price point. And that's what we will do country per country, and it will be obviously different in the U.S. or in China or in India. And I think it's the chance we have as a leader to, at the same time, be able to grow the market in different categories and price point, while creating value for all stakeholder at all those price points.

So it's a very generic question, but (inaudible) that's what we want to do. And not conflicting premium is better than mid-tier or entry level because in our vision of the new world, we want to be good or the best or one of the best with our customers in every segment.

Francesca Di Pasquantonio - *Deutsche Bank AG, Research Division - Research Analyst*

There was the one-off questions, the one-off?

Paolo Alberti - *Luxottica Group S.p.A. - President of Wholesale*

Hi, Francesca. The one-off question, it's -- I'll answer with 2 statements. As Hilary said before, our synergy number are provided on an adjusted basis, which means no one-off. Then if you ask me, okay, but if I would include the one-off, because I know where you're heading to, I can tell you that we will still be in the range provided, probably more on the lower-end side, even including the one-off. I hope this answer. Okay.

Francesco Milleri - *EssilorLuxottica Société anonyme - Non-Independent Director*

Sorry, I would just to add something on retaliation because this is a point that will come out many time in the future. And just to tell that retaliation is not something that happened because you buy something but happen when the market expect that you are managing in a certain way what you bought. We have Luxottica, we had the same experience when we bought Salmoiraghi & Viganò in Italy, a small scale but also in a small country.

As our partners saw that we just enhanced the quality of the retail, invest in the stores, not compete in discount and price, they really realize that we were working to elevate the experience of the entire market. And the return has not been a retaliation but an increase in sale and the count.

So sometimes, if you see the market in a different way and not just in one direction, things really appears a little bit different.

Paul du Saillant - *EssilorLuxottica Société anonyme - Deputy CEO*

Francesco, if I may, to be because it rings a bell to me that Salmoiraghi working to develop the progressive category in Italy successfully since we created the combination and with Leonardo Maria and his team, we have a specific plan where the pile category of progressive lenses in Italy is the lowest penetration in the entire Europe for decades. Salmoiraghi is showing to the entire market that you can drive that category penetration, and it's lifting global market for everybody.

So actually, it's a good thing for the market and everybody is benefiting. Sorry, Leonardo Maria, Paolo, but I think that's what's going on.

Ruixian Zhuang - *UBS Investment Bank, Research Division - Equity Research Analyst of Luxury Goods*

It's Julie Zhuang from UBS. I have 3 questions, 2 more long term and one more on the short term. And so first one, on the retail expansion and margin implications, so if I were to think about the next 10 years because you absolutely dominate the manufacturing side and really the leader in all these segments. But if I think about the retail margin, which is structurally lower than the wholesale business, for example, so does it mean that because with the GrandVision acquisition deal announced, it is clear that in terms of strategy, you're going to that direction? So would it mean that it will be underlying pressure on your margin? And how do we balance that with the cost and revenue synergies you have guided for the whole group? So that's the first one.

And the second one, it's about China. So as MyOptique Chinese coming form Tier 2 city, I think I'm probably the perfect customer to fit into your strategy. But what I also noticed is that out of all my female friends, I'm probably the only one to wear spectacle glasses because the contact lenses is a category that is seeing faster growth than the spectacles. So just want to understand your strategy there because could it be that half of the population may not see that potential faster growth as you would be upselling to the progressive lenses or photochromic lenses, et cetera, because of that?

And the third one is about the short term. Could you please maybe give us some color about the Generation 8 launch of GrandVision because what's the implication for the price/mix? And what's the volume implication? That will be super helpful for us.

Hilary Halper - *EssilorLuxottica Société anonyme - Co-CFO*

Okay. So on the first question, and then I'll hand it over to Stefano more on the retail side. But we have a number of new innovations that are -- have come through our pipeline. We talked about the V-R 800. We have transitions aides, which you just alluded to. And if you're talking about the long-term time horizon over 10 years, we have all of the things that Norbert and Federico were talking about in terms of e-chromic and Sun Rx, and those are all margin drivers. And then we're going to have the efficiency initiatives.

So yes, we're going to continue to expand in retail, which probably isn't as margin accretive, but we have all of these other things coming through as well. So you really need to think about it in the broader picture context of those.

Laurent Vacherot - *EssilorLuxottica Société anonyme - Deputy CEO of Essilor*

I will take the second question. And then, Eric, you may answer on the Chinese-specific question and contact lenses.

So I think what do we expect to deliver on the long term is better margin, more value creation. I think the growth will deliver -- will be balanced between different channel. It will be just not -- just only retail or only digital or only wholesale. And when -- and maybe Francesco could answer much better than I do, we will integrate retailer in the ecosystem. This retailer will benefit from a lot of efficiency that we can bring to them. The example that Francesco mentioned and what happened when we -- the Luxottica bought Salmoiraghi, maybe the supply chain efficiency, maybe benefiting from the digital world, we will -- we are building this new retailer, like Bernhard Nuesser explained, could benefit from the lead generation system, the new technology.

So I don't expect that we do all of that to destroy margin. We want to create value, big time. Again, that value will be shared with, first, the consumer because he will have more satisfaction, better product, more -- answering more -- better his needs, our customer, wholesale customers, and obviously, EssilorLuxottica.

Eric Leonard

And if I can add, Laurent, I think on the retail side, the numbers you have seen are, obviously, without GrandVision. But to be honest with you, I don't think we feel today anything but healthy pressure to really imagine how can we take the GrandVision to the next level. The journey that we took, and that was described before by Francesco, by Laurent with Salmoiraghi & Viganò, it is a perfect example of the way we intend our retail business. It is an important constituents part of our offer is a direct-to-consumer touch. And again, we don't necessarily battle for higher, lower profitability versus wholesale. For us, has been the showcase of what we can do, what we can do in terms of innovation with products, with lenses.

And again, today, Salmoiraghi & Viganò is a retail chain that is much more profitable than what it used to be when we acquired, is a chain that is very much an example in the Italian market for what we're doing. And again, for us, it's know-how, it's a lesson learned, which clearly, we can make mistakes. But we learn from the mistakes, and we probably do things even better. So if anything, we do feel kind of unhealthy pressure to do kind of the same job once we're going to know and understand better GrandVision, which I'm sure you appreciate, at this stage, is a bit premature for us to comment on profitability and lift that might come over there.

Francesco Milleri - *EssilorLuxottica Société anonyme - Non-Independent Director*

A few additional color on your contact lens question. First, a general one, without China, we have never seen contact lens as a competitor replacing eyeglasses. In reality, 90% of the people having contact lens also are buying eyeglasses because from time to time, they remove their contact lens. And the reality is a compact lens user is buying usually a more expensive frame and eyeglasses. Why? Because you are usually look conscious and

you have money because contact lens are very expensive. So you usually buy a superior bonded frame, which is good for us, and a superior quality lens. That's a generic answer.

Then for China, specifically, as you know, contact lens obviously address only a part of the population. The young consumer usually are not allowed. They cannot wear eyeglasses; and the older one, they cannot because their eyes get dry.

And then -- so at the end of the day, it's always not as that big category, first point. Secondly, the growth rate of contact lens in China is only slightly above optical frame and lens growth. It's higher than sunglasses, but only a little bit. And it's a little bit misleading also because the reality is that in China, the contact lens which are really growing are the color contact lens. You know that, right? This is for aesthetic reasons. So it doesn't prevent those people to buy the good branded eyeglasses we want to sell.

Laurent Vacherot - *EssilorLuxottica Société anonyme - Deputy CEO of Essilor*

So it has been a long, long day. There was a question here. And maybe the last question, if you allow us.

Julien Dormois - *Exane BNP Paribas, Research Division - Research Analyst*

Julien Dormois from Exane BNP Paribas. I'm still left with 3 questions, please. The first one relates to sales growth because you've indicated that you expect the eye care market or eyewear market to grow 3% to 4%. You are guiding for approximately 5% on your side. But obviously, that includes acquisitions, which we typically peg for the group as probably 1% or 2%. So does that mean that your ambition to grow in line with the market? Or does that mean that you're voluntarily cautious and maybe could surprise at some point? So that's the first question.

The second question is more short term. We've already alluded to customer retaliation or customer pushback. We can remember that for nearly 3 or 4 quarters after the announcement of the tie-up between Essilor and Luxottica, we had a slowdown in growth because of customer pushback, but also in terms of bolt-on contribution. So should that mean that over the next few quarters, we could go through the same kind of slowdown before things get better? And the third one, you've been brave enough to give us a target for the Chinese business by 2023. So to be EUR 1.5 billion or EUR 2 billion. Do you also have an internal target for the online business? How could that represent in, I don't know, like 5 years from now?

Laurent Vacherot - *EssilorLuxottica Société anonyme - Deputy CEO of Essilor*

Okay. So at the same time, so if you look very carefully at our figure. At the same time, yes, we want to grow faster than the market. And we want to accelerate the growth of the market itself, right? So all of that will be combined over the time. Honestly, it's -- I don't know. But for sure, we want to grow faster than the market.

On the acquisition side, we have wished to, yes, for a period of time during the antitrust period for GrandVision, especially in Europe, we'll slow down probably or postpone the previous acquisition. But then we can redirect them to fast-growing market where, at the same time, we'll benefit from increased presence in fast-growing market. And we are -- there is interesting bolt-on to do.

Now the -- yes, we had -- no, we have no target for the online at the moment.

So last question, maybe, over there?

Domenico Ghilotti - *Equita SIM S.p.A., Research Division - Co-Head of Research*

Domenico Ghilotti from Equita. First question is on the online e-commerce sales. You have several assets in the group, several banners. I didn't understand, how are you integrating the several banners? And there is a single leadership to run this business?



And the second question is related to, say, the outlook for this year. So there are several moving parts. There is Hong Kong, there is -- there are duties. So if you can just give us an update on the perspective for 2019, that is a good starting point for the 5-year period.

Laurent Vacherot - *EssilorLuxottica Société anonyme - Deputy CEO of Essilor*

So you take the second part, Stefano?

Stefano Grassi - *EssilorLuxottica Société anonyme - Co-CFO*

So Domenico, no news on the outlook. Yes, we have some headwinds on Hong Kong. But again, our outlook is confirmed. It's confirmed for the top line. It's confirmed for the bottom line. So that's where we are.

The other part of the question on the...

Hilary Halper - *EssilorLuxottica Société anonyme - Co-CFO*

Online?

Stefano Grassi - *EssilorLuxottica Société anonyme - Co-CFO*

Yes. Go ahead.

Francesco Milleri - *EssilorLuxottica Société anonyme - Non-Independent Director*

Yes. For -- just for online strategy. Integration of online is one of the stream of the integration team. We are studying what we can do together. Fortunately, we have 2 different positioning, and so there is not huge overlapping. And this is why we believe that we can integrate in a short time.

The real question is how we have to treat the part of the market that is little bit more discounted in the Essilor side. This is because come from the history of the company. When you are not have the problem to sell the same goods to online wholesale and retail, you can play with the price as you want.

Since we are now just one company and since Luxottica has a big, huge wholesales in frame, we have to adjust this problem have more aligned price around the world. But I see just many opportunity on integration of online business, especially on the framework and the digital assets.

Laurent Vacherot - *EssilorLuxottica Société anonyme - Deputy CEO of Essilor*

I think what Francesco said is totally true for the branded frames, especially that if it happened in the past that some of our website and e-commerce side discounted some brand, I think it's no more happening or it's in the process to not happen anymore.

Now on the eyeglasses per se, the structure of the market online is also, at the moment, very local. So you have a local brand in the U.S., in Canada, in India, in China. So the question first will be, what will be the value -- is there a value to create one brand of eyeglasses online worldwide? And what does it bring to us? And what is it? Is it helpful or not? So -- and it's -- the options are on the table.

On distribution of contact lenses, which is also a big part of the online business in the eye care industry, what we can see as far as our experience, especially in Europe, we have one brand, visiondirect.co.uk, and we spread it out all over the U.S. And we've been over to Europe, and we benefit from the one brand with a good reputation in online contact.

Okay. And the last one for this lady on the first row. And then we go to the cocktail because we are thirsty, right? We deserve it.

Veronika Dubajova - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

That's a lot of pressure to stand before the cocktail. So I'll keep it to 2. Veronika Dubajova from Goldman Sachs. My first question is on that profit multiplier that you've given us, the range 1 to 1.4x off. Just curious if we should be thinking in the short term here towards the lower end of that and in the medium term here towards the upper end. It sounds like there's a lot of investments. Or is that not at all what we should bear in mind?

And then my second question is a cultural question. I'd love to hear, as you're going through the synergy realization process, what kind of cultural changes are happening in the company? What kind of employee response have you seen? Any changes to turnover and retention that we should be aware of?

Laurent Vacherot - *EssilorLuxottica Société anonyme - Deputy CEO of Essilor*

Thanks for the question on the integration. Those 2 people are very happy to answer.

Pierluigi Longo - *EssilorLuxottica Société anonyme - Chief Integration Officer & Head of M&A*

I'll start with that. I mean, the cultural question is an important one, but you lead by example. We cannot hide that the companies come from different world. They have a different culture, the way they serve the customers more on retail side on us, more on the wholesale side on them. But the first example and the first experiences that we see is the passion of the people to work together. There is an immediate recognition that we can do more things together. So even though someone would do it in a way and someone else will do it another way, it doesn't matter. We sit down, we discuss.

So you heard from Norbert and Federico, a German and Italian guy, and then we have the French guy. It seems a joke, but the way we blend all this culture, all this personality, it's easier than what you would expect. The sharing already is the sharing of experiences and also of lesson learned help us to accelerate and to resolve roadblock. Just as an example, Eric today is wearing one of my tie. So this is an example of how we share culture. I hope I have better ties than him. And it's a French tie, by the way.

Eric Leonard

I think just to complement what Pierluigi just said. I think what we see that the more the people are working together, the more they enjoy it. And so when the concern is generally by people that are not so much involved in joint working. When people are involved in joint working, they really enjoy it. They see the opportunities. They see how we are going to make a bigger company. And even when it relates to cultural change, I think we also see the benefit of some changes. We -- when we look at what Luxottica is doing, we want to be a part of it. I hope it's the same on the other side. So it's much more positive. And the more you are close to the actions, the more positive impact it is.

Stefano Grassi - *EssilorLuxottica Société anonyme - Co-CFO*

Yes. And the last question -- the first question actually, which pertains to the margin. I mean the way you have to look at that kind of outlook, it's a 4 years outlook. It averages out what we do expect to see. And again, for 2020, we're going to have time to discuss where do we position ourself. But again, keep that in mind that this is, for us, an indication that we're going to grow top line. We're going to be, over the term, margin accretive, on both operating profit and net profit. That's really the purpose that we want to serve with that page. Thank you.

Laurent Vacherot - *EssilorLuxottica Société anonyme - Deputy CEO of Essilor*

Okay. I think we'll be happy to continue the discussion around a glass of wine. And thank you very much. Thank you.

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