LUXOTTICA GROUP SPA
Form 6-K
August 05, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 UNDER
THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended June 30, 2010
COMMISSION FILE NO. 1 - 10421

LUXOTTICA GROUP S.p.A.

VIA C. CANTÙ 2, MILAN, 20123 ITALY
(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.   Form 20-F ý   Form 40-F o

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): o

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): o

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes o   No ý

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-____________

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F O R M 6-K

for the quarter
ended June 30 of
Fiscal Year 2010

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Corporate Management

Board of Directors
In office until the approval of the financial statements as of and for the year ending December 31, 2011

Chairman	Leonardo Del Vecchio
Deputy Chairman	Luigi Francavilla
Chief Executive Officer	Andrea Guerra
Directors	Roger Abravanel* Mario Cattaneo* Enrico Cavatorta Roberto Chemello Claudio Costamagna* Claudio Del Vecchio Sergio Erede Sabina Grossi Ivanhoe Lo Bello* (Lead Independent Director) Marco Mangiagalli* Gianni Mion* Marco Reboa*

**Independent directors*

Human Resources Committee	Claudio Costamagna (Chairman) Roger Abravanel Sabina Grossi Gianni Mion
Internal Control Committee	Mario Cattaneo (Chairman) Ivanhoe Lo Bello Marco Mangiagalli Marco Reboa

Board of Statutory Auditors
In office until the approval of the financial statements as of and for the year ending December 31, 2011

Regular Auditors	Francesco Vella (Chairman) Alberto Giussani Enrico Cervellera
Alternate Auditors	Alfredo Macchiati Giorgio Silva
Officer responsible for preparing the Company's financial reports	Enrico Cavatorta

Auditing Firm
Until approval of the financial statements as of and for the year ending December 31, 2011

Deloitte & Touche S.p.A.

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Luxottica Group S.p.A.

Headquarters and registered office via Cantù, 2, 20123 Milan, Italy

Capital Stock € 27,904,576.98

authorized and issued

ITEM 1. MANAGEMENT REPORT ON THE INTERIM FINANCIAL RESULTS
AS OF JUNE 30, 2010
(UNAUDITED)

The following discussion should be read in conjunction with the disclosure contained in (1) our Annual Report on Form 20-F for the year ended December 31, 2009, which contains, among other things, a discussion of the risks and uncertainties that could affect our future operating results or financial condition and (2) our press release issued on April 16, 2010, relating to the Company beginning financial reporting in its financial communications in accordance with IAS/IFRS, which are both available on the Company's website, www.luxottica.com.

1. OPERATING PERFORMANCE FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2010

For the Company, the second quarter reflected one of the strongest results in the Group's history. For the first time ever, quarterly net sales approached Euro 1.6 billion. Net income reached Euro 150 million. Both segments contributed to the achievement of this excellent result, successfully reaping the benefits of the extraordinary work carried out during the recent quarters and confirming the strength of the Company's brands while strengthening our market position. In the second quarter of the year, the Company achieved positive performances in most geographic regions where it is present. The manufacturing and wholesale distribution segment recorded its best sales performance in the Group's history. Emerging markets made a key contribution to this performance, boasting an increase in wholesale sales by approximately 30 percent compared to the same period last year, along with the United States and Europe, which enjoyed a particularly positive 'sun' season. The results posted by Sunglass Hut were also very solid, with net sales benefiting from the major store-opening plan within US department store Macy's, allowing record sales to be recorded in June. In the second quarter of 2010, net sales rose by 13.8 percent at current exchange rates and by 6.5 percent at constant exchange rates[1], to Euro 1,595.1 million from Euro 1,401.6 million. During the half-year period, net sales rose by 10.1 percent to Euro 2,986.8 million (Euro 2,714.0 million in the first half of 2009). Considering operating performance, EBITDA[2] grew over the previous year by 22.2 percent to Euro 335.4 million in the three months ended June 30, 2010, from Euro 274.5 million in the same period of 2009. For the first half of the year, EBITDA[2] grew to Euro 578.0 million from the Euro 501.5 million posted for the first half of 2009.

[1] We calculate constant exchange rates by applying to the current period the average exchange rates between the Euro and the relevant currencies of the various markets in which we operated during the six-month period ended June 30, 2009. Please refer to Attachment 1 for further details on exchange rates.

[2] For a further discussion of EBITDA, see page 16 "Non-IAS/IFRS Measures."

Operating income was Euro 258.3 million in the three months ended June 30, 2010 (Euro 203.3 million for the same period of 2009, or 27.1 percent), while the Group's operating margin improved from 14.5 percent in the three months of 2009 to 16.2 percent in the same period of 2010. In the first six months of 2010, operating income amounted to Euro 429.6 million, up 20.2 percent from Euro 357.5 million posted for the same period last year.

Net income in the three months ended June 30, 2010 increased to Euro 150.1 million (up by 30.1 percent from Euro 115.3 million for the same period of 2009), resulting in earnings per share (EPS) of Euro 0.33 (at an average Euro/Dollar exchange rate of 1.2708).

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For the three months ended June 30, 2010, once again the Company generated excellent positive free cash flow[3] (Euro 160 million): however, because of the exchange rate effect after having paid dividends during the quarter of more than Euro 160 million and having acquired the remaining 35.16 percent of our Turkish subsidiary for approximately Euro 60 million, consolidated net debt as of June 30, 2010 amounted to Euro 2,646 million (Euro 2,337 million at the end of 2009), with a ratio of net debt to EBITDA[4] of 2.8X, compared with 2.7X recorded at the end of 2009 (net of the exchange rate effect, the ratio of net debt to EBITDA[4] as of June 30, 2010 would have been 2.6X, down from 2.8X as of December 31, 2009).

[3] For a further discussion of free cash flow, see page 16 "Non-IAS/IFRS Measures."

[4] For a further discussion of net debt to EBITDA ratio, see page 16 "Non-IAS/IFRS Measures."

2. SIGNIFICANT EVENTS DURING THE SIX MONTHS ENDED JUNE 30, 2010

January

On January 29, 2010, our subsidiary Luxottica U.S. Holdings Corp. ("U.S. Holdings") completed a private placement of U.S. $175 million of senior unsecured guaranteed notes, issued in three series (Series D, Series E and Series F). The aggregate principal amount is U.S. $50 million for each of Series D and Series E Notes and U.S. $75 million for Series F Notes. The Series D Notes mature on January 29, 2017, the Series E Notes mature on January 29, 2020 and the Series F Notes mature on January 29, 2019. Interest on the Series D Notes accrues at 5.19 percent per annum, interest on the Series E Notes accrues at 5.75 percent per annum and interest on the Series F Notes accrues at 5.39 percent per annum. The proceeds from the Notes were used for general corporate purposes.

February

On February 8, 2010, we announced that we formed a long-term joint venture for the Australian and New Zealand markets with Essilor International. The joint venture will manage Eyebiz Pty Limited, Luxottica's Sydney-based optical lens finishing laboratory, which, as a result of this alliance, will be majority-controlled by Essilor. Eyebiz will continue to supply all of our retail optical outlets in Australia and New Zealand: OPSM, Budget Eyewear and Laubman & Pank.

March

On March 31, 2010, we announced a three-year renewal of our exclusive license agreement with Jones Apparel Group for the design, production and global distribution of prescription frames and sunglasses under the Anne Klein New York brand. The new agreement, which is substantially unchanged from the previous agreement, extends the license through December 2012, with a provision for a further renewal.

On March 31, 2010, we announced a five-year extension of the license agreement with Retail Brand Alliance, Inc. for the design, production and worldwide distribution of prescription frames and sunglasses under the Brooks Brothers brand. The Brooks Brothers trade name is owned by Retail Brand Alliance, Inc., which is controlled by Claudio Del Vecchio, one of our directors. The term of the new agreement is through December 2014, with an option for a further five-year extension under the same terms. The terms were substantially unchanged from those of the previous agreement.

April

On April 16, 2010, we announced that starting with fiscal year 2010 and for all future reporting periods we will report in all financial communications, including reports to the United States Securities and Exchange Commission ("SEC"), our financial results in accordance with the International Financial Reporting Standards as issued by the International Accounting Standards Board ("IAS/IFRS"). Up to and including the 2009 fiscal year, we had been reporting our financial results in accordance with generally accepted accounting principles in the United States ("U.S. GAAP").

Since 2005, we have also been preparing consolidated financial statements in Italy in accordance with IFRS as required by Italian law and we have provided the financial community with a reconciliation of our U.S. GAAP and IFRS results on a quarterly basis.

At the Stockholders' Meeting on April 29, 2010, the stockholders approved the distribution of a cash dividend of Euro 0.35 per ordinary share, reflecting a year-over-year 59 percent increase. The aggregate dividend amount is approximately Euro 160 million.

May

On May 27, 2010, we announced a ten-year extension of the license agreement for the design, production and worldwide distribution of prescription frames and sunglasses under the Bvlgari brand. The new agreement will run from January 1, 2011 to December 31, 2020.

In May 2010, we completed the acquisition of the 35.16 percent interest held by minority stockholders in Luxottica Gözlük Endüstri ve Ticaret Anonim Sirketi, ("Luxottica Turkey") our Turkey-based subsidiary, for approximately Euro 61.8 million, bringing our ownership in this subsidiary to 100 percent.

June

During the first six months of 2010, we purchased on the Mercato Telematico Azionario ("MTA") 1,471,712 of our ordinary shares at an average price of Euro 19.77 for a total amount of Euro 29,096,776 pursuant to the share purchase program approved at the Stockholders' Meeting on October 29, 2009, and launched on November 16, 2009.

In parallel, our subsidiary, Arnette Optic Illusions, Inc., sold during the same period on the MTA 1,415,000 of our treasury shares at an average price of Euro 19.64 for a total amount of Euro 27,784,389.

3. FINANCIAL RESULTS

We are a global leader in the design, manufacture and distribution of fashion, luxury and sport eyewear, with net sales reaching Euro 5.1 billion in 2009, approximately 60,000 employees and a strong global presence. We operate in two industry segments: (i) manufacturing and wholesale distribution; and (ii) retail distribution. See Note 4 to the Condensed Consolidated Half Year Report as of June 30, 2010 for additional disclosures about our operating segments. Through our manufacturing and wholesale distribution segment, we are engaged in the design, manufacture, wholesale distribution and marketing of house and designer lines of mid- to premium-priced prescription frames and sunglasses. We operate our retail distribution segment principally through our retail brands, which include, among others, LensCrafters, Sunglass Hut, Pearle Vision, OPSM, Laubman & Pank, Budget Eyewear, Bright Eyes, Oakley "O" Stores and Vaults, David Clulow and our Licensed Brands (Sears Optical and Target Optical).

As a result of our numerous acquisitions and the subsequent expansion of our business activities in the United States through these acquisitions, our results of operations, which are reported in Euro, are susceptible to currency rate fluctuations between the Euro and the U.S. dollar. The Euro/U.S. dollar exchange rate has fluctuated from an average exchange rate of Euro 1.00 = U.S. $1.3320 in the first six months of 2009 to Euro 1.00 = U.S. $1.3268 in the same period of 2010. Additionally, with the acquisition of OPSM and Bright Eyes (acquired through Oakley), our results of operations are susceptible to currency fluctuations between the Euro and the Australian dollar. Although we engage in certain foreign currency hedging activities to mitigate the impact of these fluctuations, they have impacted our reported revenues and expenses during the periods discussed herein.

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RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009 (UNAUDITED)

In accordance with IAS/IFRS

	Six months ended June 30,			
Values in thousands of Euro	**2010**	**% of net sales**	**2009**	**% of net sales**
Net sales	**2,986,811**	**100.0%**	**2,713,960**	**100.0%**
Cost of sales	1,029,545	34.5%	931,696	34.3%
Gross profit	**1,957,265**	**65.5%**	**1,782,264**	**65.7%**
Selling	937,529	31.4%	869,242	32.0%
Royalties	52,500	1.8%	54,166	2.0%
Advertising	196,488	6.6%	172,164	6.3%
General and administrative	299,640	10.0%	288,010	10.6%
Intangibles amortization	41,533	1.4%	41,195	1.5%
Total operating expenses	**1,527,690**	**51.1%**	**1,424,777**	**52.5%**
Income from operations	**429,576**	**14.4%**	**357,487**	**13.2%**
Other income/(expense)				
Interest income	3,282	0.1%	3,368	0.1%
Interest expense	(51,571)	1.7%	(49,644)	1.8%
Other net	(4,752)	0.2%	(3,992)	0.1%
Income before provision for income taxes	**376,535**	**12.6%**	**307,218**	**11.3%**
Provision for income taxes	(127,973)	4.3%	(109,166)	4.0%
Net income	**248,561**	**8.3%**	**198,052**	**7.3%**
Attributable to				
Luxottica Group stockholders	**245,142**	**8.2%**	**194,085**	**7.2%**
noncontrolling interests	3,419	0.1%	3,967	0.1%
NET INCOME	**248,561**	**8.3%**	**198,052**	**7.3%**

Net Sales. Net sales increased by Euro 272.8 million, or 10.1 percent, to Euro 2,986.8 million in the first six months of 2010 from Euro 2,714.0 million in the same period of 2009. Euro 127.7 million of such increase is attributable to the increased sales in the manufacturing and wholesale distribution segment in the first six months of 2010 as compared to the same period in 2009 and to increased sales in the retail distribution segment of Euro 145.1 million for the same period.

Net sales for the retail distribution segment increased by Euro 145.1 million, or 8.9 percent, to Euro 1,782.1 million in the first six months of 2010 from Euro 1,637.0 million in the same period in 2009. The increase in net sales for the period is partially attributable to an approximately 3 percent improvement in comparable store sales[5]. In particular we saw a 4.5 percent increase in comparable store sales for the North American retail operations, which was partially offset by a 11.4 percent decrease in comparable store sales for the Australian/New Zealand retail operations. The positive effects from currency fluctuations between the Euro, which is our reporting currency, and other currencies in which

[5] 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 in the same geographic area, and applies to both periods the average exchange rate for the prior period.

we conduct business, in particular due to the strengthening of the Australian Dollar compared to the Euro, increased net sales in the retail distribution segment by Euro 52.9 million.

Net sales to third parties in the manufacturing and wholesale distribution segment increased by Euro 127.7 million, or 11.9 percent, to Euro 1,204.7 million in the first six months of 2010 from Euro 1,077.0 million in the same period in 2009. This increase is mainly attributable to increased sales of most of our house brands, in particular Ray-Ban and Oakley, and of some designer brands such as Bvlgari, Ralph Lauren and Chanel. These sales volume increases occurred in most of the markets in which the Group operates. These positive effects were further increased by positive currency fluctuations, in particular due to a strengthening of the Australian Dollar and other minor currencies, including but not limited to the Brazilian Real, the Canadian Dollar and the Japanese Yen, while the U.S. Dollar remained relatively stable compared to the Euro, which increased net sales to third parties in the manufacturing and wholesale distribution segment by Euro 37.2 million.

In the first six months of 2010, net sales in the retail distribution segment accounted for approximately 59.7 percent of total net sales, as compared to approximately 60.3 percent of total net sales for the same period in 2009. This decrease in sales as a percentage of total net sales for the retail distribution segment is primarily attributable to an 11.9 percent increase in net sales to third parties in our manufacturing and wholesale distribution segment compared to the same period of 2009 compared to an increase of 8.9 percent in the retail distribution segment compared to the same period of 2009.

In the first six months of 2010, net sales in our retail distribution segment in the United States and Canada comprised 83.1 percent of our total net sales in this segment as compared to 84.1 percent of our total net sales in the same period of 2009. In U.S. dollars, retail net sales in the United States and Canada increased by 7.1 percent to U.S. $1,964.0 million in the first six months of 2010 from U.S. $1,833.2 million for the same period in 2009, due to sales volume increases. During the first six months of 2010, net sales in the retail distribution segment in the rest of the world (excluding the United States and Canada) comprised 16.9 percent of our total net sales in the retail distribution segment and increased by 15.8 percent to Euro 301.9 million in the first six months of 2010 from Euro 260.7 million, or 15.9 percent of our total net sales in the retail distribution segment for the same period in 2009, mainly due to positive currency fluctuation effects.

In the first six months of 2010, net sales to third parties in our manufacturing and wholesale distribution segment in Europe were Euro 622.0 million, comprising 51.6 percent of our total net sales in this segment, compared to Euro 574.3 million or 53.3 percent of total net sales in the segment, in the same period in 2009. The increase of Euro 47.7 million in the first six months of 2010 compared to the same period of 2009 constituted an 8.3 percent increase in net sales to third parties in Europe, due to a general increase in consumer demand. Net sales to third parties in our manufacturing and wholesale distribution segment in the United States and Canada were U.S. $366.2 million and comprised 22.9 percent of our total net sales in this segment in the first six months of 2010, compared to U.S. $343.7 million, or 24.0 percent of total net sales in the segment, in the same period of 2009. The increase of U.S. $22.5 million in the first six months of 2010 compared to the same period of 2009 constituted an increase, in U.S. dollars, of 6.6 percent in net sales in this segment in the United States and Canada, due to a general increase in consumer demand. In the first six months of 2010, net sales to third parties in our manufacturing and wholesale distribution segment in the rest of the world were Euro 306.7 million, comprising 25.5 percent of our total net sales in this segment, compared to Euro 244.6 million or 22.7 percent of our net sales in this segment, in the same period of 2009. The increase of Euro 62.0 million in the first six months of 2010 compared to the same period of 2009 constituted a 25.4 percent increase in this segment in the rest of the world due to the positive effect of currency fluctuations as well as an increase in consumer demand.

Cost of Sales. Cost of sales increased by Euro 97.8 million, or 10.5 percent, to Euro 1,029.5 million in the first six months of 2010 from Euro 931.7 million in the same period of 2009,

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essentially in line with the increase of net sales in the period. As a percentage of net sales, cost of sales increased to 34.5 percent in the first six months of 2010, as compared to 34.3 percent in the same period of 2009. In the first six months of 2010, the average number of frames produced daily in our facilities increased to approximately 233,300, as compared to about 198,600 in the same period of 2009, which was attributable to increased production in all manufacturing facilities in response to an overall increase in demand.

Gross Profit. Our gross profit increased by Euro 175.0 million, or 9.8 percent, to Euro 1,957.3 million in the first six months of 2010 from Euro 1,782.3 million in the same period of 2009. As a percentage of net sales, gross profit decreased to 65.5 percent in the first six months of 2010 from 65.7 percent in the same period of 2009, due to the factors noted above.

Operating Expenses. Total operating expenses increased by Euro 102.9 million, or 7.2 percent, to Euro 1,527.7 million in the first six months of 2010 from Euro 1,424.8 million in the same period of 2009, primarily due to the currency fluctuation effects, in particular due to the strengthening of the Australian Dollar against the Euro. As a percentage of net sales, operating expenses decreased to 51.1 percent in the first six months of 2010 from 52.5 percent in the same period of 2009.

Selling and advertising expenses (including royalty expenses) increased by Euro 90.9 million, or 8.3 percent, to Euro 1,186.5 million in the first six months of 2010 from Euro 1,095.6 million in the same period of 2009. Selling expenses increased by Euro 68.3 million or 7.9 percent. Advertising expenses increased by Euro 24.3 million or 14.1 percent. Royalties decreased by Euro 1.7 million, or 3.1 percent. As a percentage of net sales, selling and advertising expenses decreased to 39.7 percent in the first six months of 2010 compared to 40.4 percent for the same period of 2009, mainly due to the increase in net sales in relation to the fixed portion of selling expenses, such as occupancy costs and fixed employee selling costs.

General and administrative expenses, including intangible asset amortization increased by Euro 12.0 million, to Euro 341.2 million in the first six months of 2010 compared to Euro 329.2 million in the same period of 2009, mainly due to currency fluctuation effects.

Income from Operations. For the reasons described above, income from operations increased by Euro 72.1 million, or 20.2 percent, to Euro 429.6 million in the first six months of 2010 from Euro 357.5 million in the same period of 2009. As a percentage of net sales, income from operations increased to 14.4 percent in the first six months of 2010 from 13.2 percent in the same period of 2009.

Other Income (Expense) Net. Other income (expense) net was Euro (53.0) million in the first six months of 2010 compared to Euro (50.3) million in the same period of 2009. Net interest expense increased to Euro 48.3 million in the first six months of 2010 compared to Euro 46.3 million in the same period of 2009, mainly attributable to an increase in the cost of our indebtedness.

Net Income. Income before taxes increased by Euro 69.3 million, or 22.6 percent, to Euro 376.5 million in the first six months of 2010 from Euro 307.2 million in the same period of 2009 for the reasons described above. As a percentage of net sales, income before taxes increased to 12.6 percent in the first six months of 2010 from 11.3 percent in the same period of 2009. Net income attributable to noncontrolling interests decreased to Euro 3.4 million in the first six months of 2010 as compared to Euro 4.0 million in the same period of 2009. Our effective tax rate was 34.0 percent in the first six months of 2010, compared to 35.5 percent in the same period of 2009.

Net income attributable to Luxottica Group stockholders increased by Euro 51.1 million, or 26.3 percent, to Euro 245.1 million in the first six months of 2010 from Euro 194.1 million in the same period of 2009. Net income attributable to Luxottica Group stockholders as a percentage of net sales increased to 8.2 percent in the first six months of 2010 from 7.2 percent in the same period of 2009.

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Basic earnings per share were Euro 0.53 in the first six months of 2010 as compared to Euro 0.42 in the same period of 2009. Diluted earnings per share were Euro 0.53 in the first six months of 2010 compared to Euro 0.42 in the same period of 2009.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED JUNE 30, 2010 AND 2009 (UNAUDITED)

In accordance with IAS/IFRS

	Three months ended June 30,			
Values in thousands of Euro	**2010**	**% of net sales**	**2009**	**% of net sales**
Net sales	**1,595,124**	**100.0%**	**1,401,626**	**100.0%**
Cost of sales	529,756	33.2%	480,708	34.3%
Gross profit	**1,065,367**	**66.8%**	**920,918**	**65.7%**
Selling	484,763	30.4%	428,354	30.6%
Royalties	27,632	1.7%	28,354	2.0%
Advertising	115,345	7.2%	92,887	6.6%
General and administrative	157,875	9.9%	147,831	10.5%
Intangibles amortization	21,422	1.3%	20,179	1.4%
Total operating expenses	**807,037**	**50.6%**	**717,604**	**51.2%**
Income from operations	**258,330**	**16.2%**	**203,314**	**14.5%**
Other income/(expense)				
Interest income	1,245	0.1%	1,364	0.1%
Interest expense	(26,932)	1.7%	(19,824)	1.4%
Other net	(3,934)	0.2%	(2,388)	0.2%
Income before provision for income taxes	**228,708**	**14.3%**	**182,467**	**13.0%**
Provision for income taxes	(77,813)	4.9%	(65,751)	4.7%
Net income	**150,896**	**9.5%**	**116,716**	**8.3%**
Attributable to				
Luxottica Group stockholders	**150,052**	**9.4%**	**115,336**	**8.2%**
noncontrolling interests	843	0.1%	1,381	0.1%
NET INCOME	**150,896**	**9.5%**	**116,716**	**8.3%**

Net Sales. Net sales increased by Euro 193.5 million, or 13.8 percent, to Euro 1,595.1 million during the three-month period ended June 30, 2010, from Euro 1,401.6 million in the same period of 2009. Euro 75.8 million of such increase is attributable to the increased sales in the manufacturing and wholesale distribution segment during the three-month period ended June 30, 2010, as compared to the same period in 2009 and to the increase in net sales in the retail distribution segment of Euro 117.8 million for the same period.

Net sales for the retail distribution segment increased by Euro 117.8 million, or 14.3 percent, to Euro 944.0 million during the three-month period ended June 30, 2010, from Euro 826.2 million in the same period in 2009. The increase in net sales for the period is partially attributable to an approximately

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3 percent improvement in comparable store sales[6]. In particular we saw a 4.4 percent increase in comparable store sales for the North American retail operations, which was partially offset by a 10.8 percent decrease in comparable store sales for the Australian/New Zealand retail operations. The positive effects from currency fluctuations between the Euro, which is our reporting currency, and other currencies in which we conduct business, in particular due to the strengthening of the U.S. dollar and the Australian Dollar compared to the Euro, increased net sales in the retail distribution segment by Euro 71.1 million.

[6] 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 in the same geographic area, and applies to both periods the average exchange rate for the prior period.

Net sales to third parties in the manufacturing and wholesale distribution segment increased by Euro 75.8 million, or 13.2 percent, to Euro 651.2 million during the three-month period ended June 30, 2010, from Euro 575.4 million in the same period in 2009. This increase is mainly attributable to increased sales of most of our house brands, in particular Ray-Ban and Oakley, and of some designer brands such as Bvlgari, Ralph Lauren and Chanel. These sales volume increases occurred in most of the markets in which the Group operates. These positive effects were further increased by positive currency fluctuations, in particular due to a strengthening of the U.S. Dollar and Australian Dollar as well as other minor currencies, including but not limited to the Brazilian Real, the Canadian Dollar and the Japanese Yen compared to the Euro, which increased net sales to third parties in the manufacturing and wholesale distribution segment by Euro 31.1 million.

During the three-month period ended June 30, 2010, net sales in the retail distribution segment accounted for approximately 59.2 percent of total net sales, as compared to approximately 58.9 percent of total net sales for the same period in 2009. This increase in sales as a percentage of total net sales for the retail distribution segment is primarily attributable to the positive currency exchange rate effects, which more heavily impacted net sales for the retail distribution segment than net sales for the manufacturing and wholesale distribution segment.

During the three-month period ended June 30, 2010, net sales in our retail distribution segment in the United States and Canada comprised 83.5 percent of our total net sales in this segment as compared to 83.6 percent of our total net sales in the same period of 2009. In U.S. dollars, retail net sales in the United States and Canada increased by 7.1 percent to U.S. $1,007.0 million during the three-month period ended June 30, 2010, from U.S. $940.4 million for the same period in 2009, due to sales volume increases. During the three-month period ended June 30, 2010, net sales in the retail distribution segment in the rest of the world (excluding the United States and Canada) comprised 16.5 percent of our total net sales in the retail distribution segment and increased by 15.2 percent to Euro 155.8 million during the three-month period ended June 30, 2010 from Euro 135.3 million, or 16.4 percent, for the same period in 2009, mainly due to positive currency fluctuation effects.

During the three-month period ended June 30, 2010, net sales to third parties in our manufacturing and wholesale distribution segment in Europe were Euro 326.6 million, comprising 50.2 percent of our total net sales in this segment, compared to Euro 305.2 million, or 53.0 percent of total net sales in the segment, in the same period in 2009. The increase of Euro 21.5 million during the three-month period ended June 30, 2010, compared to the same period of 2009 constituted a 7.0 percent increase in net sales to third parties in Europe, due to a general increase in consumer demand. Net sales to third parties in our manufacturing and wholesale distribution segment in the United States and Canada were U.S. $203.7 million and comprised 24.3 percent of our total net sales in this segment during the three-month period ended June 30, 2010, compared to U.S. $185.4 million, or 23.7 percent of total net sales in the segment, in the same period of 2009. The increase of U.S. $18.3 million during the three-month period ended June 30, 2010, compared to the same period of 2009 constituted an increase, in U.S. dollars, of 9.8 percent in net sales in this segment in the United States and Canada, due to a general increase in consumer demand. During the three-month period ended June 30, 2010, net sales to third parties in our manufacturing and wholesale distribution segment in the rest of the world were Euro 166.0 million, comprising 25.5 percent of our total net sales in this segment, compared to Euro 133.7 million in the same period of 2009, or 23.2 percent of our net sales in this segment. The increase of Euro 32.3 million during the three-month period ended June 30, 2010, compared to the same period of 2009 constituted a 24.2 percent increase in this segment in the rest of the world due to a general increase in consumer demand as well as positive currency fluctuation effects.

Cost of Sales. Cost of sales increased by Euro 49.0 million, or 10.2 percent, to Euro 529.8 million during the three-month period ended June 30, 2010, from Euro 480.7 million in the same period of 2009. As a percentage of net sales, cost of sales decreased to 33.2 percent during the three-month period ended June 30, 2010, as compared to 34.3 percent in the same period of 2009, due to the positive effect of the selling price mix, which consisted of more sales of higher margin products. During the three-month period ended June 30, 2010, the average number of frames produced daily in our facilities increased to approximately 243,200, as compared to 208,100 in the same period of 2009, which was attributable to increased production in all manufacturing facilities in response to an overall increase in demand.

Gross Profit. Our gross profit increased by Euro 144.4 million, or 15.7 percent, to Euro 1,065.4 million during the three-month period ended June 30, 2010, from Euro 920.9 million in the same period of 2009. As a percentage of net sales, gross profit increased to 66.8 percent during the three-month period ended June 30, 2010, from 65.7 percent in the same period of 2009, due to the factors noted above.

Operating Expenses. Total operating expenses increased by Euro 89.4 million, or 12.5 percent, to Euro 807.0 million during the three-month period ended June 30, 2010, from Euro 717.6 million in the same period of 2009, mainly due to the currency fluctuation effects, in particular due to the strengthening of the U.S. Dollar and the Australian Dollar against the Euro. As a percentage of net sales, operating expenses decreased to 50.6 percent during the three-month period ended June 30, 2010, from 51.2 percent in the same period of 2009, primarily due to an increase in sales while keeping strong cost controls over general and administrative expenses.

Selling and advertising expenses (including royalty expenses) increased by Euro 78.1 million, or 14.2 percent, to Euro 627.7 million during the three-month period ended June 30, 2010, from Euro 549.6 million in the same period of 2009. Selling expenses increased by Euro 56.4 million, or 13.2 percent. Advertising expenses increased by Euro 22.5 million, or 24.2 percent. Royalties decreased by Euro 0.7 million, or 2.5 percent. As a percentage of net sales, selling and advertising expenses remained substantially flat at 39.4 percent during the three-month period ended June 30, 2010, compared to 39.2 percent for the same period of 2009.

General and administrative expenses, including intangible asset amortization, increased at Euro 179.3 million during the three-month period ended June 30, 2010, compared to Euro 168.0 million in the same period of 2009. As a percentage of net sales, general and administrative expenses decreased from 12.0 percent to 11.2 percent.

Income from Operations. For the reasons described above, income from operations increased by Euro 55.0 million, or 27.1 percent, to Euro 258.3 million during the three-month period ended June 30, 2010, from Euro 203.3 million in the same period of 2009. As a percentage of net sales, income from operations increased to 16.2 percent during the three-month period ended June 30, 2010, from 14.5 percent in the same period of 2009.

Other Income (Expense) Net. Other income (expense) net was Euro (29.6) million during the three-month period ended June 30, 2010, compared to Euro (20.8) million in the same period of 2009. Net interest expense increased to Euro 25.7 million during the three-month period ended June 30, 2010,

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compared to Euro 18.5 million in the same period of 2009, mainly attributable to an increase in the cost of our indebtedness as well as the strengthening of the U.S. Dollar as compared to the Euro.

Net Income. Income before taxes increased by Euro 46.2 million, or 25.3 percent, to Euro 228.7 million during the three-month period ended June 30, 2010, from Euro 182.5 million in the same period of 2009 for the reasons described above. As a percentage of net sales, income before taxes increased to 14.3 percent during the three-month period ended June 30, 2010, from 13.0 percent in the same period of 2009. Net income attributable to noncontrolling interests decreased to Euro 0.8 million during the three-month period ended June 30, 2010, compared to Euro 1.4 million in the same period of 2009. Our effective tax rate was 34.0 percent during the three-month period ended June 30, 2010, compared to 36.0 percent in the same period of 2009.

Net income attributable to Luxottica Group stockholders increased by Euro 34.7 million, or 30.1 percent, to Euro 150.1 million during the three-month period ended June 30, 2010, from Euro 115.3 million in the same period of 2009. Net income attributable to Luxottica Group stockholders as a percentage of net sales increased to 9.4 percent during the three-month period ended June 30, 2010, from 8.2 percent in the same period of 2009.

Basic earnings per share were Euro 0.33 during the three-month period ended June 30, 2010, as compared to Euro 0.25 in the same period of 2009. Diluted earnings per share were Euro 0.33 during the three-month period ended June 30, 2010, compared to Euro 0.25 in the same period of 2009.

OUR CASH FLOWS

The following table sets forth for the periods indicated certain items included in our statements of consolidated cash flows included in Item 2 of this report.

		As of June 30, 2010	**As of June 30, 2009**
		(unaudited)	
		(thousands of Euro)	
A)	Cash and cash equivalents at the beginning of the period	380,081	288,450
B)	Cash provided by operating activities	283,536	415,785
C)	Cash used in investing activities	(170,773)	(92,693)
D)	Cash used in financing activities	(211,407)	(157,927)
	Change in bank overdrafts	15,600	(149,571)
	Effect of exchange rate changes on cash and cash equivalents	40,612	6,278
E)	Net change in cash and cash equivalents	(42,432)	21,872
F)	**Cash and cash equivalents at the end of the period**	**337,649**	**310,322**

Operating activities. Our cash provided by operating activities was Euro 283.5 million and Euro 415.8 million for the first six months of 2010 and 2009, respectively. The Euro 132.3 million decrease for the first six months of 2010 as compared to the same period in 2009 was primarily attributable to:

Cash used in accounts receivable was Euro (162.8) million in the first six months of 2010 compared to Euro (107.5) million in the same period of 2009. This change is primarily due to an increase in sales volume in the first six months of 2010 compared to the same period of 2009.

Cash generated/(used) in accounts payable was Euro 20.6 million in the first six months of 2010 compared to Euro (14.5) million in the same period of 2009. This change is mainly due to an increase of purchases at our Italian manufacturing facilities, maintaining our vendor payment terms.

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Cash generated by other assets/liabilities was Euro 4.0 million in the first six months of 2010 compared to Euro 140.3 million in the same period of 2009. The cash generated in the first six months of 2009 is primarily due to (i) the collection of certain tax receivables of certain U.S. subsidiaries of Euro 46.6 million and (ii) the use of certain tax receivables of Euro 64.8 million to offset the tax liabilities for the period.

Investing activities. Our cash (used in) investing activities was Euro (170.8) million for the first six months of 2010 compared to Euro (92.7) million for the same period in 2009. The cash (used in) investing activities primarily consists of (i) Euro (82.9) million in capital expenditures in the first six months of 2010 compared to Euro (89.5) million in the same period of 2009, (ii) the payment of the second installment of the purchase price for the acquisition of a 40 percent investment in Multiopticas Internacional S.L. for Euro (20.7) million which occurred in the first six months of 2010, and (iii) the purchase of the remaining minority interest of Luxottica Turkey for a total amount of Euro (61.8) million.

Financing activities. Our cash provided by/(used in) financing activities for the first three months of 2010 and 2009 was Euro (211.4) million and Euro (157.9) million, respectively. Cash provided by/(used in) financing activities for the first six months of 2010 consisted primarily of the proceeds of Euro 281.9 million from long-term debt borrowings, of dividend payments of Euro (169.3) million and of Euro (301.4) million used to repay long-term debt expiring during the first six months of 2010. Cash provided by/(used in) financing activities for the first six months of 2009 consisted primarily of the proceeds of Euro 535.0 million from long-term debt borrowings, Euro (51.2) million to repay bank overdrafts and Euro (642.6) million in cash used to repay long-term debt expiring during the first six months of 2009.

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OUR CONSOLIDATED BALANCE SHEET

In accordance with IAS/IFRS

	June 30, 2010 (unaudited)	December 31, 2009 (audited)
	(thousands of Euro)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	337,649	380,081
Accounts receivable net	834,556	618,884
Inventories net	570,536	524,663
Other assets	241,015	198,365
Total current assets	**1,983,755**	**1,721,993**
NON CURRENT ASSETS:		
Property, plant and equipment net	1,235,247	1,149,972
Goodwill	3,054,463	2,688,835
Intangible assets net	1,269,734	1,149,880
Investments	53,425	46,317
Other assets	153,079	147,591
Deferred tax assets	408,041	356,706
Total non-current assets	**6,173,989**	**5,539,301**
TOTAL ASSETS	**8,157,744**	**7,261,294**

LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Bank overdrafts	176,215	148,951
Current portion of long-term debt	219,616	166,279
Accounts payable	480,306	434,604
Income taxes payable	42,812	11,204
Other liabilities	540,068	554,136
Total current liabilities	**1,459,017**	**1,315,174**
NON-CURRENT LIABILITIES:		
Long-term debt	2,587,402	2,401,796
Liability for termination indemnity	46,358	44,633
Deferred tax liabilities	447,554	396,048
Other liabilities	412,436	350,028
Total non-current liabilities	**3,493,750**	**3,192,505**
STOCKHOLDERS' EQUITY:		
Luxottica Group stockholders' equity	3,192,943	2,737,239
Noncontrolling interests	12,034	16,376
Total stockholders' equity	**3,204,977**	**2,753,615**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**8,157,744**	**7,261,294**

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As of June 30, 2010, total assets increased by Euro 896.4 million to Euro 8,157.7 million compared to Euro 7,261.3 million as of December 31, 2009.

In the first six months of 2010, non-current assets increased by Euro 634.7 million. This increase was due to increases in net intangible assets (Euro 485.5 million increase), property, plant and equipment net (Euro 85.3 million increase), deferred tax assets (Euro 51.3 million increase), investments (Euro 7.1 million increase) and other assets (Euro 5.5 million increase).

The increase in net intangible assets is primarily due to the positive effects of foreign currency fluctuations of Euro 511.2 million, partially offset by the amortization for the period of Euro 43.2 million.

The increase in property, plant and equipment is primarily due to positive currency fluctuation effects of Euro 127.5 million and additions during the period of Euro 82.9 million, partially offset by depreciation of Euro 105.2 million for the period.

As of June 30, 2010, as compared to December 31, 2009:

Accounts receivable increased by Euro 215.7 million due to the seasonality of our business, which results in most of our net sales occurring in the first part of the calendar year and a corresponding increase in accounts receivable;

Inventory increased by Euro 45.9 million mainly due to currency fluctuation effects;

Other current assets increased by Euro 42.7 million mainly due to (i) an increase of Euro 25.9 million in securities portfolio which amounts, as of December 31, 2009, were not invested and were held as cash and cash equivalents and (ii) an increase of Euro 15.0 million in other current receivables due to the mark to market of certain new foreign currency contracts with a total notional amount of U.S. $200.0 million.

Other non-current liabilities increased by Euro 62.4 million due to increasing liabilities for certain pension plans and for interest rate derivatives related to a decrease in interest rates compared to December 31, 2009.

Our net financial position as of June 30, 2010, and December 31, 2009 is as follows:

(thousands of Euro)	June 30, 2010 (unaudited)	December 31, 2009 (audited)
Cash and cash equivalents	337,649	380,081
Bank overdrafts	(176,215)	(148,951)
Current portion of long-term debt	(219,616)	(166,279)
Long-term debt	(2,587,402)	(2,401,796)
Total	**(2,645,583)**	**(2,336,945)**

Bank overdrafts consist of short-term uncommitted revolving credit lines borrowed by various subsidiaries of the Group.

As of June 30, 2010, we, together with our wholly-owned Italian subsidiary Luxottica S.r.l., had credit lines aggregating Euro 444.0 million. The interest rate is a floating rate of EURIBOR plus a margin on average of approximately 0.45 percent. As of June 30, 2010, we had utilized Euro 0.2 million of these credit lines.

As of June 30, 2010, Luxottica US Holdings maintained unsecured lines of credit for an aggregate maximum availability of Euro 105.9 million (U.S. $130.1 million). The interest rate is a floating rate and is approximately USD LIBOR plus 80 basis points. At June 30, 2010, these lines were not used.

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As of June 30, 2010, the current portion of long-term debt has increased compared to December 31, 2009, due to the reclassification of the portion of the debt maturing in the first six months of 2011 as short-term debt.

4. RELATED PARTY TRANSACTIONS

Our related party transactions are neither atypical nor unusual and occur in the ordinary course of our business. Management believes that these transactions are fair to the Company. For further details on the related party transactions, please refer to Note 27 to the Notes to the Condensed Consolidated Half Year Financial Report as of June 30, 2010 (unaudited).

5. SUBSEQUENT EVENTS

On July 26, 2010, the Board of Directors approved the purchase of the minority stockholder interests in Sunglass Hut UK for a total purchase price of GBP 27.8 million, which will bring our ownership in this subsidiary to 100 percent.

6. 2010 OUTLOOK

Based on current market conditions, management believes that the second half of 2010 will be more normal for our business than in the prior year.

Management believes that the benefits expected from the investments and initiatives carried out during the past two years will be fully realized in 2010, due in part to a much more flexible and efficient cost structure and organization than in the past. In addition, in 2010, we will continue to invest in our infrastructure, with the goal of creating a truly common platform shared by our operations throughout the world, which is essential to support our future growth.

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NON-IAS/IFRS MEASURES

We use in this Management Report certain performance measures that are not in accordance with IAS/IFRS. Such non-IAS/IFRS measures are not meant to be considered in isolation or as a substitute for items appearing on our financial statements prepared in accordance with IAS/IFRS. Rather, these non-IAS/IFRS measures should be used as a supplement to IAS/IFRS results to assist the reader in better understanding our operational performance.

Such measures are not defined terms under IAS/IFRS and their definitions should be carefully reviewed and understood by investors. Such non-IAS/IFRS measures are explained in detail and reconciled to their most comparable IAS/IFRS measures below.

EBITDA and EBITDA margin

EBITDA represents net income attributable to Luxottica Group stockholders, before noncontrolling interest, provision for income taxes, other income/expense, depreciation and amortization. EBITDA margin means EBITDA divided by net sales. We believe that EBITDA is useful to both management and investors in evaluating our operating performance compared with that of other companies in our 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.

EBITDA and EBITDA margin are not measures of performance under IAS/IFRS. We include them in this Management Report in order to:

- improve transparency for investors;
- assist investors in their assessment of the Company's operating performance and its ability to refinance its debt as it matures and incur additional indebtedness to invest in new business opportunities;
- assist investors in their assessment of the Company's cost of debt;
- ensure that these measures are fully understood in light of how the Company evaluates its operating results and leverage;
- properly define the metrics used and confirm their calculation; and
- share these measures with all investors at the same time.

Investors should be aware that our method of calculating EBITDA may differ from methods used by other companies. We recognize that the usefulness of EBITDA has certain limitations, including:

- EBITDA does not include interest expense. Because we have borrowed money in order to finance our operations, interest expense is a necessary element of our costs and ability to generate profits and cash flows. Therefore, any measure that excludes interest expense may have material limitations;
- EBITDA does not include depreciation and amortization expense. Because we use capital assets, depreciation and amortization expense is a necessary element of our costs and ability to generate profits. Therefore, any measure that excludes depreciation and expense may have material limitations;

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EBITDA does not include provision for income taxes. Because the payment of income taxes is a necessary element of our costs, any measure that excludes tax expense may have material limitations;

EBITDA does not reflect cash expenditures or future requirements for capital expenditures or contractual commitments;

EBITDA does not reflect changes in, or cash requirements for, working capital needs;

EBITDA does not allow us to analyze the effect of certain recurring and non-recurring items that materially affect our net income or loss.

We compensate for the foregoing limitations by using EBITDA as a comparative tool, together with IAS/IFRS measurements, to assist in the evaluation of our operating performance and leverage.

The following table provides a reconciliation of EBITDA to net income, which is the most directly comparable IAS/IFRS financial measure, as well as the calculation of EBITDA margin on net sales:

Non-IAS/IFRS Measure: EBITDA and EBITDA margin

	2Q 2010	2Q 2009	H1 2010	H1 2009	FY09	LTM June 30, 2010
				(Millions of Euro)		
Net income/(loss)	150.1	115.3	245.1	194.1	299.1	350.2
(+)						
Net income attributable to noncontrolling interest	0.8	1.4	3.4	4.0	5.8	5.2
(+)						
Provision for income taxes	77.8	65.8	128.0	109.2	159.9	178.7
(+)						
Other (income)/expense	29.6	20.8	53.0	50.3	106.3	109.1
(+)						
Depreciation & amortization	77.0	71.2	148.4	144.0	285.4	289.9
(+)						
EBITDA	335.4	274.5	578.0	501.5	856.5	933.0
(=)						
Net sales	1,595.1	1,401.6	2,986.8	2,714.0	5,094.3	5,367.2
(/)						
EBITDA margin	21.0%	19.6%	19.4%	18.5%	16.8%	17.4%
(=)						

Free Cash Flow

Free cash flow represents net income before noncontrolling interests, taxes, other income/expense, depreciation and amortization (i.e. EBITDA) plus or minus the decrease/(increase) in working capital over the prior period, less capital expenditures, plus or minus interest income/(expense) and extraordinary items, minus taxes paid. We believe that free cash flow is useful to both management and investors in evaluating our operating performance compared with other companies in our industry. In particular, our calculation of free cash flow provides a clearer picture of our ability to generate net cash from operations, which is used for mandatory debt service requirements, to fund discretionary investments, pay dividends or pursue other strategic opportunities.

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Free cash flow is not a measure of performance under IAS/IFRS. We include it in this presentation in order to:

- Improve transparency for investors;
- Assist investors in their assessment of our operating performance and our ability to generate cash from operations in excess of our cash expenses;
- Ensure that this measure is fully understood in light of how we evaluate our operating results;
- Properly define the metrics used and confirm their calculation; and
- Share this measure with all investors at the same time.

Investors should be aware that our method of calculation of free cash flow may differ from methods used by other companies. We recognize that the usefulness of free cash flow as an evaluative tool may have certain limitations, including:

- The manner in which we calculate free cash flow may differ from that of other companies, which limits its usefulness as a comparative measure;
- Free cash flow does not represent the total increase or decrease in the net debt balance for the period since it excludes, among other things, cash used for funding discretionary investments and to pursue strategic opportunities during the period and any impact of the exchange rate changes; and
- Free cash flow can be subject to adjustment at our discretion if we take steps or adopt policies that increase or diminish our current liabilities and/or changes to working capital.

We compensate for the foregoing limitations by using free cash flow as one of several comparative tools, together with IAS/IFRS measurements, to assist in the evaluation of our operating performance.

The following table provides a reconciliation of free cash flow to EBITDA and the table above provides a reconciliation of EBITDA to net income, which is the most directly comparable IAS/IFRS financial measure:

Non-IAS/IFRS Measure: Free cash flow

	Three months ended June 30, 2010 (Millions of Euro)
EBITDA[(1)]	**335.4**
Δ working capital	(29.5)
Capex	(51.2)
Operating cash flow	**254.7**
Financial charges[(2)]	(25.7)
Taxes	(64.8)
Extraordinary charges[(3)]	(4.0)

Free cash flow	**160.2**

1. EBITDA is not an IAS/IFRS measure; please see table on the earlier page for a reconciliation of EBITDA to net income
2. Equals interest income minus interest expense
3. Equals extraordinary income minus extraordinary expense

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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 net income before non-controlling interest, taxes, other income/expense, depreciation and amortization. The Company believes that EBITDA is useful to both management and investors in evaluating the Company's operating performance compared with 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 Company's level of leverage, which affects our ability to refinance our debt as it matures and incur additional indebtedness to invest in new business opportunities. The ratio also allows management to assess the cost of existing debt since it affects the interest rates charged by the Company's lenders.

EBITDA and ratio of net debt to EBITDA are not measures of performance under International Financial Reporting Standards as issued by the International Accounting Standards Board (IAS/IFRS).

We include them in this presentation in order to:

- improve transparency for investors;
- assist investors in their assessment of the Company's operating performance and its ability to refinance its debt as it matures and incur additional indebtedness to invest in new business opportunities;
- assist investors in their assessment of the Company's cost of debt;
- ensure that these measures are fully understood in light of how the Company evaluates its operating results and leverage;
- properly define the metrics used and confirm their calculation; and
- share these measures with all investors at the same time.

EBITDA and ratio of net debt to EBITDA are not meant to be considered in isolation or as a substitute for items appearing on our financial statements prepared in accordance with IAS/IFRS. Rather, these non-IAS/IFRS measures should be used as a supplement to IAS/IFRS results to assist the reader in better understanding the operational performance of the Company.

The Company cautions that these measures are not defined terms under IAS/IFRS and their definitions should be carefully reviewed and understood by investors.

Investors should be aware that Luxottica Group's method of calculating EBITDA and the ratio of net debt to EBITDA may differ from methods used by other companies.

The Company recognizes that the usefulness of EBITDA and the ratio of net debt to EBITDA as evaluative tools may have certain limitations, including:

- EBITDA does not include interest expense. Because we have borrowed money in order to finance our operations, interest expense is a necessary element of our costs and ability to generate profits and cash flows. Therefore, any measure that excludes interest expense may have material limitations;
- EBITDA does not include depreciation and amortization expense. Because we use capital assets, depreciation and amortization expense is a necessary element of our costs and ability to generate

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profits. Therefore, any measure that excludes depreciation and expense may have material limitations;

EBITDA does not include provision for income taxes. Because the payment of income taxes is a necessary element of our costs, any measure that excludes tax expense may have material limitations;

EBITDA does not reflect cash expenditures or future requirements for capital expenditures or contractual commitments;

EBITDA does not reflect changes in, or cash requirements for, working capital needs;

EBITDA does not allow us to analyze the effect of certain recurring and non-recurring items that materially affect our net income or loss; and

The ratio of net debt to EBITDA is net of cash and cash equivalents, restricted cash and short-term investments, thereby reducing our debt position.

Because we may not be able to use our cash to reduce our debt on a dollar-for-dollar basis, this measure may have material limitations. We compensate for the foregoing limitations by using EBITDA and the ratio of net debt to EBITDA as two of several comparative tools, together with IAS/IFRS measurements, to assist in the evaluation of our operating performance and leverage.

See the table below for a reconciliation of net debt to long-term debt, which is the most directly comparable IAS/IFRS financial measure, as well as the calculation of the ratio of net debt to EBITDA.

Non-IAS/IFRS Measure: Net debt and Net debt / EBITDA

	June 30, 2010	**Dec 31, 2009**
	(Millions of Euro)	
Long-term debt	2,587.4	2,401.8
(+)		
Current portion of long-term debt (+)	219.6	166.3
(+)		
Bank overdrafts (+)	176.2	149.0
Cash (-)	(337.6)	(380.1)
Net debt (=)	2,645.6	2,336.9
LTM EBITDA	933.0	856.5
Net debt/LTM EBITDA	2.8x	2.7x
Net debt @ avg. exchange rates(1)	2,447.6	2,381.7
Net debt @ avg. exchange rates(1)/LTM EBITDA	2.6x	2.8x

1. Net debt figures are calculated using the average exchange rates used to calculate the EBITDA figures

FORWARD-LOOKING INFORMATION

Throughout this report, management has made certain "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995 which are considered prospective. These statements are made based on management's current expectations and beliefs and are identified by the use of forward-looking words and phrases such as "plans," "estimates," "believes" or "belief," "expects" or other similar words or phrases.

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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, our ability to manage the effect of the uncertain current global economic conditions on our business, our ability to successfully acquire new businesses and integrate their operations, our ability to predict future economic conditions and changes in consumer preferences, our ability to successfully introduce and market new products, our ability to maintain an efficient distribution network, our ability to achieve and manage growth, our ability to negotiate and maintain favorable license arrangements, the availability of correction alternatives to prescription eyeglasses, fluctuations in exchange rates, changes in local conditions, our ability to protect our proprietary rights, our ability to maintain our relationships with host stores, any failure of our information technology, inventory and other asset risk, credit risk on our accounts, insurance risks, changes in tax laws, as well as other political, economic, legal and technological factors and other risks and uncertainties described in our filings with the U.S. Securities and Exchange Commission. These forward-looking statements are made as of the date hereof, and we do not assume any obligation to update them.

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ITEM 2. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS IAS/IFRS

	Footnote reference	June 30, 2010 (unaudited)	December 31, 2009 (audited)
		(Thousands of Euro)	
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	5	337,649	380,081
Accounts receivable net	6	834,556	618,884
Inventories net	7	570,536	524,663
Other assets	8	241,015	198,365
Total current assets		**1,983,755**	**1,721,993**
NON-CURRENT ASSETS:			
Property, plant and equipment net	9	1,235,247	1,149,972
Goodwill	10	3,054,463	2,688,835
Intangible assets net	10	1,269,734	1,149,880
Investments	11	53,425	46,317
Other assets	12	153,079	147,591
Deferred tax assets	13	408,041	356,706
Total non-current assets		**6,173,989**	**5,539,301**
TOTAL ASSETS		**8,157,744**	**7,261,294**

LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Bank overdrafts	14	176,215	148,951
Current portion of long-term debt	15	219,616	166,279
Accounts payable	16	480,306	434,604
Income taxes payable	17	42,812	11,204
Other liabilities	18	540,068	554,136
Total current liabilities		**1,459,017**	**1,315,174**
NON-CURRENT LIABILITIES:			
Long-term debt	19	2,587,402	2,401,796
Liability for termination indemnities	20	46,358	44,633
Deferred tax liabilities	21	447,554	396,048
Other liabilities	22	412,436	350,028
Total non-current liabilities		**3,493,750**	**3,192,505**
STOCKHOLDERS' EQUITY			
Luxottica Group stockholders' equity	23	3,192,943	2,737,239
Noncontrolling interests	24	12,034	16,376
Total stockholders' equity		**3,204,977**	**2,753,615**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**8,157,744**	**7,261,294**

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STATEMENT OF CONSOLIDATED INCOME IAS/IFRS

FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009 IAS/IFRS (UNAUDITED)

	Footnote reference	2010	2009
		(Thousands of Euro)[1]	
Net sales	25	**2,986,811**	**2,713,960**
Cost of sales	25	1,029,545	931,696
Gross profit		**1,957,265**	**1,782,264**
Selling	25	937,529	869,242
Royalties	25	52,500	54,166
Advertising	25	196,488	172,164
General and administrative	25	299,640	288,010
Intangibles amortization	25	41,533	41,195
Total operating expenses		**1,527,690**	**1,424,777**
Income from operations		**429,576**	**357,487**
Other income/(expense)			
Interest income	25	3,282	3,368
Interest expense	25	(51,571)	(49,644)
Other net	25	(4,752)	(3,992)
Income before provision for income taxes		**376,535**	**307,218**
Provision for income taxes	25	(127,973)	(109,166)
Net income		**248,561**	**198,052**
Of which attributable to:			
Luxottica Group stockholders	25	**245,142**	**194,085**
Noncontrolling interests	25	3,419	3,967
NET INCOME		**248,561**	**198,052**
Weighted average number of shares outstanding:			
Basic		458,551,310	457,054,182
Diluted		460,301,289	457,283,843
EPS			
Basic		0.53	0.42
Diluted		0.53	0.42

(1) Amounts in thousands except per share data

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STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009 IAS/IFRS (UNAUDITED)

	June 30, 2010 (unaudited)	June 30, 2009 (unaudited)
	(Thousands of Euro)	
Net income	248,561	198,052
Other comprehensive income:		
Cash flow hedge net of tax	(12,194)	12,647
Currency translation differences	369,073	26,668
Actuarial gain/(loss) on postemployment benefit obligations	(1,873)	374
Total other comprehensive income net of tax	355,006	39,689
Total comprehensive income for the period	603,567	237,741
Attributable to:		
Luxottica Group stockholders' equity	599,223	233,757
Noncontrolling interests	4,344	3,984
Total comprehensive income for the period	603,567	237,741

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STATEMENT OF CONSOLIDATED STOCKHOLDERS' EQUITY IFRS/IAS

FOR THE SIX MONTHS ENDED JUNE 30, 2010 (UNAUDITED)

	Capital stock Number of shares	Amount	Legal reserve	Additional paid-in capital	Retained earnings	Stock-Options reserve	Translation of foreign operations and other	Treasury shares	Stockholders' equity	Non controlling interests
					(Thousands of Euro)					
Balances, January 1, 2009	463,368,233	27,802	5,554	138,424	2,676,551	97,958	(430,547)	(69,987)	2,445,755	13,729
Net income					194,085				194,085	3,967
Other comprehensive income:										
Currency translation differences and other							26,651		26,651	17
Cash flow hedge net of tax					12,647				12,647	
Actuarial gains/(losses)					374				374	
Total comprehensive income as of June 30, 2009					**207,106**		**26,651**		**233,757**	**3,984**
Exercise of stock options	169,500	10		1,669					1,679	
Non-cash stock-based compensation						10,244			10,244	
Change in controlling interest in subsidiary										(812)
Dividends										(796)
Allocation to legal reserve			7		(7)					
Balances, June 30, 2009	**463,537,733**	**27,812**	**5,561**	**140,092**	**2,883,650**	**108,202**	**(403,896)**	**(69,987)**	**2,691,436**	**16,105**
Balances, January 1, 2010	464,386,383	27,863	5,561	166,912	2,900,213	124,563	(405,160)	(82,713)	2,737,239	16,376
Net income					245,142				245,142	3,419
Other comprehensive income:										
Currency translation differences and other							368,148		368,148	925
Cash flow hedge net of tax					(12,194)				(12,194)	
Actuarial gain/(loss) on postemployment benefit obligations net of tax effect of Euro 0.7 million					(1,873)				(1,873)	
Total comprehensive income as of June 30, 2010					**231,077**		**368,148**		**599,223**	**4,344**
Exercise of stock options	689,900	41		8,956					8,997	
Non-cash stock-based compensation net of tax effect of Euro 0.8 million						12,859			12,859	
Investment in treasury shares including tax effect of Euro 6.1 million				10,004				(14,749)	(4,745)	
Dividends (euro 0.35 by share)					(160,630)				(160,630)	(8,686)
Allocation to legal reserve			17		(17)					
Balances, June 30, 2010	**465,076,283**	**27,904**	**5,578**	**185,872**	**2,970,643**	**137,422**	**(37,012)**	**(97,462)**	**3,192,943**	**12,034**

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STATEMENT OF CONSOLIDATED CASH FLOWS FOR THE SIX MONTHS

ENDED JUNE 30, 2010 AND 2009 IAS/IFRS (UNAUDITED)

	2010	2009
	(Thousands of Euro)	
Net income	**248,561**	**198,052**
Stock-based compensation	13,675	10,244
Depreciation and amortization	148,421	144,012
Net loss on disposals of fixed assets and other	4,627	7,098
Other non-cash items	(17,609)	7,954
Changes in accounts receivable	(162,755)	(107,544)
Changes in inventories	402	38,193
Changes in accounts payable	20,628	(14,492)
Changes in other assets/liabilities	(4,021)	140,323
Changes in income taxes payable	23,564	(8,055)
Total adjustments	**34,974**	**217,733**
Cash provided by operating activities	**283,535**	**415,785**
Property, plant and equipment		
Additions	(82,889)	(89,502)
Disposals		
Purchases of businesses net of cash acquired	(74,320)	(2,775)
Sales of businesses net of cash disposed	7,120	
Investments in equity investees	(20,684)	
Changes in intangible assets		(416)
Cash used in investing activities	**(170,773)**	**(92,693)**

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STATEMENT OF CONSOLIDATED CASH FLOWS FOR THE SIX MONTHS

ENDED JUNE 30, 2010 AND 2009 IAS/IFRS (UNAUDITED)

	2010	**2009**
	(Thousands of Euro)	
Long-term debt:		
Proceeds	281,893	535,000
Repayments	(301,439)	(642,572)
Decrease in overdraft balances	(7,043)	(51,238)
Exercise of stock options	8,996	1,679
Sale of treasury shares	1,360	
Dividends	(169,316)	(796)
Securities portfolio	(25,858)	
Cash used in financing activities	**(211,407)**	**(157,927)**
Decrease in cash and cash equivalents	(98,644)	165,165
Cash and cash equivalents, beginning of the period	**346,624**	**28,426**
Effect of exchange rate changes on cash and cash equivalents	40,612	6,278
Cash and cash equivalents, end of the period	**288,592**	**199,869**

Supplemental disclosure of cash flows information:

	2010	**2009**
Cash paid during the period for interest	59,815	43,994
Cash paid during the period for income taxes	93,072	(10,368)

The following is a reconciliation between the balance of cash and cash equivalents according to the consolidated cash flows and the balance of cash and cash equivalents according to the balance sheets:

2010	**2009**

Cash and cash equivalents according to the consolidated statement of cash flows (net of bank overdrafts)	288,592	199,869
Bank overdrafts	49,057	110,453
Cash and cash equivalents according to the consolidated balance sheets	**337,649**	**310,322**

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Luxottica Group S.p.A.

Headquarters and registered office via Cantù, 2 20123 Milan, Italy
Capital Stock: € 27,904,576.98
authorized and issued

Notes to the
CONDENSED CONSOLIDATED HALF YEAR FINANCIAL REPORT
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(UNAUDITED)

1. BACKGROUND

Luxottica Group S.p.A. (hereinafter the "Company" or together with its consolidated subsidiaries, the "Group") is a company listed on Borsa Italiana and the New York Stock Exchange with its registered office located at via Cantù 2, Milan (Italy).

The Company is controlled by Delfin S.à.r.l., based in Luxembourg. The chairman of the Board of Directors of the Company, Leonardo del Vecchio, controls Delfin S.à.r.l.

The Company's Board of Directors approved this condensed consolidated half year financial report (hereinafter referred to as the "Half Year Financial Report") for publication at its meeting on July 26, 2010.

The financial statements included in this Half Year Financial Report are unaudited.

2. BASIS OF PREPARATION

This Half Year Financial Report has been prepared in accordance with article 154-ter of the Legislative Decree No. 58 of February 24, 1998.

The financial statements included in the Half Year Financial Report (the "Half Year Financials") have been prepared in compliance with the International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union ("IAS/IFRS"), and in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*.

The preparation of an interim report requires management to use estimates and assumptions that affect the reported amounts of revenue, costs, assets and liabilities, as well as disclosures relating to contingent assets and liabilities at the reporting date. Results published on the basis of such estimates and assumptions could vary from actual results that may be realized in the future.

These measurement processes and, in particular, those that are more complex, such as the calculation of impairment losses on non-current assets, are generally carried out only when the audited consolidated financial statements for the fiscal year are prepared, when all the necessary information is available, unless there are indicators requiring immediate impairment testing. Similarly, the actuarial calculations necessary to calculate certain employee benefit liabilities, the changes to most deferred tax assets and liabilities and the impact of share-based payments are normally carried out when the audited consolidated financial statements for the fiscal year are prepared.

Lastly, with reference to Consob resolution no. 15519 of July 27, 2006, which addresses the format of the financial statements, the Company has not included any specific supplements to the income statement, statement of financial position or statement of cash flows showing related party transactions, as these are immaterial. Please see Note 27 "Related Party Transactions" for additional details regarding transactions with related parties.

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2. BASIS OF PREPARATION (Continued)

Certain prior year financial statement items have been reclassified in order to be comparable with those of the current year.

3. NEW ACCOUNTING STANDARDS

Beginning in 2010 the Group applied the following new accounting standards, amendments and interpretations, as revised by the IASB.

On April 16, 2009, the IASB issued a series of amendments to IAS/IFRS, which the relevant European Union ("EU") bodies endorsed on March 23, 2010. Such amendments apply from and after January 1, 2010 and include the following:

IFRS 2 *Share-based Payment*: this amendment clarifies that IFRS 2 does not apply to transactions in which a company acquires assets as part of (i) a business combination, as defined by IFRS 3 (revised), (ii) the contribution of a business unit to form a joint venture or (iii) the combination of businesses or business units in jointly-controlled entities.

IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations:* this amendment clarifies that IFRS 5 and the other IAS/IFRS standards that make specific reference to non-current assets (or disposal groups) classified as held for sale or discontinued operations set forth all required disclosures for these types of assets or operations.

IFRS 8 *Operating Segments*: this amendment requires that an entity disclose the total amount of assets for each reporting segment only if such amount is regularly reported to the highest authority in its decision-making operation. This disclosure was previously required even if such condition was not met.

IAS 1 *Presentation of Financial Statements*: this amendment updates the previous definition of current liabilities under IAS 1. The previous definition required the classification of liabilities as current if they could be settled at any time through the issuance of equity instruments. Following the change, the option of converting a liability into an equity instrument is irrelevant for the purposes of its classification as current/non-current.

IAS 7 *Statement of Cash Flows*: this amendment clarifies that only those cash flows that lead to the creation of an asset can be classified as arising from investing activities in the statement of cash flows.

IAS 17 *Leasing*: with this change, the general conditions of IAS 17, which allow for the classification of a lease as *finance* or *operating* regardless of whether ownership is acquired at the end of the lease, are extended to land under lease as well. Previously, under IAS 17, land leases in which ownership was not acquired at the end of the lease were classified as operating leases. At the adoption date, all land under current leases that have not yet expired should be measured separately, with the retroactive recognition of a new lease accounted for as a finance lease, where applicable.

IAS 18 *Revenue:* this revision specifies the criteria to consider when determining whether, within a transaction that generates revenue, an entity is principal or agent. The identification

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3. NEW ACCOUNTING STANDARDS (Continued)

of an entity as principal or agent determines how revenue is recognized; if it acts as agent, revenue may be recognized solely from commissions.

IAS 36 *Impairment of Assets:* this amendment requires that each unit or group of units to which goodwill is allocated for impairment testing purposes should not be larger than an operating segment determined in accordance with paragraph 5 of IFRS 8, before any combination permitted by the same standard.

IAS 38 *Intangible Assets:* IFRS 3 was revised in 2008, establishing that there is enough information to calculate the fair value of an intangible asset acquired as part of a business combination if it is separable or if it arose from contractual or legal rights. IAS 38 was therefore amended to reflect this revision to IFRS 3. The amendment also clarified the measurement method to be used for the fair value of intangible assets for which there is no active market. The amendment applies as of January 1, 2010.

IAS 39 *Financial Instruments: Recognition and Measurement*: this amendment restricts the scope exemption in paragraph 2(g) of IAS 39 to forward contracts between an acquiror and a vendor in a business combination to buy or sell an acquiree at a future date. The term of the forward contract should not exceed the period of time necessary to obtain all the authorizations to complete the transaction. The amendment clarifies that the exemption in paragraph 2(g) of IAS 39 does not apply to options which, if exercised, would result in the acquisition of control of an entity. The amendment also clarifies that loan repayment penalties, which offset the lender's loss of additional interest, should be treated in close relation to the loan contract and, accordingly, should not be recognized separately. Lastly, the amendment clarifies that gains or losses on hedging instruments should be reclassified from equity to profit or loss in the period in which the hedged cash flows affect profit or loss.

IFRIC 9 *Reassessment of Embedded Derivatives*: this amendment excludes derivatives from the scope of application of IFRIC 9 if they are embedded in contracts acquired through business combinations when jointly-controlled entities or joint ventures are formed.

On June 18, 2009, IASB issued another amendment to IFRS 2 *Share-based payment: group cash-settled share-based payment transactions*. The amendment clarifies that the company receiving goods or services as part of share-based payment plans should recognize such goods or services regardless of which group or company settles the transaction and regardless of whether the transaction is settled in cash or shares. The amendment also specifies that a company should measure goods or services received as part of a transaction settled in cash or shares from its perspective, which might not coincide with that of the group or with the relevant amount recognized in the consolidated financial statements. This amendment is applicable as of January 1, 2010 and was endorsed by the relevant EU bodies on March 23, 2010.

4. SEGMENT REPORTING

In accordance with IFRS 8 "Operating Segments" the segment reporting schedules are provided below, using a reporting format, which includes two market segments: the first relates to Manufacturing and Wholesale Distribution ("Wholesale"), while the second relates to Retail Distribution ("Retail").

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4. SEGMENT REPORTING (Continued)

The following schedule provides information by business segment, which Group management considers necessary to assess the Group's performance and to make future determinations relating to the allocation of resources.

In accordance with the amendment to IFRS 8, issued on April 16, 2009 and applicable as of January 1, 2010, the total amount of assets is no longer provided for each reporting segment, as this amount is not regularly reported to the highest authority in the Group's decision-making operation.

(thousands of Euro) Six months ended June 30, (unaudited)	Manufacturing and Wholesale Distribution	Retail Distribution	Inter-Segment Transactions and Corporate Adjustments	Consolidated
2010				
Net sales	1,204,678	1,782,133		2,986,811
Income from Operations	277,325	224,584	(72,333)	429,576
Capital Expenditures	37,496	45,393		82,889
Depreciation and Amortization	38,223	68,666	41,533	148,421
2009				
Net sales	1,076,977	1,636,984		2,713,960
Income from Operations	234,367	196,802	(73,682)	357,487
Capital Expenditures	37,223	52,279		89,502
Depreciation and Amortization	37,310	65,769	40,933	144,012

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

CURRENT ASSETS

5. CASH AND CASH EQUIVALENTS

(thousands of Euro)	As of June 30, 2010 (unaudited)	As of December 31, 2009 (audited)
Cash at bank and post office	326,327	371,572
Checks	4,307	5,689
Cash and cash equivalents on hand	6,232	2,143
Restricted cash	783	677
Total	**337,649**	**380,081**

Please see note 3 "Financial Results" in the Management Report on the Interim Financial Results as of June 30, 2010, for further details on cash and cash equivalents.

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6. ACCOUNTS RECEIVABLE NET

(thousands of Euro)	As of June 30, 2010 (unaudited)	As of December 31, 2009 (audited)
Accounts receivable	867,153	649,821
Bad debt fund	(32,597)	(30,937)
Total	**834,556**	**618,884**

The above are exclusively trade receivables and are recognized net of allowances to adjust their carrying amount to estimated realizable value. They are all due within 12 months.

7. INVENTORIES NET

(thousands of Euro)	As of June 30, 2010 (unaudited)	As of December 31, 2009 (audited)
Raw materials	122,718	112,760
Work in process	53,880	52,368
Finished goods	488,551	440,927
Less: inventory obsolescence reserves	(94,612)	(81,392)
Total	**570,536**	**524,663**

8. OTHER ASSETS

(thousands of Euro)	As of June 30, 2010 (unaudited)	As of December 31, 2009 (audited)
Sales taxes receivable	23,032	26,104
Short-term borrowing	845	806
Accrued income	1,615	1,272
Receivables for royalties	2,638	2,229
Other financial assets	82,578	43,545
Total financial assets	**110,708**	**73,956**
Income taxes receivable	19,896	33,413
Advances to suppliers	9,333	1,545
Prepaid expenses	78,644	61,424

Other assets	22,434	28,027
Total other assets	**130,307**	**124,409**
Total other current assets	**241,015**	**198,365**

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Notes to the
CONDENSED CONSOLIDATED HALF YEAR FINANCIAL REPORT (Continued)
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8. OTHER ASSETS (Continued)

Other financial assets is comprised of Euro 25.9 million of securities portfolio (as of December 31, 2009, such amounts were not invested and were held as cash and cash equivalents), Euro 15.3 million of receivables from foreign currency and commodity derivatives (Euro 1.0 million as of December 31, 2009) and other financial assets mainly recorded by the North American Retail division in the amount of Euro 17.3 million as of June 30, 2010 (Euro 17.2 million as of December 31, 2009).

The decrease in income tax assets is primarily due to the offset of Euro 13.4 million of tax receivables with tax payables in the North American operations.

The increase in prepaid expenses mainly relates to the deferral of costs for royaties paid at the beginning of the year and related to the remaining portion of the year of Euro 5.8 million and to currency fluctuation effects of Euro 5.4 million in the North American division.

The net book value of financial assets is approximately equal to their fair value and corresponds to the maximum exposure of the credit risk. The Group has no guarantees or other instruments aimed at diminishing credit risk.

NON CURRENT ASSETS

9. PROPERTY, PLANT AND EQUIPMENT NET

Changes in items of property, plant and equipment during the first six months of 2010 are illustrated below:

(thousands of Euro)	Land and buildings, including leasehold improvements	Machinery and equipment	Aircraft	Other equipment	Total
Balance as of January 1, 2010					
Historical cost	766,625	880,851	39,814	554,479	2,241,769
Accumulated depreciation	(295,106)	(515,057)	(7,457)	(274,177)	(1,091,797)
Balance as of January 1, 2010	**471,519**	**365,794**	**32,357**	**280,302**	**1,149,972**
Increases	7,733	25,221		49,935	82,889
Decreases	(402)	(1,304)		(1,704)	(3,410)
Translation differences and other	48,922	53,125		8,976	111,022
Depreciation expense	(27,226)	(56,401)	(790)	(20,810)	(105,227)
Balance as of June 30, 2010	**500,546**	**386,435**	**31,567**	**316,699**	**1,235,247**
Historical cost	858,199	1,009,723	39,814	617,554	2,525,290
Accumulated depreciation	(357,652)	(623,288)	(8,247)	(300,856)	(1,290,043)
Balance as of June 30, 2010	**500,546**	**386,435**	**31,567**	**316,699**	**1,235,247**

Depreciation of Euro 105.2 million (Euro 101.3 million in the same period in 2009) is included in the cost of sales (Euro 29.9 million, compared to Euro 27.3 million in the same period in 2009), selling expenses (Euro 50.1 million, compared to Euro 48.9 million in the same period in 2009), advertising

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9. PROPERTY, PLANT AND EQUIPMENT NET (Continued)

expenses (Euro 2.4 million, compared to Euro 2.4 million in the same period in 2009) and general and administrative expenses (Euro 22.8 million, compared to Euro 22.8 million in the same period in 2009).

Other equipment includes assets under construction of Euro 58.5 million at June 30, 2010 (Euro 49.2 million at December 31, 2009), mainly relating to the opening and renovation of North American retail stores.

Leasehold improvements totaled Euro 253.1 million and Euro 238.5 million at June 30, 2010 and December 31, 2009, respectively.

10. GOODWILL AND INTANGIBLE ASSETS NET

Changes in intangible assets in the first six months of 2010 are illustrated below:

(thousands of Euro)	Goodwill	Trade names and Trademarks	Distributor network	Customer relations, contracts and lists	Franchise agreements	Other	Total
Balance as of January 1, 2010							
Historical cost	2,727,445	1,330,308	78,279	210,509	20,025	41,675	4,408,242
Accumulated amortization	(38,610)	(457,603)	(18,003)	(34,390)	(4,760)	(16,160)	(569,527)
Balance as of January 1, 2010	**2,688,835**	**872,705**	**60,276**	**176,119**	**15,265**	**25,515**	**3,838,715**
Increases		53	2,491	1		485	3,030
Decreases						(2)	(2)
Intangible assets from business acquisitions	7,141						7,141
Translation differences and other	358,487	108,366	10,041	27,851	2,493	11,269	518,507
Amortization expense		(30,748)	(1,911)	(7,651)	(541)	(2,342)	(43,194)
Balance as of June 30, 2010	**3,054,463**	**950,376**	**70,897**	**196,319**	**17,218**	**34,924**	**4,324,197**
Historical cost	3,096,426	1,480,554	93,895	244,428	23,352	54,947	4,993,603
Accumulated amortization	(41,963)	(530,177)	(23,000)	(48,109)	(6,135)	(20,023)	(669,406)
Balance as of June 30, 2010	**3,054,463**	**950,376**	**70,897**	**196,319**	**17,218**	**34,924**	**4,324,197**

11. INVESTMENTS

This item amounts to Euro 53.4 million (Euro 46.3 million at December 31, 2009) and is primarily comprised of the investment in Multiopticas Internacional S.L., accounted for under the equity method.

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12. OTHER ASSETS

Other current assets amount to Euro 153.1 million (Euro 147.6 million at December 31, 2009) and are primarily comprised of security deposits of Euro 19.2 million (Euro 10.5 million at December 31, 2009) and advances the Group has paid to certain licensees for future contractual minimum royalties, amounting to Euro 114.5 million (Euro 122.9 million at December 31, 2009).

13. DEFERRED TAX ASSETS

Deferred tax assets show a balance of Euro 408.0 million (Euro 356.7 million at December 31, 2009), increasing by Euro 51.3 million mainly due to currency fluctuation effects totalling Euro 45.7 million. Deferred tax assets primarily relate to tax losses carried forward and to temporary differences between the tax values and carrying amounts of inventories, intangible assets and pension funds.

LIABILITIES AND EQUITY

14. BANK OVERDRAFTS

Bank overdrafts at June 30, 2010 reflect current account overdrafts with various banks. The interest rates on these credit lines are floating, and the credit lines may be used, if necessary, to obtain letters of credit.

15. CURRENT PORTION OF NON-CURRENT FINANCIAL LIABILITIES

This item consists of the current portion of loans granted to the Group, as further described below in Note 19 "Non-current financial liabilities."

16. ACCOUNTS PAYABLE

Accounts payable consist of invoices received and not yet paid at the reporting date, in addition to invoices to be received, accounted for on an accrual basis.

The balance, which is due in its entirety within 12 months, is detailed below:

(thousands of Euro)	As of June 30, 2010 (unaudited)	As of December 31, 2009 (audited)
Accounts payable	337,886	308,499
Invoices to be received	142,420	126,105
Total	**480,306**	**434,604**

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Notes to the
CONDENSED CONSOLIDATED HALF YEAR FINANCIAL REPORT (Continued)
As of JUNE 30, 2010
(UNAUDITED)

17. INCOME TAXES PAYABLE

"Tax liabilities" include liabilities for current taxes which are certain and determined.

(thousands of Euro)	As of June 30, 2010 (unaudited)	As of December 31, 2009 (audited)
Current year income taxes payable fund	57,672	27,901
Income taxes advance payment	(14,860)	(16,697)
Total	**42,812**	**11,204**

The increase in current tax liabilities is mainly due to the offset of certain tax liabilities with certain tax receivables in certain U.S. subsidiaries which occurred in December 2009.

18. OTHER LIABILITIES