



Specsavers Annual Report 2007/08



## Specsavers is the world's largest privately-owned optical retailer.

This has been another record breaking year for the Specsavers Group. In the face of increasing competition and a tough economic environment, Specsavers has continued to advance from strength to strength.

In 2005 the company vision was to attain 1,000 outlets and £1 billion per year turnover by 2010. Both milestones were reached and passed by early 2008, more than two years earlier than planned. The 1,000th Specsavers business opened (in Roosendaal, The Netherlands) in November 2007 and the £1 billion annual turnover

landmark was achieved in February 2008. At the same time, the Group has delivered record levels of profitability for its partners operating across all territories.

While consolidating its position in its established markets of the UK, ROI, the Netherlands and Scandinavia, the Group has continued to move into new territories with rapid expansion programmes in Finland and Australia. In the last 12 months, more than 80 new stores have opened throughout all markets and this rate of expansion will increase in the year to come.

Notwithstanding this spectacular success, the aspiration to advance the Group further remains strong. The next target is to move from 1,000 to 2,000 stores over the next four years, through further expansion in existing markets, the continuing major drive in Australia and New Zealand and further expansion into new countries across Europe. Such advancement will ensure that Specsavers continues to be at the leading edge of innovation in the optical market and remains the most successful optical brand on the high street.

### INVESTMENT AND BUSINESS GROWTH

At the end of February 2008, Specsavers had 1,048 stores, including 911 optical and 137 hearing stores in nine different countries. One in three optical stores and almost one in five hearing stores are located outside the UK. The Group continues to expand in its established markets, ensuring that convenience and exceptional value for money are available to an ever-increasing customer base.

At the same time, considerable advancement has been achieved in new markets - the Group opened in Finland in July 2007 through the acquisition of part of the optical chain Optigo, to create Specsavers Optikko. The integration of the Tähti Optical Group, acquired in April 2008, will support advancement towards market leadership in Finland.

In January 2007 Specsavers opened a 20,000 sq ft distribution warehouse in Port Melbourne, Australia to provide

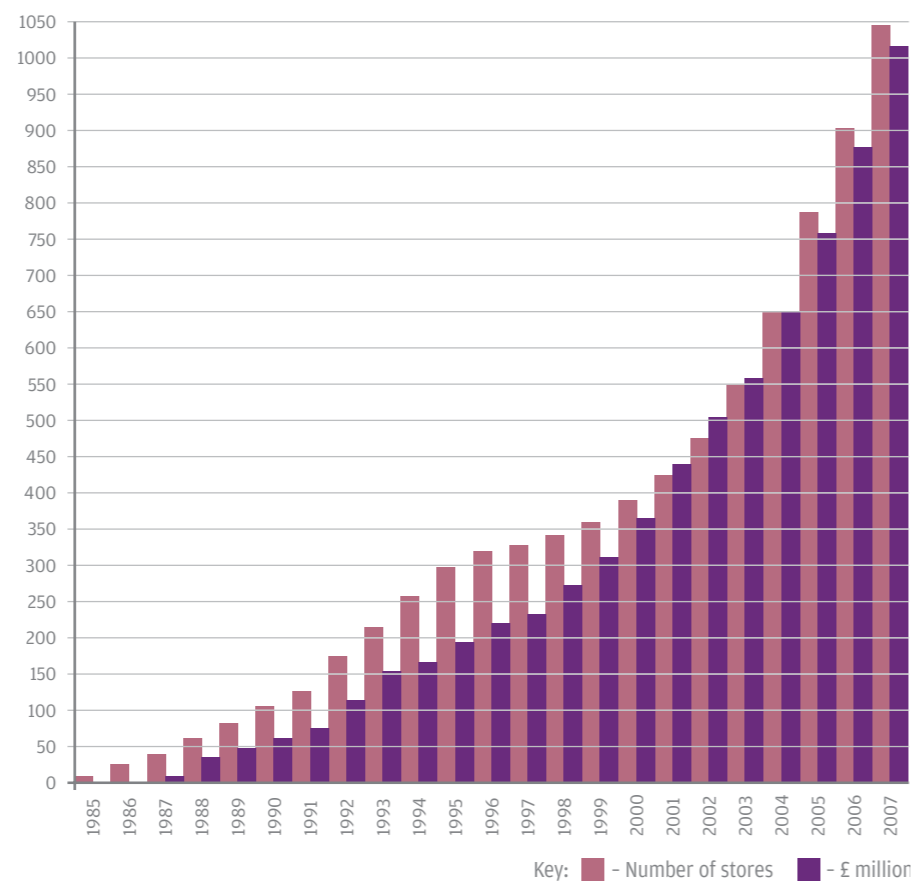
manufacturing and distribution services to a network of independent optometrists in Australia. Following the success of this initial enterprise, the Group acquired 40 Vision Centres and Vision Crest Optometrists in October 2007, to be rebranded and franchised to optometrists. The first ten stores opened as Specsavers Optometrists in February 2008. Expansion into Australia will continue throughout 2008; currently operating with 70 stores, the plan is to have 150 Specsavers Optometrists stores by the end of 2008 as part of a £23 million investment.

The Group is actively engaged in research and development relating to further international expansion. The move has recently been made into New Zealand, where the Group has announced plans to open 50 to 60 Specsavers stores over the next two to three years, with the first opening by the end of 2008.

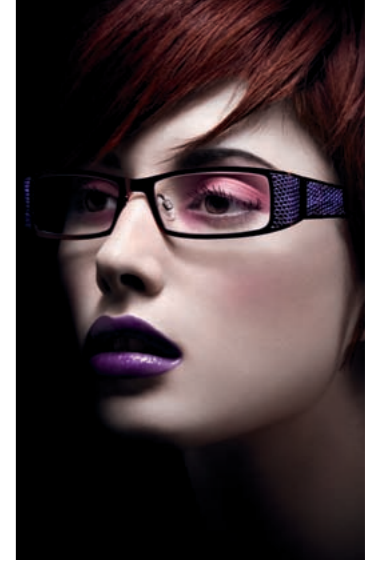
### Hearing Centres

Since moving into the UK hearcare market five years ago, Specsavers has grown to become the UK's leading provider of digital hearing aids. Specsavers now provides more than 25%, and has the highest unit sales, of all privately dispensed hearing aids in the UK.

Specsavers Hearing Centres operate as joint venture partnerships, ensuring hearing aid dispensers are genuine stakeholders involved with every aspect of the business. Combined with exceptional value for money products,



Total stores and sales growth 1985-2008



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this has delivered strong levels of success and an unbeatable proposition for customers.

### PLATFORM FOR GROWTH

Underpinning this rapid growth has been a sustained and committed investment plan, ensuring that the Group has the right infrastructure, people and development plans to continue to advance its business objectives.

#### People, career development and training

The ownership structure of the business remains at the heart of Specsavers' success. The Specsavers partnership model is the driving force behind its performance and is the original and most successful optical joint venture in operation today. Stores are owned and run by optician and hearing aid professionals in a joint venture or franchise partnership. There are 1,200+ store partners in the UK and Europe and Specsavers employs more than 18,000 staff.

Specsavers supports the continuing education, training and development of its professional staff in both hearing and optics through the provision of accredited training courses and materials.

Specsavers Opticians are the largest employer of optometry students in their pre-registration year and there is a programme of development for student dispensing opticians.

A dedicated training infrastructure for store staff includes regional training

centres, in-store trainers and a mobile training team. More than 6,000 UK staff received training as part of a career development plan, with a further 4,500 staff workshops and operational training days.

There were two main Board changes during the year: Finance Director John Perkins became Joint Managing Director with his father, Doug Perkins and Richard Holmes was appointed as Marketing Director following the retirement of Andrew Molle.

#### Product

In the last year, Specsavers provided more than nine million spectacle frames. Over 50% of frame styles in the Specsavers range are replaced each year to ensure it remains at the forefront of fashion and technology.

Designer glasses sales increased by 115% and new collections from Bench, Jasper Conran (exclusive) and Missoni were added to the existing designer ranges, which include Tommy Hilfiger, Fcuk, Quiksilver, Roxy and Red or Dead. Sales of Specsavers' exclusive designer range Osiris rose by 300%, making it the best-selling designer brand in the UK today.

Specsavers is the largest retail provider of home delivery contact lenses in Europe and one of the top two retail suppliers of continuous wear lenses in the world.

Specsavers supply chain partners include four surfacing and glazing labs and two finished lens suppliers in the UK, which supply the latest high-tech

lenses at high volume and low cost to Specsavers stores. They provided over 18 million prescription lenses under the Pentax brand name to Specsavers stores in 2007.

The supply chain provides Specsavers with a strong competitive advantage in the market, ensuring that leading edge innovation, at high quality levels and low prices, can be delivered to partners across the globe. The significant investment made in the supply chain in 2007/08 will continue, in order to support future expansion towards the Group's current target of 2,000 stores.

#### Professionalism

Specsavers is the largest single employer of optical professionals in the UK, where it is the major NHS optical services provider.

Specsavers has invested significantly in professional eyecare services, particularly in upgrading consulting rooms to a high specification. It is introducing fundus cameras as standard into many practices as part of a continuing programme to provide more specialist eyecare services in the community.

#### Infrastructure

Based in the Channel Island of Guernsey, Specsavers has support offices in the UK, mainland Europe, Hong Kong and Australia. The Hong Kong office opened in March 2007 to develop and manage new supply relationships in Asia Pacific and to provide a launching pad for the Group's move into Australia.

Significant investment is being made in IT and shared services offices in Southampton and Nottingham, in order to ensure world-class support can continue to be provided to all business partners.

#### Community involvement and corporate social responsibility

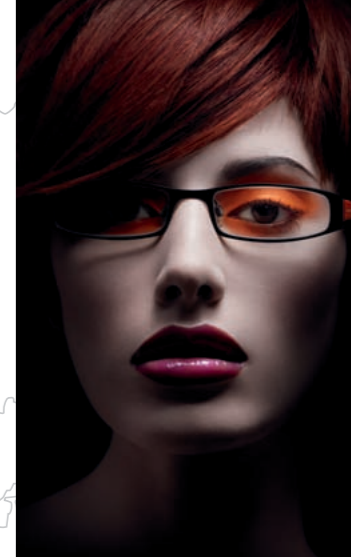
Specsavers is actively involved in international, national and local charities, reflecting the family values of the business. Charity involvement is spearheaded by the co-founder of Specsavers Dame Mary Perkins DBE, who was included in the Queen's Birthday Honours List in 2007.

Diabetes UK is Specsavers adopted charity and stores raised over £170,000 to fund research and increase awareness of diabetes and retinopathy.

International charities supported include Fight For Sight, Hearing Dogs and Vision Aid Overseas, with whom Specsavers is looking to fund an eye clinic in Zambia in 2008/09. Campaigning support is also provided for road safety in the UK and ROI. Specsavers store and office staff are strongly involved in local community activities including youth sport, careers service, OAP charity and social events.



The Group continues to invest in new and existing markets - there are key opportunities across the business.



### FACTS AND FIGURES 2007/08

Specsavers is market leader in the UK and Republic of Ireland and in the top two or three in the Netherlands, Norway, Sweden, Finland and Denmark. There are three highly successful Specsavers stores in Spain, serving the niche market of UK expatriates, and the first stores opened in Australia in February 2008.

#### UK Specsavers Opticians

First store	1984
New stores in 2007/08	23
Total number of stores	715*
Sales growth	+9.8%

#### ROI Specsavers Opticians

First store	1990
New stores in 2007/08	3
Total number of stores	35
Sales growth	+11.1%

#### Netherlands Specsavers Opticiens

First store	1997
New stores in 2007/08	8
Total number of stores	102*
Sales growth	+16.2%

\* including Hearing Centres

#### Sweden Specsavers Optik

First store	2004
New stores in 2007/08	10
Total number of stores	73
Sales growth	+23.2%

#### Norway Specsavers Optikk

First store	2005
New stores in 2007/08	7
Total number of stores	49
Sales growth	+61.6%

#### Denmark Louis Nielsen

First store	2006
New stores in 2007/08	5
Total number of stores	43
Sales growth	+16%

#### Spain Specsavers Opticas

First store	2006
New stores in 2007/08	1
Total number of stores	3

#### Finland Specsavers Optikko

First store	2007
New stores in 2007/08	19
Total number of stores	19

#### Australia Specsavers Optometrists

First store	2008
New stores in 2007/08	10
Total number of stores	10

All figures as at 29 February 2008.

### OPPORTUNITIES WITH SPECSAVERS

The Group is currently expanding and investing in new and existing markets in the UK, Republic of Ireland, Europe and Australia. There are key opportunities across the business:

#### UK AND ROI

##### Career development

The group has a unique career pathway that includes optometry, dispensing optics, retail, management and leadership training for optical and retail staff. Contact Chris Howarth tel 01695 554200.

##### Joint venture partnership opportunities

There will be in the region of 250 new joint venture partnership opportunities over the next two years. Specsavers Opticians contact Chris Howarth tel 01695 5543200. Specsavers Hearing Centres contact Bill Edgar tel 07748 333292.

##### Acquisitions

Specsavers can offer a generous valuation for practices and directorships in the ongoing joint venture. Contact Ian Thomas tel 01481 236000.

### INTERNATIONAL

Specsavers' controlled development of new international markets presents significant investment opportunities. Contact Tim Moyles or Matt Scott tel +44 1481 236000.

#### Joint venture and franchise partnership opportunities

There are opportunities throughout the Group where expansion continues in all Specsavers' international markets. In the first instance, contact the country manager/managing director:

**Australia** Peter Larsen  
tel 03 8645 0700.

**Denmark** Mads Nygaard  
tel 70 13 01 11.

**Finland** Pekka Happonen  
tel 08 505 755 599.

**Netherlands** Julie Perkins  
tel 035 628 8311.

**New Zealand** Graeme Edmond  
tel 021 333 000.

**Norway** Jon Steinar Johnsen  
tel 48 30 90 40.

**Spain** Trevor Shier  
tel +44 1481 233666.

**Sweden** Henrik Wiberg  
tel 031 771 98 00.



## **Specsavers mission is**

to be the best value opticians and hearing centres, satisfying personal eyecare and hearing care needs at affordable prices - simply, clearly and consistently.

Specsavers Opticians	UK and ROI
Specsavers Hearing Centres	UK and ROI
Specsavers Opticiens	Netherlands
Specsavers Audiciens	Netherlands
Specsavers Optik	Sweden
Specsavers Optikk	Norway
Louis Nielsen	Denmark
Specsavers Opticas	Spain
Specsavers Optikko	Finland
Specsavers Optometrists	Australia

