3 - Oakley Inc. Overview and Strategic Plan

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Chief Executive Officer
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Agenda

• Oakley, Inc. Background

• The Oakley Brand

• Company Multi-year Strategy

• 2008 Goals and Initiatives
Company Growth Phases

Phase I
Mad Science is Born
- Hand Grips
- Goggles
- Sunglasses

Phase II
Building a Sport Brand
- Rx
- Apparel
- Footwear
- Accessories

Phase III
Owned Retail
- Oakley Stores
- Sunglass Icon

Phase IV
Leveraging our core strengths
- Oakley Women’s
- ESS
- Oliver Peoples
- OSA/BE

Phase V
The New Group

Timeline:
- Mad Science is Born (1975)
- Building a Sport Brand (1997)
- Owned Retail (2002)
- Leveraging our core strengths (2006)
- 2008+
# Oakley, Inc. Today

## Oakley Brand

**Brands:**
- Oakley

**Products:**
- Sunglasses
- Goggles
- Rx
- Electronically enabled eyewear
- Apparel, Footwear and Accessories

## Optics

**Brands:**
- Dragon
- ESS
- Fox (license)
- Mosley Tribes
- Oliver Peoples
- Paul Smith (license)

**Products:**
- Sunglasses
- Goggles
- Rx

## Retail

**Stores:**
- O Stores
- Vaults

**Exclusive:**
- Oliver Peoples
- Bright Eyes
- Optical Shop of Aspen
- Sunglass Icon
Oakley, Inc: 2007 Revenue Breakdown

- **Oakley, Inc. by Product**
  - Optics (74%)
  - AFA (19%)
  - Other Brands (7%)

- **Oakley, Inc. by Channel**
  - Wholesale (81%)
  - Retail (15%)
  - Direct (4%)

- **Oakley, Inc. by Geography**
  - US (59%)
  - International (41%)
Agenda

• Oakley, Inc. Background
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• Company Multi-year Strategy
• 2008 Goals and Initiatives
What is Oakley?

- Strong, iconic brand
- Deep and wide authenticity
- Optics superiority
- Unique design point of view
- Loyal consumers, athletes, team
- A culture and brand intertwined
Strong, Iconic Brand

- Aspirational
- Premium
- Performance
- Superior
- Highest quality, durable
- Innovative
Authentic Across Sports Categories

- Golf
- Skate
- Motocross
- Surf
- Snow
- Motorsports
- MTB
- Football
- Multi-sport
Optics Superiority

- Depth of optics research
- Intellectual property
  - 600+ patents for design, optics and materials
- Effective partnerships
  - Motorola
  - Transitions
- Rapid prototyping
- Vertical integration
Unique Design Point of View
Loyal Athletes, Consumers, Team
The Brand is Our Culture and Our Culture is the Brand
We Are, at Our Core, Leaders…

“Everything in the world can and will be made better. The only question is when and by whom.” – Jim Jannard, Founder, Oakley, Inc.
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Situation: Q4 2005

- Brand authenticity as strong as ever
- Good growth but earnings inconsistent and not keeping pace… missed Q3 2005 estimates
- With fashion and action sports influences dominating, we had pulled back from our performance story
- Rapid diversification stretched resources too thin
- Growth had begun taxing planning process and infrastructure
- Big, strategic questions unanswered
New Strategic Initiatives

1. Focus on optics
2. Integrate, improve and expand brand development efforts
3. Re-align apparel
4. Increase international penetration
5. Expand retail platform
6. Drive operational excellence
# Results

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Quarterly Revenue Growth</th>
<th>Quarterly Optics Growth</th>
<th>Results vs. Street Expectations</th>
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<tr>
<td>Q3 2006</td>
<td>+21%</td>
<td>+25%</td>
<td>✓</td>
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<tr>
<td>Q4 2006</td>
<td>+21%</td>
<td>+16%</td>
<td>✓</td>
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<tr>
<td>Q1 2007</td>
<td>+31%</td>
<td>+35%</td>
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<tr>
<td>Q2 2007</td>
<td>+29%</td>
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<tr>
<td>Q3 2007</td>
<td>+26%</td>
<td>+29%</td>
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Brand Buzz

Outside
Buyer’s Guide

The BEST NEW GEAR
EVERYTHING YOU NEED FOR YOUR LIFE OUTSIDE

40 KILLER VALUES
27 Must-Have Jackets
21 Lust-Worthy Bikes
24 Ultra-Tough Packs

Green Gear
ECO-FRIENDLY PRODUCTS THAT PERFORM

Hooked Up

Eyes May Shine
Supreme and Oakley reconnected the Freeskin, back for the first time.
Oakley, Inc. Multi-year Strategy Summary

• Re-anchor the Oakley brand in performance
  – Use authenticity to drive new stories in active lifestyle and sport inspired fashion
• Invest in the significant optics growth opportunities for Oakley
• Leverage our inspirations and capabilities (performance, action sports, Southern California, lens technologies, industrial design) through multi-branding
• Integrate, improve and expand brand development efforts
  – Communicate Oakley brand, product, culture
  – Communicate to move people in more ways
• Reconnect apparel, footwear, accessories (AFA) with optics
• Leverage our geographic and channel/retail strengths
Oakley Brand: Re-anchor the Brand in Performance

2002-2006 Releases:
45 Lifestyle
0 Sport Specific

Thump Pro™
Radar™
Flak Jacket™
Oakley Brand: Invest in Optics Growth

Gender

Product Use

Style Influence

Geography

Channel
Oakley Brand: Collections

Men’s & Women’s Sport Performance

Men’s Lifestyle

Women’s Active & Lifestyle
Oakley Brand: The Lens is Relevant to Everyone
Oakley Brand: Do more of what only we can do...

- **Custom**
- **Culture Inspired**
- **Exclusives**
- **Collectibles**
- **Integrated Stories**
Oakley, Inc: Growth Through Multi-branding

<table>
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<tr>
<th>Performance</th>
<th>Active Lifestyle</th>
<th>Sport Inspired Fashion</th>
<th>Fashion</th>
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<tr>
<td>$450</td>
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Brands: 
- Oakley
- Dragon
- Fox
- Mosley Tribes
- Oliver Peoples
- Paul Smith
Consumers buy products... *they live brands*

- Communicate our culture
- Let consumers **experience** the product
- Let loyalist make the brand their own

**Oakley: Brand Development**
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• Oakley, Inc. Background
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Oakley, Inc. 2008 Goals

• Continue to build the brand pillars
  – Solidify consistent Oakley brand positioning around the world
  – Build on the buzz of Sport Performance and Oakley High Definition Optics
  – Solidify positioning and raise awareness of women’s collection based on successful first year
  – Begin rolling out successful U.S. brand levers internationally

• Drive double digit revenue growth and EBIT leverage

• Make investments to drive continued double digit revenue growth (optics technology, supply chain/systems, people, merchandising)

• Deliver Wave 1 merger projects and build multi-year roadmap of initiatives
Oakley, Inc. 2008

Our revenue growth is projected to be very balanced, and therefore lower risk to some uncertain markets

Oakley Brand:  double-digit growth
Other Oakley Inc. Brands  double-digit growth

Sunglasses:  double-digit growth
Goggles:  double-digit growth
Rx:  double-digit growth
AFA:  double-digit growth

Men’s:  double-digit growth
Women’s:  double-digit growth

US:  double-digit growth
International:  double-digit growth

Wholesale:  double-digit growth
Retail:  double-digit growth
Oakley Brand: 2008 Initiatives

We will continue to build on the proven success of many of our initiatives launched in 2007…

Sport Performance

Women’s Collection

Collaborations

Retail Optics Focus

Oakley Custom

New Training/
Communication Vehicles
Oakley Brand: 2008 Men’s Sunglass Initiatives

• Leverage 2007 Sports performance launch with addition of 7 new styles / 115 SKUs
• Continue to gain share in polarized lenses
• Grow share in men’s wires
  – Introduce four new styles
  – Integrate with Rx line
• Grow the Oakley custom and collectibles collections and expand distribution
• Revise optics calendar and integrate launch plans across categories and collections
• Continue development of superior lens technology stories
  – Hydrophobic
  – Photochromic
  – Polarized
• Improve in-store communication of technology
Oakley Brand: 2008 Women’s Sunglass Initiatives

- Continue to define and communicate about the Oakley Woman
  - “Uniquely”
  - Tell the story through the lives of our athletes and collaborators

- Anchor the product line in performance and communicate the “active” attributes of the lifestyle collection
  - Stockholm goggle
  - New sunglass: Endure

- Separate women’s from men’s product at point of sale. Support with fixtures

- Execute 5 US and 5 international city attack plans with dedicated resources

- Introduce first ever women’s signature product (Eyewear and AFA): Olympic Medalist, X-Games Champion, World Champion Snowboarder – Gretchen Bleiler
Oakley Brand: Consumer Segments and Collections

7 New Styles

4 New Styles

6 New Styles
### Oakley Brand: 2008 Other Optics Category Strategies

<table>
<thead>
<tr>
<th>Goggles</th>
<th>Prescription Eyewear</th>
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<tbody>
<tr>
<td>- New men’s performance goggles at multiple price points</td>
<td>- Integrate plano and prescription eyewear more systematically</td>
</tr>
<tr>
<td>- New women’s performance goggle to supplement the successful first women’s goggle Stockholm launched in 2007</td>
<td>- In-store support</td>
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<tr>
<td>- New men’s cylindrical MX goggle</td>
<td>- Line architecture</td>
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<tr>
<td>- Introduce goggle custom program</td>
<td>- Customer</td>
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<tr>
<td>- Expand motorsports and law enforcement distribution</td>
<td>- Adjust internal calendar to meet industry selling cycle</td>
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<tr>
<td></td>
<td>- Introduce tiered account program with increased value to top accounts</td>
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<tr>
<td></td>
<td>- Improve Rx infrastructure including high-wrap lens capacity to catch up with faster then expected growth</td>
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<tr>
<td></td>
<td>- Expand Lenscrafters “test” with more doors, in-store display, marketing and EOL strategy</td>
</tr>
</tbody>
</table>
Oakley Brand: 2008 AFA Strategy

• Introduce first integrated athlete collection: snowboard phenom Gretchen Bleiler
• Increase product and merchandising connection between Eyewear and AFA
• Focus on key accounts; re-align sales forces and forecast processes as appropriate (08/09)
• Maximize space and improve product flow in O stores
• Support category with the “Play Through” golf campaign, the “Bigger experience” fall campaign, Gretchen Bleiler launch
• Increase margin
  – SKU rationalization
  – Sourcing base realignment
  – EOL strategy
Oakley Brand: 2008 International Growth

We are expecting double digit international growth, with all regions driving double digit growth and double digit optics growth in local currency...

Key Drivers

- Execute Global product initiatives and key campaigns with some localization
- Key account focus
- Expansion of women’s doors
- Increase training on Oakley performance features at accounts and with consumers
- Select Oakley store openings
- Selectively take over adjoining countries from sub-scale distributors
Oakley Brand: 2008 O Store & Vault Growth

2007
- 83 domestic; 38 International doors
- Added open eyewear and Oakley custom bar to most stores
- 2007 comps: 15%

2008
- Add 28-35 stores
- Remodel 13 stores
- Expand open eyewear in 10 stores
- Revenue growth of 20% including double digit comps

Drivers
- Expansion of open eyewear
- Continue shift of consumers to custom product
- Increase ASP with higher polarized %
- Focus on conversion with traffic counters and new staffing system (08/09)
- Higher UPT’s, crossover eyewear and apparel sales through integrated merchandising and faster product flow

Comparable store sales reflects the change in sales from one period to another that, for comparison purposes, includes in the calculation only stores open in the more recent period that also were open during the comparable prior period[, and applies to both periods the average exchange rate for the prior period and the same geographic area].
Oakley, Inc: Driving EBIT faster than Revenue

- Scale impact of optics growth
- O store growth
- Begin expanding custom capability and e-commerce to international markets
- New manufacturing capabilities/capacity to drive new premiums lens technologies and growth of custom eyewear program
- In-source all ESS manufacturing to FHR and distribution to Ontario
- Finish Oliver Peoples back-of-house integration with Oakley
- Expand global Rx lens capacity and shorten turn-around time
- Leverage employed sales reps in high growth international subsidiaries
Oakley, Inc: 2008 Initiative Summary

• Continuation of existing strategy
• Expanding on what is already working
• Improving execution in second year of new strategies
• Which drives…
  – Very balanced growth
  – Concurrent growth and brand opportunities with SG&A leverage
  – Ability to take advantage of Luxottica capabilities more quickly