



**Global leader in  
luxury and premium  
eyewear**

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## ▶ Overview of results for 1Q06

- ▶ Financial highlights for 1Q06
- ▶ Looking ahead
- ▶ Appendix and other information

# Overview of Results for 1Q06

## An outstanding quarter overall

### Continued positive momentum in both retail and wholesale, across all regions

- ▶ Retail comp sales up by 8.3% for the entire Division
  - Retail North America
    - > Outpaced premium U.S. retail sector with +8.6% comp sales
    - > LensCrafters and Sunglass Hut: double digit comp sales
    - > Pearle Vision: middle single-digit comp sales, profitability more than doubled
  - Retail Asia-Pacific: good quarter for optical, sun trending up
- ▶ Wholesale sales to third parties up by 32.4%, at constant exchange rates up by 29.2%

### Non-cash expense for stock options of €11 million, out of an expected €25 million for FY06

- ▶ “Others” for 1Q05 reflected one-off currency gain in connection with sale of Pearle Europe stake

### Additional progress on the profitability front

- ▶ Strong performance in retail: operating margin already at 12.6%, compared with 10.1% for 1Q05
- ▶ Wholesale operating margin for the quarter up by 220 bps to 26%

### Working capital

- ▶ Improvements vs. 1Q05 in inventory, receivables and payables: -6 days

**One very strong beginning of the year, one strong quarter closer to meeting FY06 objectives**

# 1Q06: Optical Retail in North America

## LensCrafters: the backbone of our growth

### Performance continues to be driven by emphasis on fashion and premium products

- ▶ No promotions at storefront, just *brands-brands-brands!*
- ▶ Increasing frequency of window campaigns
- ▶ Launch of Dolce & Gabbana and D&G
- ▶ More training at the store level

### Positive contribution from ongoing remodeling/fashion update program

- ▶ 23 remodels/relocations (63 by year end)
- ▶ One store opened (30 by year end)

### New store concept

- ▶ Positive impact on sales from test store and now also from new flagship store in New York
- ▶ Roll-out of new store design in 2Q and 3Q

## Pearle Vision: proving model for future growth

### Now six consecutive months of positive comp sales

### Sales and profitability results are proving this is the right model

### Focused marketing to support effort

- ▶ Fully leveraging expertise in store visuals
- ▶ Expanded marketing mix
  - Highly focused TV advertising
    - > 3x exposure, similar spend vs. 1Q05
  - Leveraging substantial current and past client database through comprehensive CRM program

### Improving cost controls

- ▶ Finding labor synergies across other chains
- ▶ Eliminating labs (completed by July)

### 50% of frames sold during the quarter were Luxottica product

**Dual strategy in optical business is also starting to pay off**

# Optical Retail in North America: New Elements

## Launching the new store concept for LensCrafters

**Following encouraging test results, just launched new store concept**

- ▶ Opening of flagship store in New York – Fifth Avenue & 45th Street
- ▶ Flagship store sales up 10%, 80% of which were luxury and designer brands

**New store concept to turn LensCrafters more into the destination store for fashion and luxury shopping in optical retail**

- ▶ More fashion and luxury brands, more premium products

**Aggressive roll-out of new concept in 2006**

**Plenty of support, including new national advertising campaign “Make an Appearance” to roll out to all key fashion magazines**



LENSCRAFTERS®



# 1Q06: Sun Retail in North America

## Sunglass Hut

### Fourth quarter in a row of double-digit comp sales

### Repositioning strategy is continuing to pay off

- ▶ Sales of over US\$150 products now at 51%
- ▶ Sales of fashion products: +40%
- ▶ High volume stores (over US\$750,000) up by 10% QoQ
- ▶ Attracting more female customers
- ▶ Fashion at 40% (60% in 100 premium stores)
- ▶ Maximizing the impact of over 1,500 windows
  - Launch of Dolce & Gabbana
  - Roll out of *Gisele plays with Vogue* campaign

### Growth – but also further improvement in profitability

### Working on the store base for continued growth

- ▶ 43 remodels/relocations (180 by year end)
- ▶ 10 stores opened, 60 additional stores in 2Q and 3Q
- ▶ 120 new opening by year end
- ▶ 53 stores closed (78 by year end)



**Sun continuing to gather momentum, going into its strongest season**

# 1Q06: Retail in Asia-Pacific

## Australia and New Zealand

### Optical: solid performance with profitability rising well ahead of sales

- ▶ Improved product mix, reflected in higher sales of fashion and premium products
  
- ▶ **OPSM**
  - Record quarter in terms of profitability, store profitability approaching with LensCrafters'
  - Roll out of "luxury fashion walls" (60 stores by year end)
    - > New presentation of products
    - > Higher percentage of Luxottica products
  
- ▶ **Laubman & Pank**
  - Now the second national retail brand in Australia
  - Roll out of the new store format
  - Focus on building awareness for the new single brand

### Sun: early stages of the relaunch of Sunglass Hut



**Strong core optical business with room for additional growth**

# 1Q06: Retail in Asia-Pacific

## China & Hong Kong: continuing to move forward

### Gained final regulatory approval for Xueliang, now running the business

#### Working on the infrastructure to build the market leader

- ▶ New Xueliang store design: launch by May 21, opening of five flagship stores in 1H06
- ▶ Newly selected Luxottica product to arrive by mid-May
- ▶ IT & store systems:
  - SAP in place from day one
  - Focus POS system deployed to first store by mid-May, by end of June at all Beijing stores

#### Promote eyewear as a fashion accessory

- ▶ Developing comprehensive marketing and advertising plans
  - New advertising agency already appointed, new campaign to be launched by 4Q
- ▶ Developing training on fashion brands for associates
- ▶ Bringing store service selling skills to Luxottica standards

#### Hong Kong

- ▶ Focusing on the premium and luxury segment
- ▶ New store format: rolled-out to 24 stores, to all 57 by year-end
- ▶ Extremely encouraging results



# 1Q06: Wholesale

## Overall performance

### Strong sales growth, behind:

- ▶ Increased strength in fashion and luxury brands
- ▶ New sales organization is proving highly effective
- ▶ Strong contribution from all markets
  - Emerging markets: growth rates significantly above average

### Ray-Ban

- ▶ Another strong quarter, even after last year's spectacular performance
- ▶ Positive contribution from ophthalmic

### Growth is coming from both sun and ophthalmic

- ▶ Similar proportion

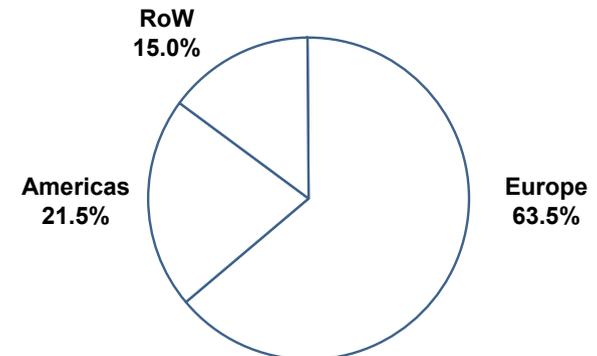
### Increased efficiencies at several levels

- ▶ Manufacturing and outsourcing costs
- ▶ Selling expenses

## Market information

**Continuing to strengthen market position, strong performance in all key markets**

**(Sales breakdown by region, 1Q06)**



**(YoY % changes by region, 1Q 2006) (1)**

- ▶ Europe: +28.4%
- ▶ Americas: +36.1%
- ▶ RoW: +24.5%

**Operating margin hits 26%, up another 220 bps**

(1) Wholesale sales to third parties, at constant exchange rates

# 1Q06: Brand portfolio

## Brand portfolio

### Continued growth in fashion and luxury segments<sup>(1)</sup>

- ▶ Total fashion and luxury sales up 52% vs. 1Q05
- ▶ Premium and luxury --- above €150 retail price
  - 42% of wholesale sales, €192 million
- ▶ Above €100 retail price:
  - 88% of wholesale sales, €399 million

### Best performing brands:

- ▶ Bvlgari: significantly above average
- ▶ Prada: above average

### Strong start for Dolce & Gabbana and D&G

### New brand portfolio in place

### Getting ready for Burberry launch in September

- ▶ Leveraging a brand with 150 years of history
- ▶ Focusing on key markets

### Signed agreement with Polo Ralph Lauren

**Today a much stronger portfolio**

## A key market: the U.S.

### Seeing more growth

- ▶ Stronger brand portfolio, including U.S.-specific brands
- ▶ Stronger, more focused sales force backed by top-tier customer service support
- ▶ Proven commitment to the U.S. market:
  - Polo Ralph Lauren, Burberry, Donna Karan

### Strong, double-digit sales growth in both units and value driven by fashion and luxury brands

### Strong synergies between retail and wholesale

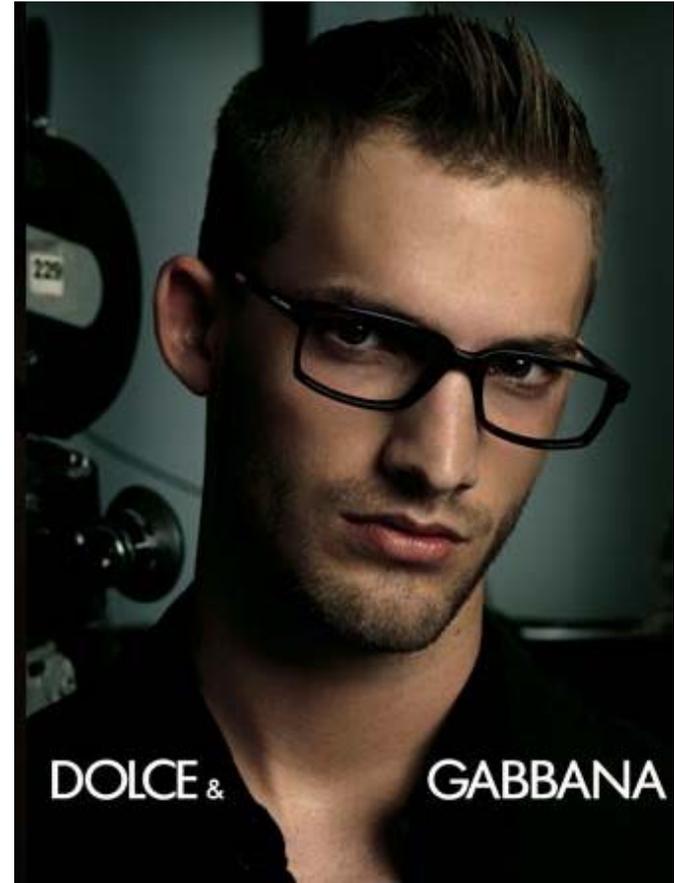
- ▶ Offering all customers unique optical and sun retail know-how
  - Training
  - Product management insight
  - Business solutions

**The fastest growing player in the market**

(1) Does not include sales of sport brands

# Wholesale: Product Update - Dolce & Gabbana

Moving to launch the first ophthalmic collection



# Wholesale: Product Update - Vogue

## Taking a key house brand global: Gisele plays with Vogue

### Launched a global advertising campaign to support the key features of the new collection

- ▶ Ease: the right style for the right situation
- ▶ Fun: play with fashion tastes, a choice of styles that match every look
- ▶ Freshness: keep up with the last trends, a full new assortment in each collection launch
- ▶ Accessibility: design and price stimulate a new purchase every year

### Plenty of advertising and marketing support

- ▶ New York launch party is just an example
- ▶ Window programs at both LensCrafters and Sunglass Hut



# Manufacturing Update

## Italy: the core of our manufacturing

### Commitment to “Made in Italy”

### Strong improvement in manufacturing flexibility

- ▶ Planning cycles considerably shortened

### Central Distribution Center

Working on a totally new concept

Completed by July 2006



## China: a key strategic asset

### Second China-based manufacturing plant now fully operational

- ▶ Focus on plastic

### Outsourcing

- ▶ Fully-dedicated structure
- ▶ Partner of choice of all-key manufacturers
- ▶ Own presence in China allows for maximum control of quality and delivery times standards

### New distribution center to support increased output is already operative



**Strong results supported by increase in manufacturing capability**

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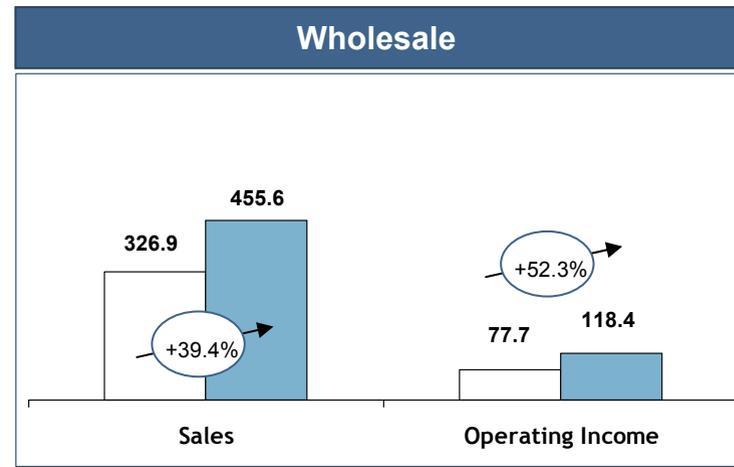
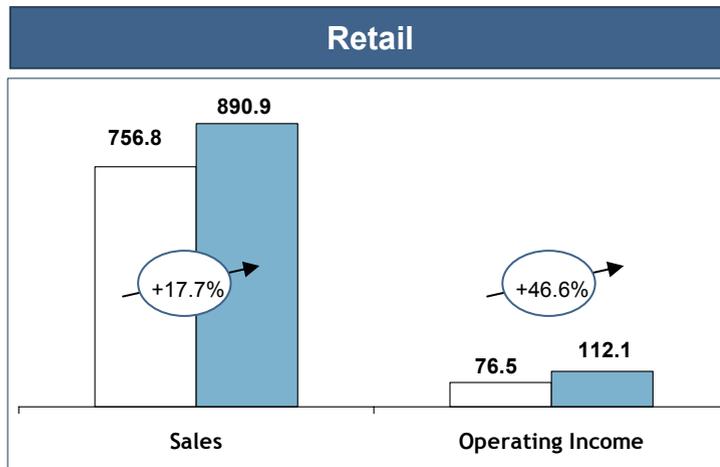
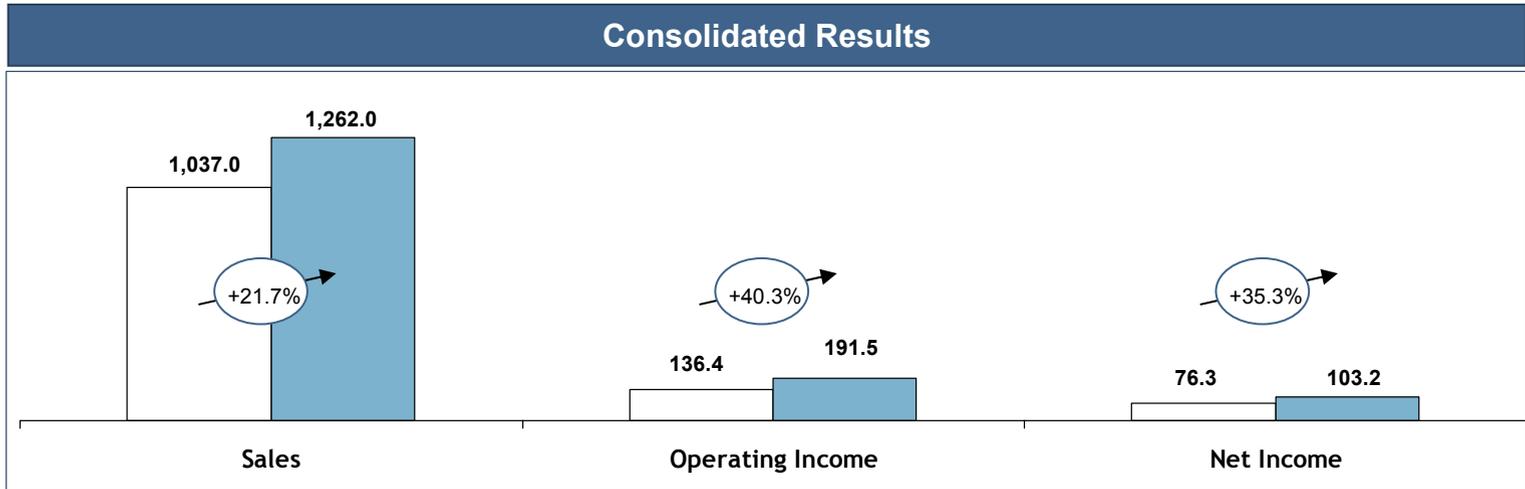
# 1Q06 Financial Highlights

## Consolidated Income Statement, Millions of Euro

	1Q06	1Q05	△	margin 2006	margin 2005
<b>Net sales</b>	<b>1,262.0</b>	<b>1,037.0</b>	<b>+21.7%</b>	-	-
▶ Retail	890.9	756.8	+17.7%	-	-
▶ Wholesale	455.6	326.9	+39.4%	-	-
<b>Operating income</b>	<b>191.5</b>	<b>136.4</b>	<b>+40.3%</b>	<b>15.2%</b>	<b>13.2%</b>
▶ Retail	112.1	76.5	+46.6%	12.6%	10.1%
▶ Wholesale	118.4	77.7	+52.3%	26.0%	23.8%
<b>Net income</b>	<b>103.2</b>	<b>76.3</b>	<b>+35.3%</b>	<b>8.2%</b>	<b>7.4%</b>
<b>EPS (€)</b>	<b>0.23</b>	<b>0.17</b>	-	-	-
<b>EPS (US\$)</b>	<b>0.27</b>	<b>0.22</b>	-	-	-

Notes: All figures are in accordance with U.S. GAAP.

# 1Q06 Financial Highlights



Notes: All figures are in millions of Euro and in accordance with U.S. GAAP.

1Q05
  1Q06
 Millions of Euros

# 1Q06 Financial Highlights

## Consolidated Balance Sheet, Millions of Euro

	March 31, 2006	Dec. 31, 2005	March 31, 2005
<b>Fixed assets</b>	<b>728.6</b>	<b>735.1</b>	<b>629.0</b>
<b>Intangibles</b>	<b>2,621.8</b>	<b>2,695.2</b>	<b>2,578.5</b>
<b>Net working capital</b>	<b>428.6</b>	<b>283.0</b>	<b>461.6</b>
<b>Shareholders' equity</b>	<b>2,041.4</b>	<b>1,954.0</b>	<b>1,627.4</b>
<b>Net debt</b>	<b>1,457.4</b>	<b>1,435.2</b>	<b>1,657.2</b>
<b>Net debt / EBITDA</b>	<b>1.70X</b>	<b>1.80X</b>	<b>2.46X</b>

**Notes:** All figures are in accordance with U.S. GAAP. Net debt, EBITDA, Net debt/EBITDA and Net working capital are non-U.S. GAAP measures. For non-U.S. GAAP measures, see Appendix for additional disclosures. In the Net Debt/EBITDA ratio, EBITDA is calculated for the twelve months ending on the respective date.

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# Looking ahead

**A great start – however, much still remains to be done before year-end**

## **Strong first quarter to begin the year**

### **Executing plans on all fronts**

#### **China: completely focused on integration of acquired businesses**

- ▶ Taking control of the business
- ▶ Building an integrated infrastructure
- ▶ Developing growth strategy and support tools

#### **Completed work on brand portfolio**

- ▶ Bringing to a positive close historical relationships, starting to work on the new additions
- ▶ The best-balanced brand portfolio in the industry

#### **Continued growth**

- ▶ Strategic planning for beyond 2006
- ▶ New ideas, fresh approaches

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# Safe Harbor Statement

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Certain statements in this press release 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 which are anticipated. Such risks and uncertainties include, but are not limited to, fluctuations in exchange rates, economic and weather factors affecting consumer spending, the ability to successfully introduce and market new products, the availability of correction alternatives to prescription eyeglasses, the ability to successfully launch initiatives to increase sales and reduce costs, the ability to effectively integrate recently acquired businesses, including Cole National, risks that expected synergies from the acquisition of Cole National will not be realized as planned and that the combination of Luxottica Group’s managed vision care business with Cole National will not be as successful as planned, the impact of the application of APB 25 (Accounting for Stock Issued to Employees) and, as of January 1, 2006, the adoption of SFAS 123 (R) as well as other political, economic and technological factors and other risks referred to in Luxottica Group’s filings with the U.S. Securities and Exchange Commission. These forward-looking statements are made as of the date hereof and Luxottica Group does not assume any obligation to update them.

# Non-U.S. GAAP Measures Notes

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**Net debt to EBITDA ratio:** Net debt means the sum of bank overdrafts, current portion of long-term debt and long-term debt, less cash. EBITDA represents income from operations before depreciation and amortization. The Company believes that EBITDA is useful to both management and investors in evaluating the Company's operating performance compared to that of other companies in its industry. Our calculation of EBITDA allows us to compare our operating results with those of other companies without giving effect to financing, income taxes and the accounting effects of capital spending, which items may vary for different companies for reasons unrelated to the overall operating performance of a company's business. The ratio of net debt to EBITDA is a measure used by management to assess the level of leverage. EBITDA and the ratio of net debt to EBITDA are not measures of performance under accounting principles generally accepted in the United States (U.S. GAAP). These non-GAAP measures are not meant to be considered in isolation or as a substitute for items appearing on our financial statements prepared in accordance with U.S. GAAP. In addition, Luxottica Group's method of calculating EBITDA and the ratio of net debt to EBITDA may differ from methods used by other companies. See the tables on the following pages for a reconciliation of net debt to long-term debt, which is the most directly comparable U.S. GAAP financial measure, a reconciliation of EBITDA to income from operations, which is the most directly comparable U.S. GAAP financial measure, as well as the calculation of the ratio of net debt to EBITDA. These non-GAAP measures should be used as a supplement to U.S. GAAP results to assist the reader in better understanding the operational performance of the Company.

# Non-U.S. GAAP Measure: Net Debt

Millions of Euro

	March 31, 2006	Dec. 31, 2005
<b>Long-term debt (+)</b>	<b>1,382.5</b>	<b>1,420.0</b>
<b>Current portion of long-term debt (+)</b>	<b>109.3</b>	<b>111.3</b>
<b>Bank overdrafts (+)</b>	<b>306.8</b>	<b>276.1</b>
<b>Cash (-)</b>	<b>(341.1)</b>	<b>(372.3)</b>
<b>Net debt (=)</b>	<b>1,457.4</b>	<b>1,435.2</b>

# Non-U.S. GAAP Measure: EBITDA

Millions of Euro

	<b>1Q05 (-)</b>	<b>FY05 (+)</b>	<b>1Q06 (+)</b>	<b>LTM March 31, 2006 (=)</b>
<b>Income from operations (+)</b>	<b>(136.4)</b>	<b>602.6</b>	<b>191.5</b>	<b>657.6</b>
<b>Depreciation &amp; amortization (+)</b>	<b>(46.5)</b>	<b>194.2</b>	<b>52.2</b>	<b>199.9</b>
<b>EBITDA (=)</b>	<b>(183.0)</b>	<b>796.8</b>	<b>243.6</b>	<b>857.4</b>
<b>Net debt/ EBITDA</b>	<b>-</b>	<b>1.80X</b>	<b>-</b>	<b>1.70X</b>

# Non-U.S. GAAP Measure: EBITDA

Millions of Euro

	1Q04 (-)	FY04 (+)	1Q05 (+)	LTM March 31, 2005 (=)
Income from operations (+)	(120.1)	492.8	136.4	509.2
Depreciation & amortization (+)	(35.3)	152.8	46.5	164.0
EBITDA (=)	(155.4)	645.6	183.0	673.1
Net debt/ EBITDA	-	2.66X	-	2.46X

# Non-U.S. GAAP Measures Notes

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**Net Working Capital:** Net working capital means total current assets, net of cash, minus total current liabilities, net of bank overdrafts and the current portion of long-term debt. Luxottica Group believes that net working capital is useful information to both management and investors because it allows them to assess the short-term capital used in operating the business. Net working capital is a non-GAAP measure and is not meant to be considered in isolation or as a substitute for items appearing on our financial statements prepared in accordance with U.S. GAAP. In addition, Luxottica Group's method of calculating net working capital may differ from methods used by other companies. See the table on the next page for a reconciliation of net working capital to total current assets, which is the most directly comparable U.S. GAAP financial measure. This adjusted financial measure should be used as a supplement to U.S. GAAP results to assist the reader in better understanding the capital used in operating the Company.

# Non-U.S. GAAP Measure: Net Working Capital

Millions of Euro

	March 31, 2006	March 31, 2005
<b>Total current assets (+)</b>	<b>1,581.6</b>	<b>1,461.2</b>
<b>Cash (-)</b>	<b>(341.1)</b>	<b>(365.5)</b>
<b>Total current liabilities (-)</b>	<b>(1,228.0)</b>	<b>(1,337.4)</b>
<b>Bank overdrafts (+)</b>	<b>306.8</b>	<b>373.3</b>
<b>Current portion of long-term debt (+)</b>	<b>109.3</b>	<b>330.1</b>
<b>Net working capital (=)</b>	<b>428.6</b>	<b>461.6</b>

# Non-U.S. GAAP Measures Notes

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**Constant Exchange Rates:** Luxottica Group uses certain measures of financial performance that exclude the impact of fluctuations in currency exchange rates in the translation of operating results into Euro. The Company believes that these adjusted financial measures provide useful information to both management and investors by allowing a comparison of operating performance on a consistent basis. In addition, since Luxottica Group has historically reported such adjusted financial measures to the investment community, the Company believes that their inclusion provides consistency in its financial reporting. Further, these adjusted financial measures are one of the primary indicators management uses for planning and forecasting in future periods. Operating measures that assume constant exchange rates between the first quarter of 2006 and the first quarter of 2005, respectively, are calculated using for each currency the average exchange rate for the three-month period ended March 31, 2005. Operating measures that exclude the impact of fluctuations in currency exchange rates are not measures of performance under U.S. GAAP. These non-GAAP measures are not meant to be considered in isolation or as a substitute for results prepared in accordance with U.S. GAAP. In addition, Luxottica Group's method of calculating operating performance excluding the impact of changes in exchange rates may differ from methods used by other companies. The adjusted financial measures should be used as a supplement to U.S. GAAP results to assist the reader in better understanding the operational performance of the Company.

Additional information regarding constant exchange rate figures and retail comparable store sales, as required by Regulation G, is available in the notes to Luxottica Group's first quarter of 2006 earnings release. See [www.luxottica.com](http://www.luxottica.com), section investor relations, press releases.

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