



## 4 – The New Luxottica Group Perspective

*Luxottica and Oakley Executives*

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Certain statements in this investor presentation may constitute “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. Such statements involve risks, uncertainties and other factors that could cause actual results to differ materially from those that are anticipated. Such risks and uncertainties include, but are not limited to, the ability to successfully integrate Oakley’s operations, the ability to realize expected synergies from the merger with Oakley, the ability to successfully introduce and market new products, the ability to maintain an efficient distribution network, the ability to predict future economic conditions and changes in consumer preferences, the ability to achieve and manage growth, the ability to negotiate and maintain favorable license arrangements, the availability of correction alternatives to prescription eyeglasses, fluctuations in exchange rates, the ability to effectively integrate other recently acquired businesses, as well as other political, economic and technological factors and other risks referred to in Luxottica Group’s and Oakley’s filings with the U.S. Securities and Exchange Commission.

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## ▶ **Merger rationale**

### ▶ **Joint priorities and projects for 2008**

- Europe
- Emerging markets
- Retail
- Sourcing and lenses
- REVO

### ▶ **Longer-term opportunities**

- Second wave projects

June 20, 2007: a new starting point

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## ***A New Group***

***Two premier, global organizations combining strong, complementary leadership structures to achieve even greater success around the world by creating innovations that defy the ordinary***

# Leveraging Oakley's strengths and distinctiveness

The early identification of the strategic pillars for the integration have been key

## **Oakley is a strong and unique venture**

- ▶ A strong and iconic brand, and a unique design point of view
- ▶ Loyal consumers with deep credibility and authenticity

## **Oakley has a clear vision and strategic path**

- ▶ In particular, Oakley has recently initiated a remarkably successful path
- ▶ Luxottica has the potential to facilitate and enhance this path at a more accelerated pace

## **Luxottica is determined to maintain and enhance the distinctive culture of the Oakley brand and organization**

## **Together:**

- ▶ Opportunities to create new eyewear categories and serve new customer needs
- ▶ Increase level of service and innovation for wholesale customers
- ▶ More dynamic, global company with enhanced career opportunities for employees

▶ **Merger rationale**

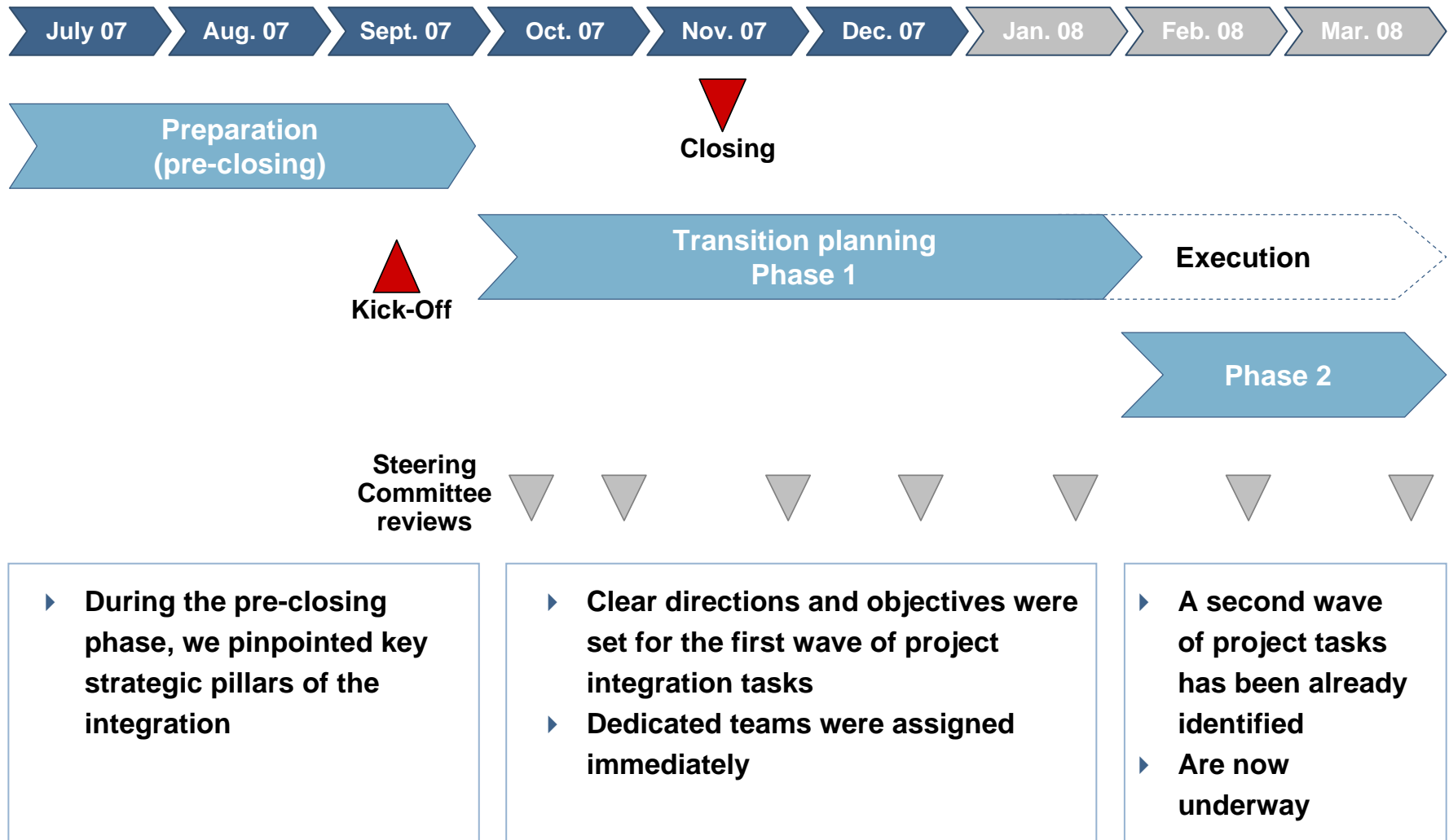
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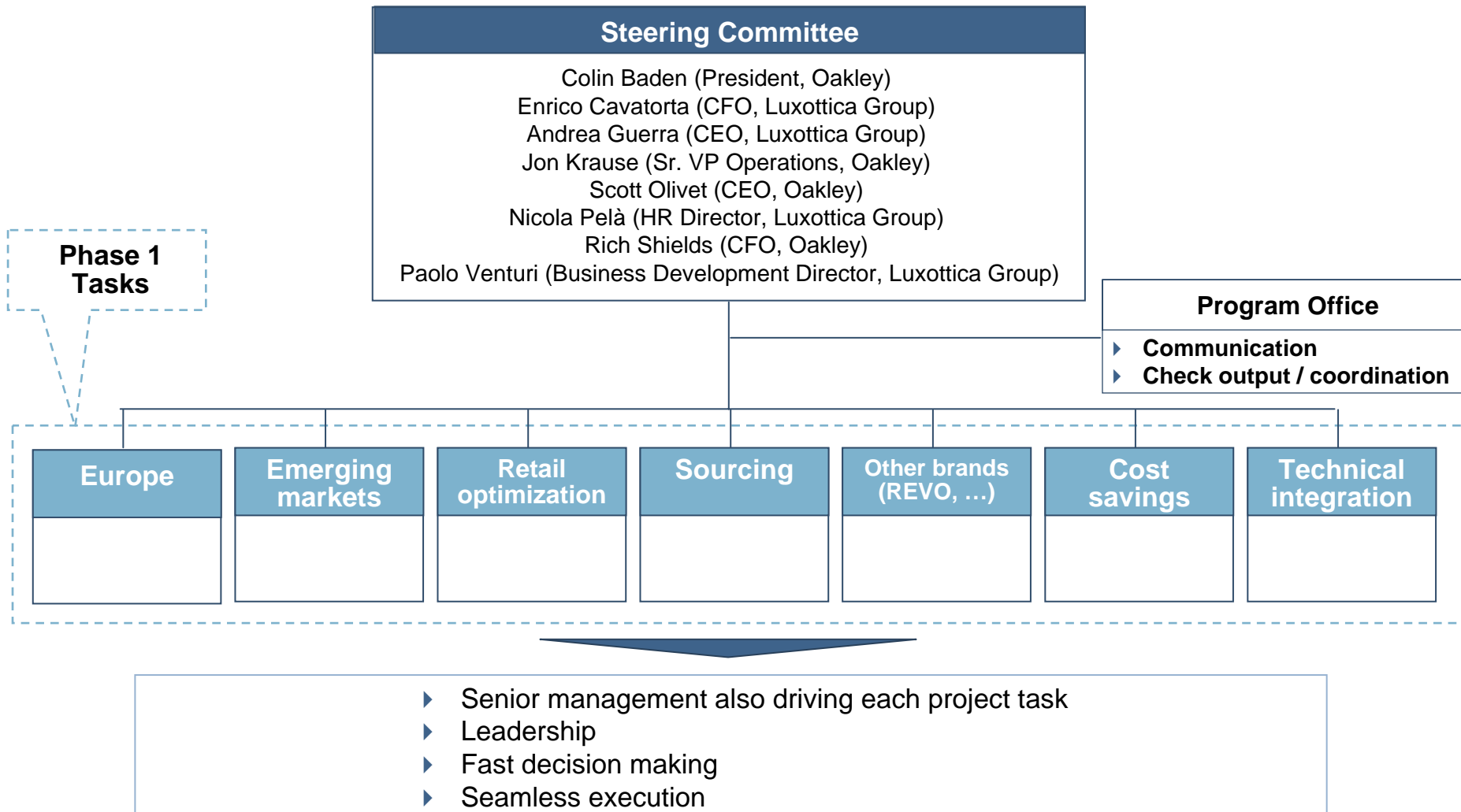
▶ **Longer-term opportunities**

- Second wave projects

# Project “intensity”: started a pragmatic and accelerated joint path



# Project structure: direct significant involvement of Luxottica and Oakley senior management





# Project ground rules : we strived to be...

## *“Hard” principles*

- ▶ Focused
- ▶ Prioritized
- ▶ Issue-driven
- ▶ Output-oriented and conclusive
- ▶ Simple

## *“Soft” principles*

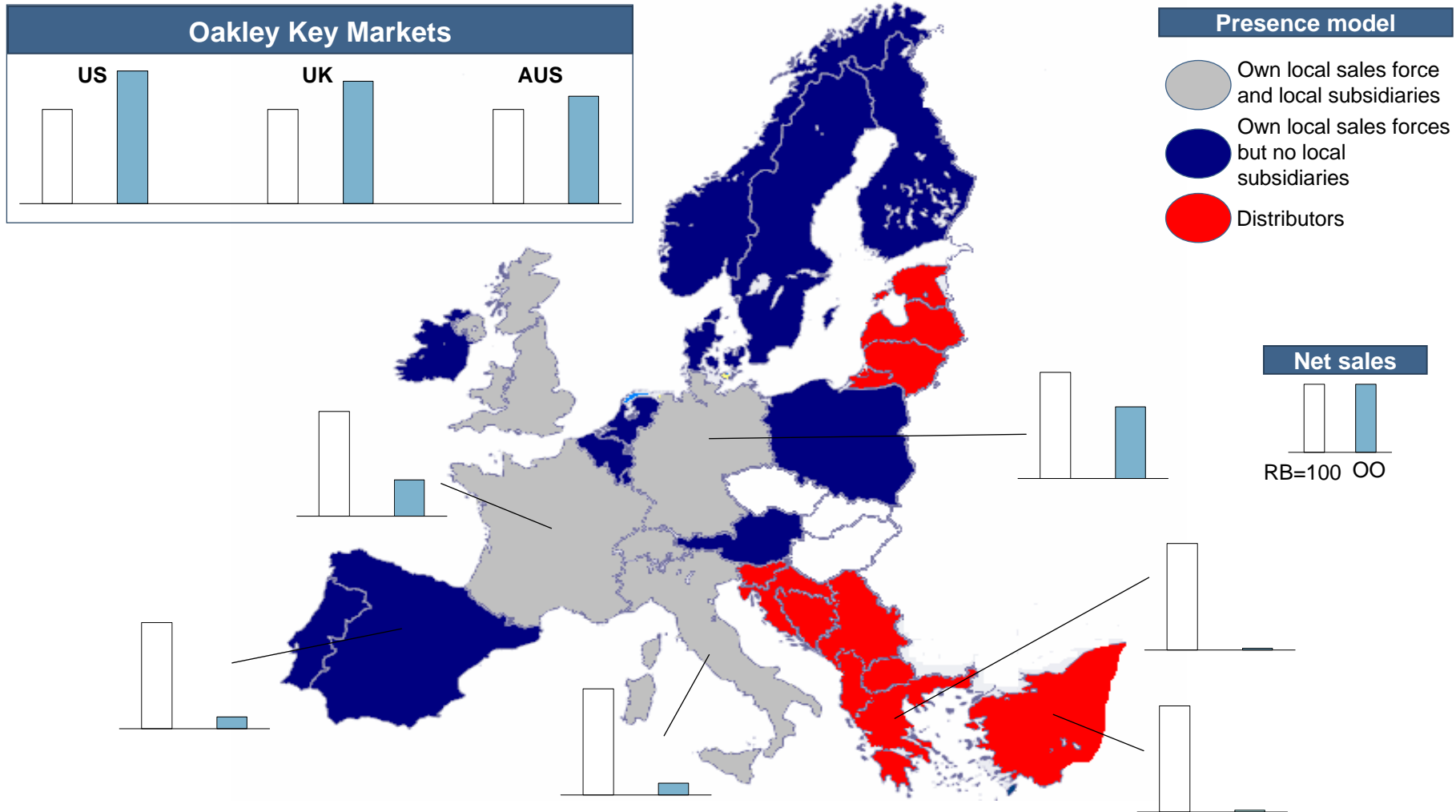
- ▶ Open-minded
- ▶ Sensitive to culture
- ▶ Share understanding
- ▶ Collaboration
- ▶ Fun spirit

- ▶ **Moving quickly on opportunities**
- ▶ **Open dialogue, mutual respect and attitude of understanding**

- ▶ **Merger rationale**
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# Europe is by far where the largest potential sits

## Current Oakley presence and volumes



# Europe: the key pillars of a new Europe

## Brand

- ▶ Healthy underlying brand determinants (awareness, emotional,...)
  - *“Oakley is the weekend thrill, what I wish I were everyday”*
- ▶ Strong central marketing drive

## Channel Segmentation

- ▶ Optical vs. Sports Channel dedicated sales force / structure

## Country / Market Presence

- ▶ Optical channel sales force integrated in each Luxottica European market organization
- ▶ Defend / Maintain specific Oakley sales force “DNA”

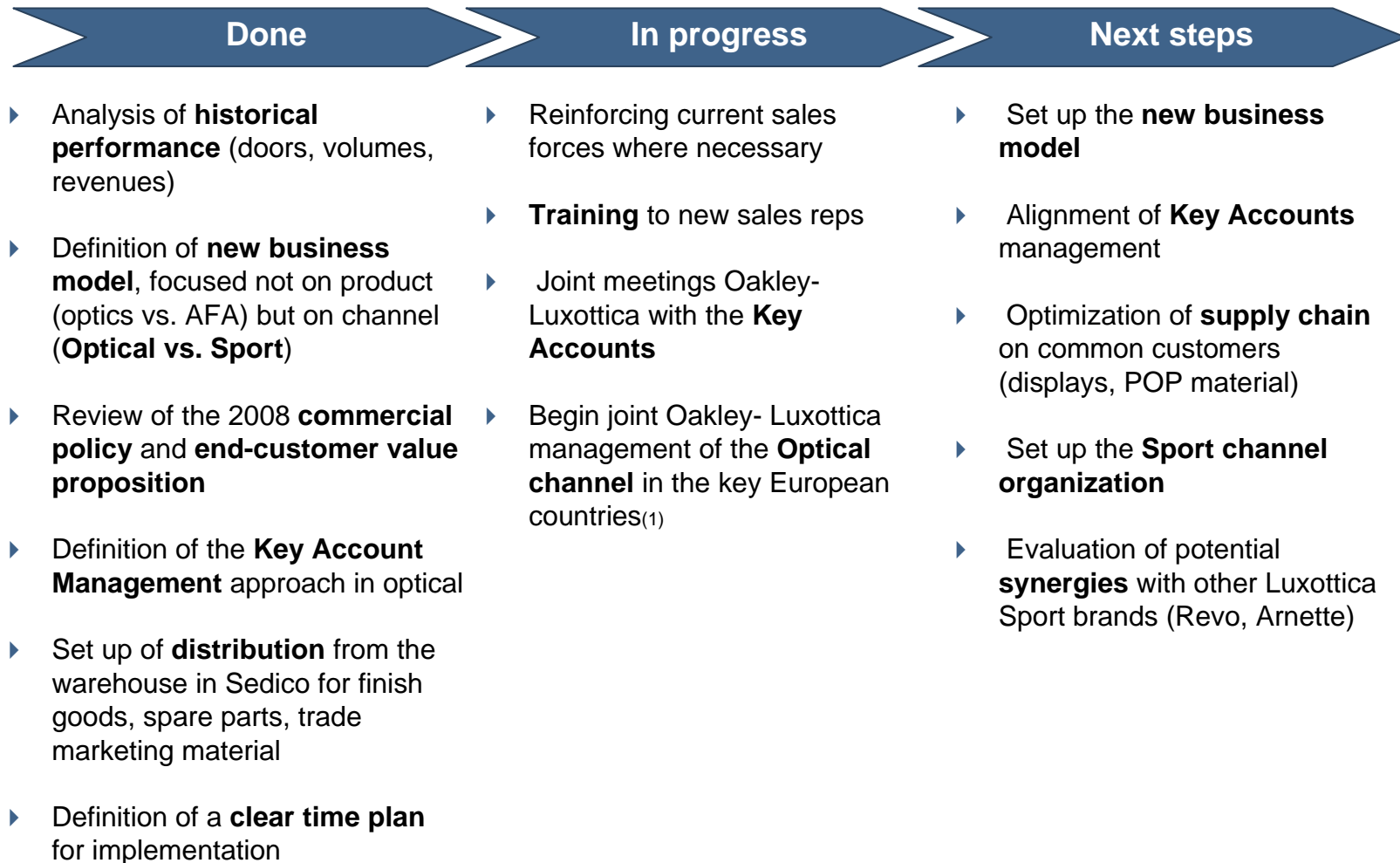
## Commercial & Service Model

- ▶ Key Account Management
- ▶ Full Luxottica local infrastructure
  - Including Supply Chain

## Door Penetration

- ▶ Room for boosting penetration ...
- ▶ ... while still maintaining a selective approach

# Europe: most European markets go live during spring 2008

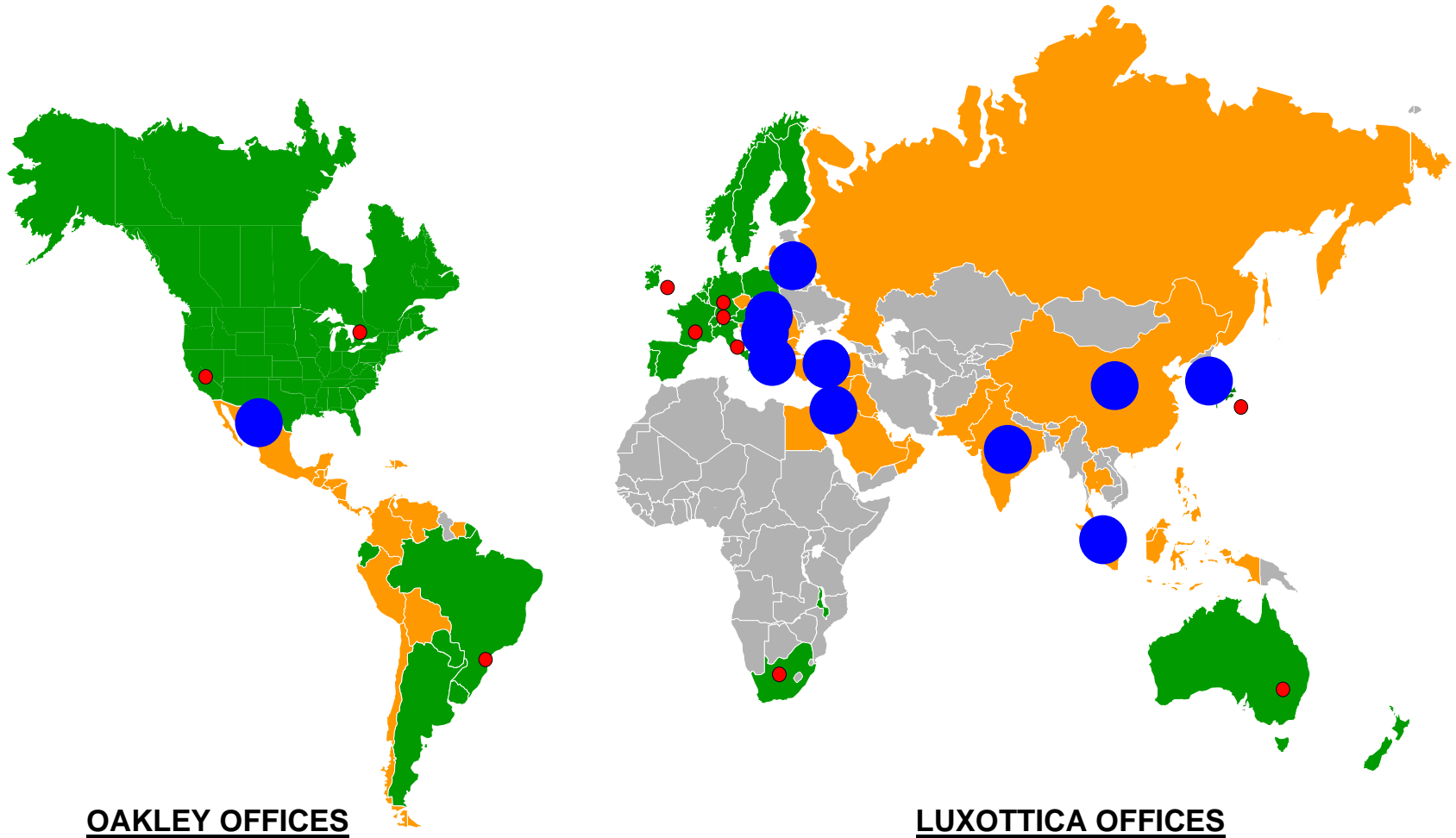


  
**Spring  
2008**

(1) Italy, Spain, Portugal, Netherlands, Belgium, Scandinavia, France, Germany, Austria and Switzerland

- ▶ **Merger rationale**
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# Emerging markets: a tremendous opportunity



## OAKLEY OFFICES

**Subsidiaries**

**Distributors**

● 12 subsidiaries serving 48 countries

● 31 distributors serving 59 countries

## LUXOTTICA OFFICES

● Subsidiaries<sup>(1)</sup> (where Oakley has distributors)

(1) Includes Retail local presence

# Emerging markets: key areas are already up and running





- ▶ **Merger rationale**
  
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# Retail optimization: many promising work streams

|                                 | <i>As is</i>   | <i>The vision</i>   |
|---------------------------------|--|---|
| Cross-sales opportunity         | <ul style="list-style-type: none"> <li>▶ LensCrafters not carrying Oakley product</li> <li>▶ Sunglass Hut / Oakley already a very successful partnership</li> </ul>                      | <ul style="list-style-type: none"> <li>▶ LensCrafters becomes a destination for Oakley Rx and Oakley Sun / Rx</li> <li>▶ Increase brand awareness helps all channels / accounts</li> <li>▶ Further growth potential both in volume and in consumer value proposition</li> </ul> |
| Icon infrastructure integration | <ul style="list-style-type: none"> <li>▶ Distinct Retail Concept <ul style="list-style-type: none"> <li>▪ Work in progress</li> </ul> </li> <li>▶ Own complete infrastructure</li> </ul> | <ul style="list-style-type: none"> <li>▶ Still a distinct concept, but leveraging non-customer-facing Luxottica infrastructure</li> <li>▶ Migrates to new sun concept</li> </ul>  |
| New sun concept opportunity     | <ul style="list-style-type: none"> <li>▶ Sunglass Hut re-positioning and new store, ILORI launch</li> <li>▶ Icon currently under repositioning</li> </ul>                                | <ul style="list-style-type: none"> <li>▶ Exploration of new sun concept opportunity</li> <li>▶ Distinctive and unique positioning in target consumer, product mix, store experience</li> </ul>  |

# Oakley has achieved a very optimistic start at LensCrafters

**Despite no public launch or strong marketing push, the result of our efforts so far**

**Oakley sales represent ~ 5% of total**

- ▶ This boost caught even us by surprise
- ▶ Assuming similar performance when we expand, Oakley will be one of the top 5 collections in LensCrafters

**Encouraging “incremental” sales / higher % of new customers vs. the average**

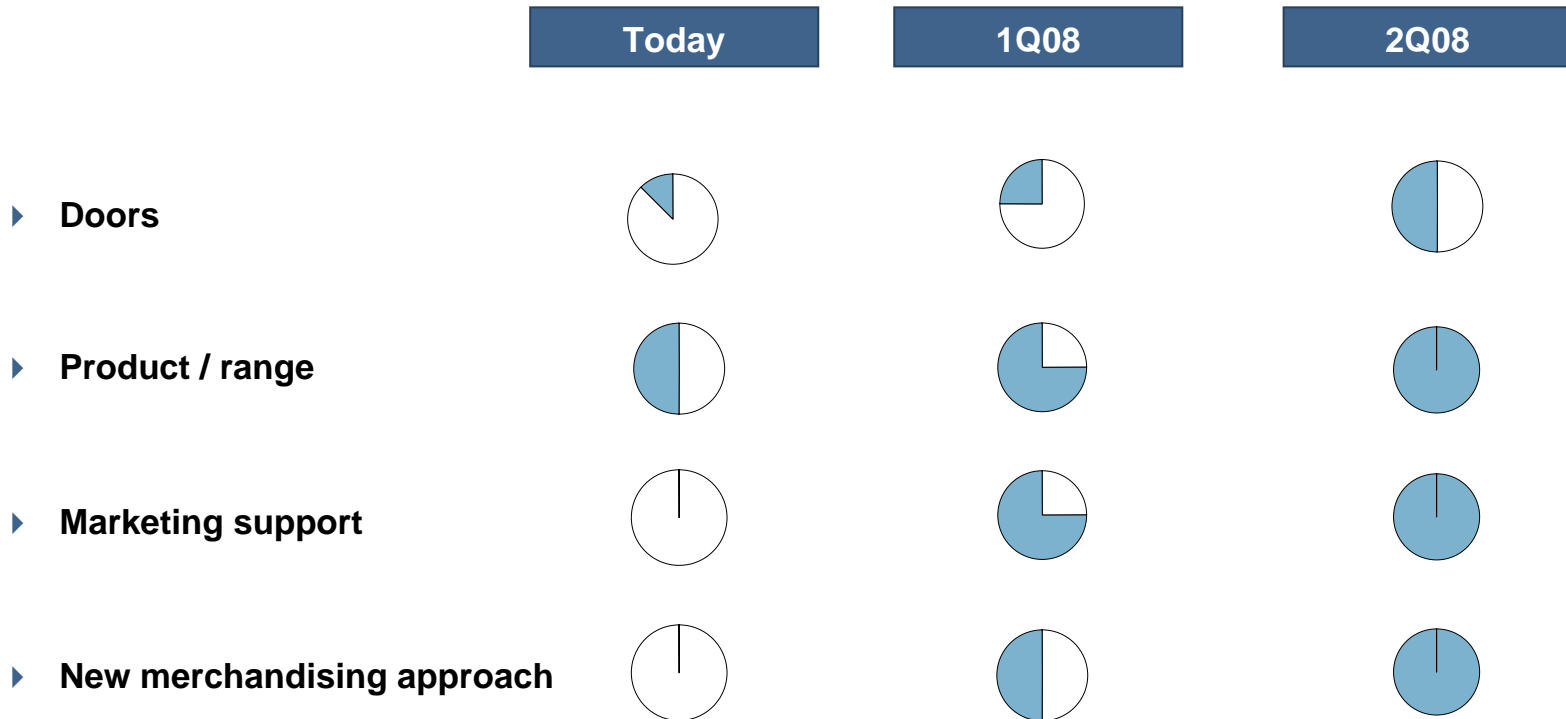
**Oakley is bringing a new consumer to LensCrafters, attracting a broader demographic**

- ▶ Much higher % of men vs. average LensCrafters consumer
- ▶ Much younger (well over indexing on 25-44 years old)

**Generates higher AUR vs. LensCrafters average customer**

**LensCrafters: marketing power will launch Oakley optical...  
...entire optical channel will follow**

# LensCrafters initiatives to be rolled out substantially by 2Q08



Potential to boost Oakley Rx for the whole retail division,  
through enhanced visibility, awareness...

# Sun retail: Luxottica is revisiting its portfolio quite intensively

Past

At present

ILORI



- ▶ New luxury / premium concept introduced to address a female achiever consumer target

SUNGLASS HUT



- ▶ “Find your cool”
- ▶ New concept / new store being rolled-out
- ▶ Evolution to catch a broader fashion opportunity

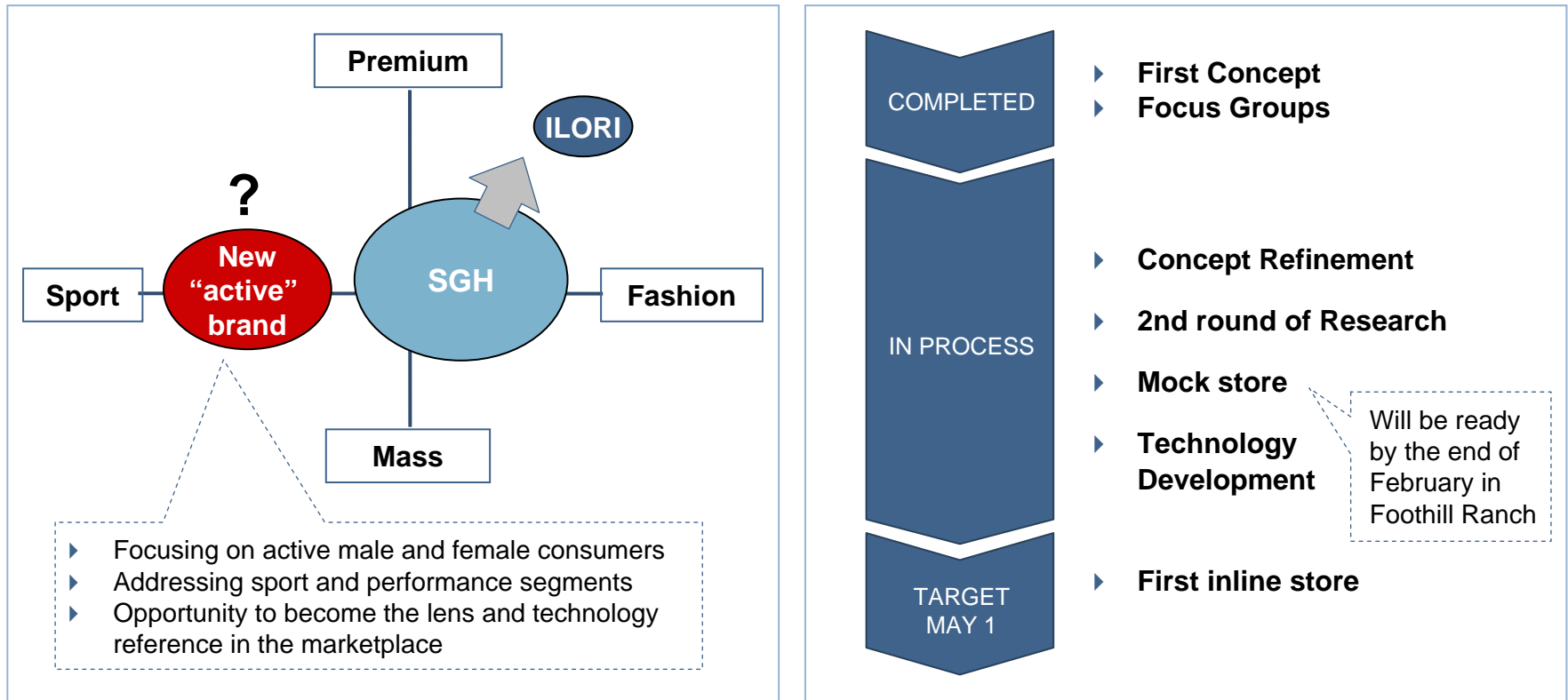
ICON



← *Where ?* →

- ▶ Calls for concept re-branding already announced in June 2006...
  - Not implemented due to merger discussion
- ▶ Concept moving in the right direction

# Opportunity for a powerful brand re-positioning to an even brighter future?



- ▶ **Strategically addressing all the opportunities of the newly extended Luxottica portfolio (Oakley)**
- ▶ **New brand and new experience for different consumers**
- ▶ **Opportunity to further differentiate our Sun Retail footprint: malls, streets, kiosks**

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# Sourcing: a disciplined, systemic and open-minded review

## Key areas of analysis

## Underlying rationale

- ▶ **WHERE TO MAKE / WHAT**
- ▶ **MAKE vs. BUY**

- ▶ Luxottica and Oakley have very complementary manufacturing skills, capabilities and capacities
- ▶ Sub-assemblies in addition to components
- ▶ Opportunity for a completely new approach to sun lenses

- ▶ **PURCHASING CONDITIONS**

- ▶ Luxottica and Oakley essentially buy the same things
- ▶ Can drive third party suppliers to leverage their production volumes

- ▶ **Rigorous methodology**
- ▶ **All conducted by joint teams**
- ▶ **All plans finalized within Q1**



# A whole new approach to sun lenses has been developed and raised as a key priority for the Group

**Luxottica and Oakley both have a unique and distinctive portfolio of technologies, patents, production process and know-how, and they complement each other**

**All new improvements and introductions in sun lenses can leverage the significant, joint development and manufacturing capability and scale**

**A completely new approach to lens development and manufacturing is being crafted**

- ▶ Oakley is unique polarized capabilities will feed other Luxottica production plants for improved product quality
- ▶ In-sourcing additional lens production at Oakley
- ▶ Cross-fertilization opportunities and transfer of know-how identified on most surface treatments and coating technologies
- ▶ Joint expert teams are now in place to drive vendor product improvements (i.e., glass lenses for various Luxottica brands)

- ▶ **Clear / dramatic opportunities ahead**
- ▶ **Raised the level of “key Group priority” as never before**

- ▶ **Merger rationale**
  
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# Revo: a rich niche jewel...

- ▶ Deep heritage. Known for polarized lens quality
- ▶ Premium positioning playing into the lens performance segment (US\$169 – US\$309)
- ▶ Targeted at a growing market segment of active consumers not willing to sacrifice performance for style
- ▶ Appreciated reputation in all trade channels



## ...ready to grow in next 3 years



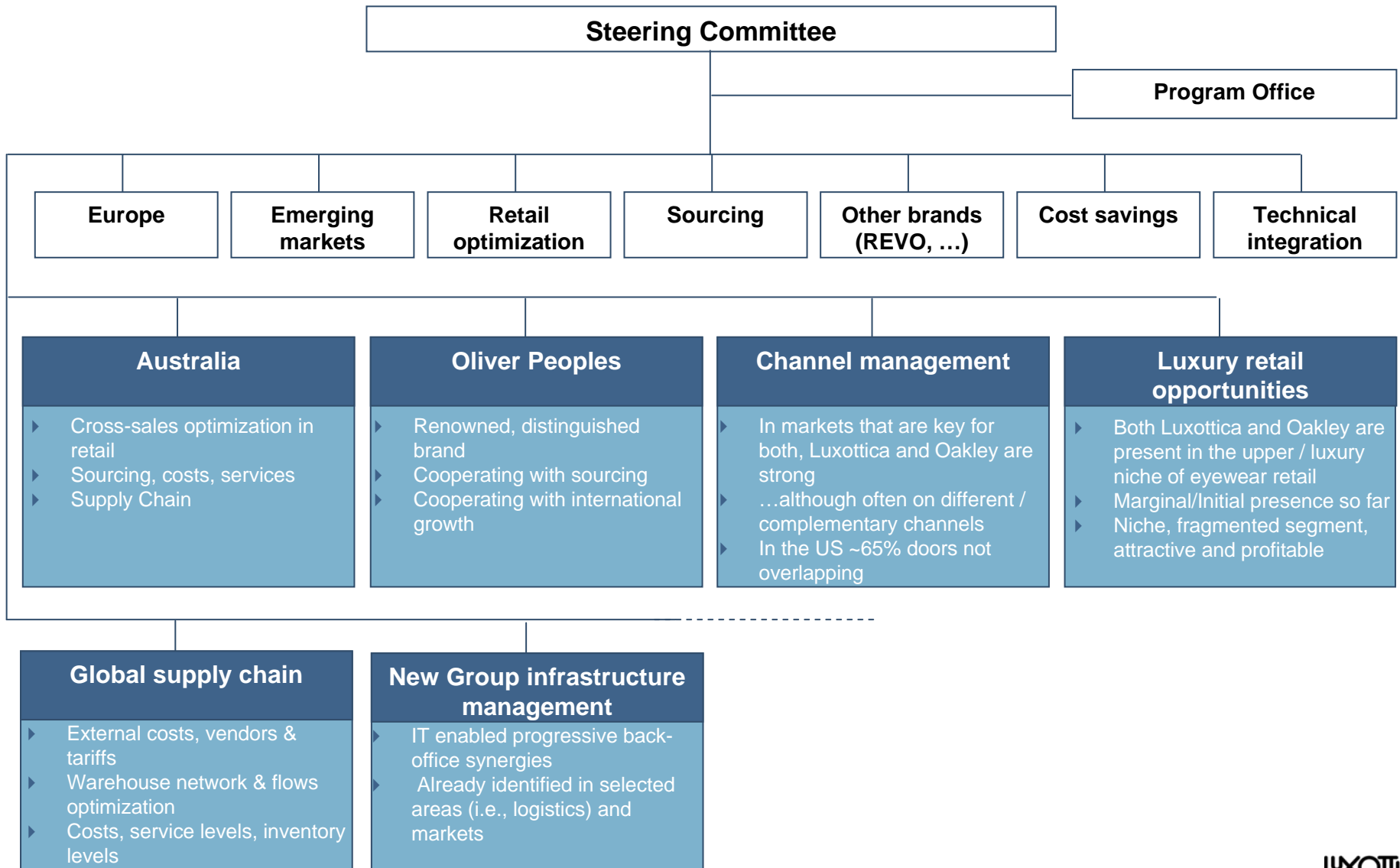
- ▶ Lens technology is a very rich niche segment in US
- ▶ Exciting opportunity of leveraging Oakley knowledge to create a new lens technology and positioning for REVO
- ▶ Oakley assisting Luxottica with style refresh and upgraded performance frame collection
- ▶ Under distributed in the sport channel
- ▶ Significant opportunity in SGH

- ▶ **Launch in November 2008 of revisited REVO collection (Vision Expo West)**
- ▶ **Opportunity to double the sales volumes just in North America**
- ▶ **Opportunity to increase brand profitability by over 200 basis points**

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# A whole second wave of project tasks is already underway, and promises to be at least as impactful as “wave 1”



# Very determined approach to “wave 2” tasks

- ▶ We’re confident we are building the foundations of the new Group
- ▶ Clear guidelines defined / handed over to individual teams for accelerated start
- ▶ Strong team seniority in place
- ▶ Full support / tight control from Steering Committee
- ▶ Most tasks implemented and /or in process during 2008

