LUXOTTICA GROUP SPA
Form 6-K
November 12, 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 September 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-____________

# F O R M 6-K

## for the quarter
## ended September 30 of
## Fiscal Year 2010

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# Luxottica Group S.p.A.

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

**Capital Stock € 27,913,348.98**

authorized and issued

ITEM 1. MANAGEMENT REPORT ON THE INTERIM FINANCIAL RESULTS
AS OF SEPTEMBER 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 business, future operating results or financial condition and (2) our press release issued on April 16, 2010 relating to the Company's transition to financial reporting in accordance with IAS/IFRS in its financial communications, both of which are available on the Company's website at www.luxottica.com.

## 1. OPERATING PERFORMANCE FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2010

During the third quarter of 2010, the Company's solid growth continued to contribute towards excellent results thanks to the intense work of both retail and manufacturing and wholesale distribution segments, the strength of its brands and the success of commercial initiatives in all the main geographic areas in which the Group operates. Net income for the quarter topped the Euro 100 million mark, with net sales approaching Euro 1.5 billion.

During the third quarter of the year, the Company successfully achieved very positive results in most of the geographic regions in which it operates. The manufacturing and wholesale distribution segment made a decisive contribution to these results with its continued growth in both more mature markets, such as the United States and Europe, and in emerging markets, where net sales increased by more than 20 percent for the fourth consecutive quarter, with increases of approximately 40 percent seen in India and South Korea.

The Group also posted very positive results at LensCrafters, which returned to its position as a leader in the North American optical retail sector, and at Sunglass Hut, today more than ever, the world's leading sun specialty stores chain.

In the third quarter of 2010, net sales increased by 19.7 percent at current exchange rates and by 8.6 percent at constant exchange rates[1] to Euro 1,464.7 million, from Euro 1,223.3 million in the third quarter of 2009. In the first nine months, net sales increased by 13.1 percent to Euro 4,451.5 million, from Euro 3,937.2 million in the first nine months 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 nine-month period ended September 30, 2009. Please refer to Attachment 1 for further details on exchange rates.

EBITDA[2] increased over the previous year by 25.6 percent to Euro 263.5 million, from Euro 209.8 million in the third quarter of 2009. In the first nine months of 2010, EBITDA increased from Euro 711.3 million for the first nine months of 2009 to Euro 841.5 million (equal to 18.3 percent increase) for the same period in 2010.

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

Operating income was Euro 186.4 million for the third quarter of 2010 (Euro 139.6 million for the same period last year, equal to an increase of 33.6 percent), while the Company's operating margin improved from 11.4 percent in the third quarter of 2009 to 12.7 percent for the same period in 2010. In the

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first nine months of the year, operating income amounted to Euro 616.0 million, up 23.9 percent from Euro 497.0 million posted for the same period last year.

Net income for the third quarter of 2010 increased to Euro 101.9 million (up by 34.5 percent from Euro 75.8 million for the same period in 2009), resulting in earnings per share (EPS) of Euro 0.22 (at an average Euro/Dollar exchange rate of 1.2910). In the first nine months of the year, net income amounted to Euro 347.1 million, up 28.6 percent from Euro 269.9 million posted for the same period last year, resulting in EPS of Euro 0.76 (at an average Euro/Dollar exchange rate of 1.3145).

For the third quarter of 2010, once again, the Group generated excellent positive free cash flow[3] (more than Euro 250 million). Net debt as of September 30, 2010, amounted to Euro 2,269 million (Euro 2,337 million at the end of 2009), with a ratio of net debt to EBITDA[4] of 2.3X as compared with 2.7X at the end of 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 NINE MONTHS ENDED SEPTEMBER 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 the Series D and Series E Notes and U.S. $75 million for the 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.

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*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 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 was 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 term of the new agreement is 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.

*July*

On May 30, 2010, we completed the acquisition of the 34.0 percent interest held by minority stockholders in Sunglass Hut (UK) Limited one of our English subsidiaries, for approximately GBP 27.8 million, bringing our ownership in this subsidiary to 100 percent.

*September*

On September 30, 2010, the Company closed a private placement of Euro 100 million senior unsecured guaranteed notes, issued in two series (Series G and Series H). The aggregate principal amounts of the Series G and Series H Notes are Euro 50 million and Euro 50 million, respectively. The Series G Notes mature on September 15, 2017 and the Series H Notes mature on September 15, 2020. Interest on the Series G Notes accrues at 3.75 percent per annum and interest on the Series H Notes accrues at 4.25 percent per annum. The Notes contain certain financial and operating covenants. The Company was in compliance with those covenants as of September 30, 2010. The proceeds from the Notes, received on September 30, 2010, were used for general corporate purposes.

During the first nine months of 2010, we purchased on the Mercato Telematico Azionario ("MTA") 2,633,726 of our ordinary shares at an average price of Euro 19.62 per share, for a total amount of Euro 51,662,674, pursuant to the stock 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 2,527,473 of our treasury stock at an average price of Euro 19.59 per share, for a total amount of Euro 49,523,072.

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## 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 Quarterly Financial Report as of September 30, 2010 (unaudited) 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. $1.3662 in the first nine months of 2009 to Euro 1.00 = U.S. $1.3145 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 NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009 (UNAUDITED)

***In accordance with IAS/IFRS***

| | Nine months ended September 30, | | | |
|---|---|---|---|---|
| | 2010 | % of net sales | 2009 | % of net sales |
| | (Thousands of Euro) | | | |
| **Net sales** | **4,451,542** | **100.0%** | **3,937,233** | **100.0%** |
| Cost of sales | 1,529,395 | 34.4% | 1,352,480 | 34.4% |
| **Gross profit** | **2,922,148** | **65.6%** | **2,584,752** | **65.6%** |
| Selling | 1,427,794 | 32.1% | 1,281,290 | 32.5% |
| Royalties | 74,512 | 1.7% | 74,509 | 1.9% |
| Advertising | 286,455 | 6.4% | 245,410 | 6.2% |
| General and administrative | 454,547 | 10.2% | 425,227 | 10.8% |
| Intangibles amortization | 62,829 | 1.4% | 61,266 | 1.6% |
| **Total operating expenses** | **2,306,136** | **51.8%** | **2,087,703** | **53.0%** |
| **Income from operations** | **616,012** | **13.8%** | **497,049** | **12.6%** |
| **Other income/(expense)** | | | | |
| Interest income | 5,824 | 0.1% | 4,322 | 0.1% |
| Interest expense | (78,500) | 1.8% | (79,307) | 2.0% |
| Other net | (5,872) | 0.1% | (1,905) | 0.0% |
| **Income before provision for income taxes** | **537,464** | **12.1%** | **420,159** | **10.7%** |
| Provision for income taxes | (186,202) | 4.2% | (145,308) | 3.7% |
| **Net income** | **351,262** | **7.9%** | **274,852** | **7.0%** |
| Attributable to | | | | |
| **Luxottica Group stockholders** | **347,077** | **7.8%** | **269,869** | **6.9%** |
| noncontrolling interests | 4,185 | 0.1% | 4,983 | 0.1% |
| **NET INCOME** | **351,262** | **7.9%** | **274,852** | **7.0%** |

***Net Sales.*** Net sales increased by Euro 514.3 million, or 13.1 percent, to Euro 4,451.5 million in the first nine months of 2010 from Euro 3,937.2 million in the same period of 2009. Euro 216.5 million of such increase was attributable to the increased sales in the manufacturing and wholesale distribution segment in the first nine months of 2010 as compared to the same period in 2009 and to increased sales in the retail distribution segment of Euro 297.8 million for the same period.

Net sales for the retail distribution segment increased by Euro 297.8 million, or 12.3 percent, to Euro 2,728.6 million in the first nine months of 2010, from Euro 2,430.8 million in the same period in 2009. The increase in net sales for the period was partially attributable to a 4.0 percent improvement in comparable store sales[5]. In particular, we saw a 6.2 percent increase in comparable store sales for the North American retail operations, which was partially offset by a 12.3 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

[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.

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conduct business, in particular 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 154.0 million.

Net sales to third parties in the manufacturing and wholesale distribution segment increased by Euro 216.5 million, or 14.4 percent, to Euro 1,722.9 million in the first nine months of 2010 from Euro 1,506.5 million in the same period in 2009. This increase was mainly attributable to increased sales of most of our house brands, in particular Ray-Ban and Oakley, and of some designer brands such as Chanel, Ralph Lauren and Bvlgari. These sales volume increases occurred in most of the geographic markets in which the Group operates. These positive effects were further increased by positive currency fluctuations, in particular a strengthening of the U.S. dollar and Australian dollar and other minor currencies, including but not limited to the Brazilian Real, the Canadian dollar and the Japanese Yen, which increased net sales to third parties in the manufacturing and wholesale distribution segment by Euro 72.8 million.

In the first nine months of 2010, net sales in the retail distribution segment accounted for approximately 61.3 percent of total net sales, as compared to approximately 61.7 percent of total net sales for the same period in 2009. This decrease in sales for the retail distribution segment as a percentage of total net sales was primarily attributable to a 14.4 percent increase in net sales to third parties in our manufacturing and wholesale distribution segment for the first nine months of 2010 as compared to the same period of 2009, which exceeded a 12.3 percent increase in net sales in the retail distribution segment for the first nine months of 2010 as compared to the same period of 2009.

In the first nine months of 2010, net sales in our retail distribution segment in the United States and Canada comprised 83.3 percent of our total net sales in this segment as compared to 83.7 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 7.5 percent to U.S. $2,987.5 million in the first nine months of 2010, from U.S. $2,778.0 million for the same period in 2009, due to sales volume increases. During the first nine months of 2010, net sales in the retail distribution segment in the rest of the world (excluding the United States and Canada) comprised 16.7 percent of our total net sales in the retail distribution segment and increased by 14.7 percent to Euro 455.9 million in the first nine months of 2010, from Euro 397.4 million, or 16.3 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 nine months of 2010, net sales to third parties in our manufacturing and wholesale distribution segment in Europe were Euro 838.2 million, comprising 48.7 percent of our total net sales in this segment, compared to Euro 766.4 million, or 50.9 percent of total net sales in the segment, for the same period in 2009. The increase in net sales in Europe of Euro 71.8 million in the first nine months of 2010 as compared to the same period of 2009 constituted a 9.4 percent increase in net sales to third parties, 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. $558.7 million and comprised 24.7 percent of our total net sales in this segment for the first nine months of 2010, compared to U.S. $520.2 million, or 25.3 percent of total net sales in the segment, for the same period of 2009. The increase in net sales in the United States and Canada of U.S. $38.5 million, or 7.4 percent, in the first nine months of 2010 compared to the same period of 2009, was primarily due to a general increase in consumer demand. In the first nine months of 2010, net sales to third parties in our manufacturing and wholesale distribution segment in the rest of the world were Euro 459.7 million, comprising 26.7 percent of our total net sales in this segment, compared to Euro 359.3 million, or 23.9 percent of our net sales in this segment, in the same period of 2009. The increase of Euro 100.4 million, or 27.9 percent, in the first nine months of 2010 as compared to the same period of 2009, was 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 176.9 million, or 13.1 percent, to Euro 1,529.4 million in the first nine months of 2010, from Euro 1,352.5 million in the same period of

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2009, essentially in line with the increase of net sales in the period. As a percentage of net sales, cost of sales was flat at 34.4 percent in the first nine months of 2010 and 2009. In the first nine months of 2010, the average number of frames produced daily in our facilities increased to approximately 237,200 as compared to about 204,600 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 337.4 million, or 13.1 percent, to Euro 2,922.1 million in the first nine months of 2010 from Euro 2,584.8 million for the same period of 2009. As a percentage of net sales, gross profit was flat at 65.6 percent in the first nine months of 2010 and 2009, due to the factors noted above.

***Operating Expenses.*** Total operating expenses increased by Euro 218.4 million, or 10.5 percent, to Euro 2,306.1 million in the first nine months of 2010 from Euro 2,087.7 million in the same period of 2009, primarily due to the currency fluctuation effects, in particular due to the strengthening of the U.S. dollar and Australian dollar against the Euro. As a percentage of net sales, operating expenses decreased to 51.8 percent in the first nine months of 2010, from 53.0 percent in the same period of 2009.

Selling and advertising expenses (including royalty expenses) increased by Euro 187.6 million, or 11.7 percent, to Euro 1,788.8 million in the first nine months of 2010, from Euro 1,601.2 million in the same period of 2009. Selling expenses increased by Euro 146.5 million, or 11.4 percent. Advertising expenses increased by Euro 41.0 million, or 16.7 percent. Royalties remained flat. As a percentage of net sales, selling and advertising expenses decreased to 40.2 percent in the first nine months of 2010, compared to 40.7 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 30.9 million, or 6.3 percent, to Euro 517.4 million in the first nine months of 2010 as compared to Euro 486.5 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 119.0 million, or 23.9 percent, to Euro 616.0 million in the first nine months of 2010 from Euro 497.0 million in the same period of 2009. As a percentage of net sales, income from operations increased to 13.8 percent in the first nine months of 2010, from 12.6 percent in the same period of 2009.

***Other Income (Expense) Net.*** Other income (expense) net was Euro (78.5) million in the first nine months of 2010 as compared to Euro (76.9) million in the same period of 2009. Net interest expense was Euro 72.7 million in the first nine months of 2010 as compared to Euro 75.0 million in the same period of 2009. The decrease was mainly due to an improvement in our ability to generate cash which resulted in a decrease in our total indebtedness and its related cost.

***Net Income.*** Income before taxes increased by Euro 117.3 million, or 27.9 percent, to Euro 537.5 million in the first nine months of 2010, from Euro 420.2 million in the same period of 2009, for the reasons described above. As a percentage of net sales, income before taxes increased to 12.1 percent in the first nine months of 2010, from 10.7 percent in the same period of 2009. Net income attributable to noncontrolling interests decreased to Euro 4.2 million in the first nine months of 2010 as compared to Euro 5.0 million in the same period of 2009. Our effective tax rate was 34.6 percent in the first nine months of 2010 and 2009.

Net income attributable to Luxottica Group stockholders increased by Euro 77.2 million, or 28.6 percent, to Euro 347.1 million in the first nine months of 2010, from Euro 269.9 million in the same period of 2009. Net income attributable to Luxottica Group stockholders as a percentage of net sales increased to 7.8 percent in the first nine months of 2010, from 6.9 percent in the same period of 2009.

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Basic earnings per share were Euro 0.76 in the first nine months of 2010 as compared to Euro 0.59 in the same period of 2009. Diluted earnings per share were Euro 0.75 in the first nine months of 2010 as compared to Euro 0.59 in the same period of 2009.

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

***In accordance with IAS/IFRS***

| | Three months ended September 30, | | | |
|---|---|---|---|---|
| | 2010 | % of net sales | 2009 | % of net sales |
| | (Thousands of Euro) | | | |
| **Net sales** | **1,464,732** | **100.0%** | **1,223,272** | **100.0%** |
| Cost of sales | 499,849 | 34.1% | 420,784 | 34.4% |
| **Gross profit** | **964,883** | **65.9%** | **802,488** | **65.6%** |
| Selling | 490,264 | 33.5% | 412,049 | 33.7% |
| Royalties | 22,012 | 1.5% | 20,342 | 1.7% |
| Advertising | 89,967 | 6.1% | 73,246 | 6.0% |
| General and administrative | 154,907 | 10.6% | 137,217 | 11.2% |
| Intangibles amortization | 21,297 | 1.5% | 20,071 | 1.6% |
| **Total operating expenses** | **778,447** | **53.1%** | **662,925** | **54.2%** |
| **Income from operations** | **186,436** | **12.7%** | **139,563** | **11.4%** |
| **Other income/(expense)** | | | | |
| Interest income | 2,543 | 0.2% | 954 | 0.1% |
| Interest expense | (26,929) | 1.8% | (29,663) | 2.4% |
| Other net | (1,120) | 0.1% | 2,087 | 0.2% |
| **Income before provision for income taxes** | **160,929** | **11.0%** | **112,941** | **9.2%** |
| Provision for income taxes | (58,229) | 4.0% | (36,142) | 3.0% |
| **Net income** | **102,700** | **7.0%** | **76,800** | **6.3%** |
| Attributable to | | | | |
| **Luxottica Group stockholders** | **101,934** | **7.0%** | **75,784** | **6.2%** |
| noncontrolling interests | 766 | 0.0% | 1,016 | 0.1% |
| **NET INCOME** | **102,700** | **7.0%** | **76,800** | **6.3%** |

***Net Sales.*** Net sales increased by Euro 241.5 million, or 19.7 percent, to Euro 1,464.7 million during the three-month period ended September 30, 2010, from Euro 1,223.3 million in the same period of 2009. Euro 88.8 million of such increase was attributable to the increased sales in the manufacturing and wholesale distribution segment during the three-month period ended September 30, 2010 as compared to the same period in 2009 and to the increase in net sales in the retail distribution segment of Euro 152.7 million for the same period.

Net sales for the retail distribution segment increased by Euro 152.7 million, or 19.2 percent, to Euro 946.5 million during the three-month period ended September 30, 2010, from Euro 793.8 million in the same period in 2009. The increase in net sales for the period was partially attributable to an

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approximately 5.6 percent improvement in comparable store sales[6]. In particular, we saw an 8.1 percent increase in comparable store sales for the North American retail operations, which was partially offset by a 12.4 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 we conduct business, in particular 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 101.1 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 88.8 million, or 20.7 percent, to Euro 518.3 million during the three-month period ended September 30, 2010, from Euro 429.5 million in the same period in 2009. This increase was mainly attributable to increased sales of most of our house brands, in particular Ray-Ban and Oakley, and of some designer brands such as Chanel, Ralph Lauren and Dolce & Gabbana. These sales volume increases occurred in most of the geographic markets in which the Group operates. These positive effects were further increased by positive currency fluctuations, in particular 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 35.7 million.

During the three-month period ended September 30, 2010, net sales in the retail distribution segment accounted for approximately 64.6 percent of total net sales as compared to approximately 64.9 percent of total net sales for the same period in 2009. This decrease in sales for the retail distribution segment as a percentage of total net sales in the three-month period ended September 30, 2010 was primarily attributable to a 20.7 percent increase in net sales to third parties in our manufacturing and wholesale distribution segment as compared to the same period of 2009, which exceeded an increase of 19.2 percent in the retail distribution segment as compared to the same period of 2009.

During the three-month period ended September 30, 2010, net sales in our retail distribution segment in the United States and Canada comprised 83.7 percent of our total net sales in this segment as compared to 82.8 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 8.3 percent to U.S. $1,023.5 million during the three-month period ended September 30, 2010, from U.S. $944.8 million for the same period in 2009, due to sales volume increases. During the three-month period ended September 30, 2010, net sales in the retail distribution segment in the rest of the world (excluding the United States and Canada) comprised 16.3 percent of our total net sales in the retail distribution segment and increased by 12.7 percent to Euro 154.0 million during the three-month period ended September 30, 2010, from Euro 136.6 million, or 17.2 percent, for the same period in 2009, mainly due to positive currency fluctuation effects.

During the three-month period ended September 30, 2010, net sales to third parties in our manufacturing and wholesale distribution segment in Europe were Euro 216.2 million, comprising 41.7 percent of our total net sales in this segment, compared to Euro 192.1 million, or 44.7 percent of total net sales in the segment, in the same period in 2009. The increase in net sales in Europe of Euro 24.1 million, or 12.6 percent, during the three-month period ended September 30, 2010, compared to the same period of 2009, was primarily 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. $192.5 million and comprised 28.7 percent of our total net sales in this segment during the three-month period ended September 30, 2010, compared to U.S. $176.5 million, or 28.6 percent of total net sales in the segment, in the same period of 2009. The increase in net sales in the United States and Canada of U.S. $16.0 million, or 9.1 percent, during the three-month period ended September 30, 2010, compared to the same period of 2009, was primarily due to a general increase in consumer demand. During the three-month period ended September 30, 2010, net sales to third parties in our manufacturing and wholesale distribution segment in the rest of the world were Euro 153.0 million, comprising 29.5 percent of our total net sales in this segment, compared to Euro 114.7 million in the same period of 2009, or 26.7 percent of our net sales in this segment, which increase was primarily due to a general increase in consumer demand as well as positive currency fluctuation effects.

***Cost of Sales.*** Cost of sales increased by Euro 79.1 million, or 18.8 percent, to Euro 499.8 million during the three-month period ended September 30, 2010, from Euro 420.8 million in the same period of 2009. As a percentage of net sales, cost of sales decreased to 34.1 percent during the three-month period ended September 30, 2010 as compared to 34.4 percent in the same period of 2009, primarily due to the positive effect of the selling price mix, that resulted from increased sales of higher margin products. During the three-month period ended September 30, 2010, the average number of frames produced daily in our facilities increased to approximately 246,000 as compared to 216,900 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 162.4 million, or 20.2 percent, to Euro 964.9 million during the three-month period ended September 30, 2010, from Euro 802.5 million in the same period of 2009. As a percentage of net sales, gross profit increased to 65.9 percent during the three-month period ended September 30, 2010, from 65.6 percent in the same period of 2009, due to the factors noted above.

***Operating Expenses.*** Total operating expenses increased by Euro 115.5 million, or 17.4 percent, to Euro 778.4 million during the three-month period ended September 30, 2010, from Euro 662.9 million in the same period of 2009, mainly due to currency fluctuation effects, in particular the strengthening of the U.S. dollar and the Australian dollar against the Euro. As a percentage of net sales, operating expenses decreased to 53.1 percent during the three-month period ended September 30, 2010, from 54.2 percent in the same period of 2009, primarily due to an increase in sales while maintaining strong cost controls over general and administrative expenses.

Selling and advertising expenses (including royalty expenses) increased by Euro 96.6 million, or 19.1 percent, to Euro 602.2 million during the three-month period ended September 30, 2010, from Euro 505.6 million in the same period of 2009. Selling expenses increased by Euro 78.2 million, or 19.0 percent. Advertising expenses increased by Euro 16.7 million, or 22.8 percent. Royalties increased by Euro 1.7 million, or 8.2 percent. As a percentage of net sales, selling and advertising expenses were at 41.1 percent during the three-month period ended September 30, 2010, compared to 41.3 percent for the same period of 2009.

General and administrative expenses, including intangible asset amortization, increased to Euro 176.2 million during the three-month period ended September 30, 2010, compared to Euro 157.3 million in the same period of 2009. As a percentage of net sales, general and administrative expenses decreased from 12.9 percent to 12.0 percent.

***Income from Operations.*** For the reasons described above, income from operations increased by Euro 46.9 million, or 33.6 percent, to Euro 186.4 million during the three-month period ended September 30, 2010, from Euro 139.6 million in the same period of 2009. As a percentage of net sales, income from operations increased to 12.7 percent during the three-month period ended September 30, 2010, from 11.4 percent in the same period of 2009.

***Other Income (Expense) Net.*** Other income (expense) net was Euro (25.5) million during the three-month period ended September 30, 2010, compared to Euro (26.6) million in the same period of 2009. Net interest expense decreased to Euro 24.4 million during the three-month period ended September 30, 2010, compared to Euro 28.7 million in the same period of 2009, mainly attributable to an improvement in our ability to generate cash, which resulted in a decrease in our total indebtedness and its related cost.

***Net Income.*** Income before taxes increased by Euro 48.0 million, or 42.5 percent, to Euro 160.9 million during the three-month period ended September 30, 2010, from Euro 112.9 million in the same period of 2009, for the reasons described above. As a percentage of net sales, income before taxes increased to 11.0 percent during the three-month period ended September 30, 2010, from 9.2 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 September 30, 2010, compared to Euro 1.0 million in the same period of 2009. Our effective tax rate was 36.2 percent during the three-month period ended September 30, 2010, compared to 32.0 percent in the same period of 2009.

Net income attributable to Luxottica Group stockholders increased by Euro 26.1 million, or 34.5 percent, to Euro 101.9 million during the three-month period ended September 30, 2010, from Euro 75.8 million in the same period of 2009. Net income attributable to Luxottica Group stockholders as a percentage of net sales increased to 7.0 percent during the three-month period ended September 30, 2010, from 6.2 percent in the same period of 2009.

Basic earnings per share were Euro 0.22 during the three-month period ended September 30, 2010 as compared to Euro 0.17 in the same period of 2009. Diluted earnings per share were Euro 0.22 during the three-month period ended September 30, 2010, compared to Euro 0.17 in the same period of 2009.

**OUR CASH FLOWS (UNAUDITED)**

***In Accordance with IAS/IFRS***

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 September 30, 2010 | As of September 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 | 589,717 | 641,398 |
| C) | Cash used in investing activities | (261,620) | (156,487) |
| D) | Cash used in financing activities | (310,816) | (437,019) |
| | Change in bank overdrafts | 71,321 | (12,711) |
| | Effect of exchange rate changes on cash and cash equivalents | 14,260 | 7,568 |
| E) | Net change in cash and cash equivalents | 102,862 | 42,749 |
| **F)** | **Cash and cash equivalents at the end of the period** | **482,943** | **331,199** |

***Operating Activities.*** Our cash provided by operating activities was Euro 589.7 million and Euro 641.4 million for the first nine months of 2010 and 2009, respectively. The Euro 51.7 million decrease for the first nine months of 2010 as compared to the same period in 2009 was primarily attributable to:

Cash (used in)/generated by accounts receivable of Euro (20.7) million in the first nine months of 2010, compared to Euro 3.3 million in the same period of 2009. This change was primarily due to an increase in sales volume in the first nine months of 2010 as compared to the same period of 2009.

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Cash (used)/generated by inventory of Euro (16.1) million in the first nine months of 2010 as compared to Euro 43.4 million in the same period of 2009. This change was mainly due to increased production in our Italian manufacturing facilities.

Cash used in accounts payable of Euro (29.0) million in the first nine months of 2010 compared to Euro (51.9) million in the same period of 2009. This change is mainly due to increased purchases at our Italian manufacturing facilities, while maintaining our vendor payment terms.

Cash generated by other assets/liabilities of Euro 9.5 million in the first nine months of 2010 as compared to Euro 128.8 million in the same period of 2009. The cash generated in the first nine months of 2009 was primarily due to (i) the collection of certain tax receivables relating to certain U.S. subsidiaries of Euro 47.6 million and (ii) the use of certain tax receivables of Euro 73.2 million to offset the tax liabilities for the period.

Cash generated by income taxes payable of Euro 65.3 million in the first nine months of 2010 as compared to Euro 0.6 million in the same period of 2009. This change was mainly due to higher tax receivables attributable to certain U.S. and Italian subsidiaries, which offset the tax payables in 2009, and to the more positive results, upon which the tax payables were determined, in the first nine months of 2010 as compared to 2009.

***Investing Activities.*** Our cash used in investing activities was Euro (261.6) million for the first nine months of 2010 as compared to Euro (156.5) million for the same period in 2009. The cash used in investing activities primarily consisted of (i) Euro (139.3) million in capital expenditures in the first nine months of 2010 as compared to Euro (131.1) million in the same period of 2009, (ii) Euro (20.7) million for the payment of the second installment of the purchase price for the acquisition of a 40 percent investment in Multiopticas Internacional S.L., which occurred in the first nine months of 2010, (iii) Euro (61.8) million for the purchase of the remaining non-controlling interests in Luxottica Turkey, and (iv) Euro (32.4) million for the purchase of the remaining non-controlling interests of Sunglass Hut (UK).

***Financing Activities.*** Our cash used in financing activities for the first three months of 2010 and 2009 was Euro (310.8) million and Euro (437.0) million, respectively. Cash (used in)/ provided by financing activities for the first nine months of 2010 consisted primarily of the proceeds of Euro 383.0 million from long-term debt borrowings, of dividend payments of Euro (169.6) million and of Euro (506.1) million used to repay long-term debt expiring during the first nine months of 2010. Cash (used in)/ provided by financing activities for the first nine months of 2009 consisted primarily of the proceeds of Euro 535.0 million from long-term debt borrowings, Euro (54.6) million to repay bank overdrafts and Euro (912.7) million in cash used to repay long-term debt expiring during the first nine months of 2009.

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**OUR CONSOLIDATED BALANCE SHEET**

***In accordance with IAS/IFRS***

| | September 30, 2010 (unaudited) | December 31, 2009 (audited) |
|---|---|---|
| | (Thousands of Euro) | |
| **ASSETS** | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | 482,943 | 380,081 |
| Accounts receivable net | 665,332 | 618,884 |
| Inventories net | 562,047 | 524,663 |
| Other assets | 193,255 | 198,365 |
| **Total current assets** | **1,903,577** | **1,721,993** |
| NON CURRENT ASSETS: | | |
| Property, plant and equipment net | 1,167,933 | 1,149,972 |
| Goodwill | 2,840,250 | 2,688,835 |
| Intangible assets net | 1,152,675 | 1,149,880 |
| Investments | 51,454 | 46,317 |
| Other assets | 149,085 | 147,591 |
| Deferred tax assets | 380,304 | 356,706 |
| **Total non-current assets** | **5,741,701** | **5,539,301** |
| **TOTAL ASSETS** | **7,645,278** | **7,261,294** |

| | | |
|---|---|---|
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| CURRENT LIABILITIES: | | |
| Bank overdrafts | 221,956 | 148,951 |
| Current portion of long-term debt | 135,142 | 166,279 |
| Accounts payable | 415,576 | 434,604 |
| Income taxes payable | 88,044 | 11,204 |
| Other liabilities | 515,087 | 554,136 |
| **Total current liabilities** | **1,375,805** | **1,315,174** |
| NON-CURRENT LIABILITIES: | | |
| Long-term debt | 2,394,627 | 2,401,796 |
| Liability for termination indemnity | 42,755 | 44,633 |
| Deferred tax liabilities | 403,224 | 396,048 |
| Other liabilities | 315,495 | 350,028 |
| **Total non-current liabilities** | **3,156,101** | **3,192,505** |
| STOCKHOLDERS' EQUITY: | | |
| Luxottica Group stockholders' equity | 3,101,281 | 2,737,239 |
| Noncontrolling interests | 12,091 | 16,376 |
| **Total stockholders' equity** | **3,113,373** | **2,753,615** |

| | | |
|---|---|---|
| **TOTAL LIABILITIES AND STOCKHOLDERS'EQUITY** | **7,645,278** | **7,261,294** |

As of September 30, 2010, total assets increased by Euro 384.0 million to Euro 7,645.3 million, compared to Euro 7,261.3 million as of December 31, 2009.

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In the first nine months of 2010, non-current assets increased by Euro 202.4 million, due to increases in net intangible assets (including goodwill) of Euro 154.2 million, property, plant and equipment net of Euro 18.0 million, deferred tax assets of Euro 23.6 million, investments of Euro 5.1 million and other assets of Euro 1.5 million.

The increase in net intangible assets was primarily due to the positive effects of foreign currency fluctuations of Euro 208.2 million, partially offset by the amortization for the period of Euro 65.3 million.

The increase in property, plant and equipment was primarily due to positive currency fluctuation effects of Euro 53.1 million and additions during the period of Euro 139.3 million, partially offset by depreciation of Euro 160.1 million for the period.

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

Accounts receivable increased by Euro 46.4 million mainly due to the increase in net sales during the first nine months of 2010, partially offset by the improvement in days sales outstanding;

Inventory increased by Euro 37.4 million, mainly due to currency fluctuation effects as well as increased production in our Italian manufacturing facilities during the first nine months of 2010;

Other non-current liabilities decreased by Euro 34.5 million due to an increase in the liabilities for certain pension plans and for interest rate derivatives as a result of a decrease in interest rates, compared to December 31, 2009.

Our net financial position as of September 30, 2010 and December 31, 2009 was as follows:

| | **September 30, 2010 (unaudited)** | **December 31, 2009 (audited)** |
|---|---|---|
| | **(Thousands of Euro)** | |
| Cash and cash equivalents | 482,943 | 380,081 |
| Bank overdrafts | (221,956) | (148,951) |
| Current portion of long-term debt | (135,142) | (166,279) |
| Long-term debt | (2,394,627) | (2,401,796) |
| **Total** | **(2,268,783)** | **(2,336,945)** |

Bank overdrafts consist of the utilized portion of short-term uncommitted revolving credit lines borrowed by various subsidiaries of the Group. The applicable interest rate depends on the currency of the credit line and is generally a floating rate.

As of September 30, 2010, we, together with our wholly-owned Italian subsidiary Luxottica S.r.l., had credit lines aggregating Euro 341.8 million. The interest rate is a floating rate of EURIBOR plus a margin on average of approximately 0.45 percent. As of September 30, 2010, we had utilized Euro 35.8 million of these credit lines.

As of September 30, 2010, Luxottica U.S. Holdings maintained unsecured lines of credit with an aggregate maximum availability of Euro 95.7 million (U.S. $130.2 million). The interest rate is a floating rate and is approximately USD LIBOR plus 80 basis points. At September 30, 2010, these lines were not used.

## 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 regarding the related party transactions, please refer to Note 27 to the Notes to the Condensed Consolidated Quarterly Year Financial Report as of September 30, 2010 (unaudited).

**5. SUBSEQUENT EVENTS**

On October 5, 2010, we announced our new exclusive license agreement with Coach Inc. for the design, production and global distribution of prescription frames and sunglasses under the Coach, Coach Poppy and Reed Krakoff brands. Distribution of Coach eyewear collections will be through Coach stores around the world, through select department stores primarily in North America, Japan, China and East Asia and through select travel retail locations, independent optical locations and Luxottica's retail chains. The multi-year agreement will begin on January 1, 2012 and includes renewal options. The first collection will be presented during 2012.

On October 25, in order to exploit favorable market conditions and extend the average maturity of the debt, the Board of Directors of the Company approved the issuance of up to Euro 500 million senior long term notes to institutional investors prior to the end of January 2011. BNP, Deutsche Bank, IntesaSanPaolo and Mediobanca were appointed as joint lead managers and bookrunners.

**6. 2010 OUTLOOK**

Based on current market conditions, management believes the Group may realize net income for the year ending December 31, 2010 of approximately Euro 400 million.

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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;

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;

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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**

| | **3Q 2010** | **3Q 2009** | **9M 2010** | **9M 2009** | **FY09** | **LTM September 30, 2010** |
|---|---|---|---|---|---|---|
| | | | | **(Millions of Euro)** | | |
| Net income/(loss) | 101.9 | 75.8 | 347.1 | 269.9 | 299.1 | 376.3 |
| (+) | | | | | | |
| Net income attributable to non-controlling interest | 0.8 | 1.0 | 4.2 | 5.0 | 5.8 | 5.0 |
| (+) | | | | | | |
| Provision for income taxes | 58.2 | 36.1 | 186.2 | 145.3 | 159.9 | 200.8 |
| (+) | | | | | | |
| Other (income)/expense | 25.5 | 26.6 | 78.5 | 76.9 | 106.3 | 108.0 |
| (+) | | | | | | |
| Depreciation & amortization | 77.0 | 70.2 | 225.4 | 214.2 | 285.4 | 296.7 |
| (+) | | | | | | |
| EBITDA | 263.5 | 209.8 | 841.5 | 711.3 | 856.5 | 986.7 |
| (=) | | | | | | |
| Net sales | 1,464.7 | 1,223.3 | 4,451.5 | 3,937.2 | 5,094.3 | 5,608.6 |
| (/) | | | | | | |
| EBITDA margin | 18.0% | 17.1% | 18.9% | 18.1% | 16.8% | 17.6% |
| (=) | | | | | | |

*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.

Free cash flow is not a measure of performance under IAS/IFRS. We include it in this Management Report 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;

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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**

| | **3Q 2010 (Millions of Euro)** |
|---|---|
| **EBITDA**[1] | **263.5** |
| Δ working capital | 90.7 |
| Capex | (56.4) |
| **Operating cash flow** | **297.8** |
| Financial charges[2] | (24.4) |
| Taxes | (20.1) |
| Extraordinary charges[3] | (1.1) |
| **Free cash flow** | **252.2** |

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

*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 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 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 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.

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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**

| | Sept 30, 2010 | Dec 31, 2009 |
|---|---|---|
| | (Millions of Euro) | |
| Long-term debt (+) | 2,394.6 | 2,401.8 |
| Current portion of long-term debt (+) | 135.1 | 166.3 |
| Bank overdrafts (+) | 222.0 | 149.0 |
| Cash (-) | (482.9) | (380.1) |
| Net debt (=) | 2,268.8 | 2,336.9 |
| LTM EBITDA | 986.7 | 856.5 |
| Net debt/LTM EBITDA | 2.3x | 2.7x |
| Net debt @ avg. exchange rates[1] | 2,274.7 | 2,381.7 |
| Net debt @ avg. exchange rates[1]/LTM EBITDA | 2.3x | 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.

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 SEC. 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
(UNAUDITED)

**CONSOLIDATED BALANCE SHEETS**
***In accordance with IAS/IFRS***

| | Footnote reference | September 30, 2010 (unaudited) | December 31, 2009 (audited) |
|---|---|---|---|
| | | (Thousands of Euro) | |
| **ASSETS** | | | |
| CURRENT ASSETS: | | | |
| Cash and cash equivalents | 5 | 482,943 | 380,081 |
| Accounts receivable net | 6 | 665,332 | 618,884 |
| Inventories net | 7 | 562,047 | 524,663 |
| Other assets | 8 | 193,255 | 198,365 |
| **Total current assets** | | **1,903,577** | **1,721,993** |
| NON-CURRENT ASSETS: | | | |
| Property, plant and equipment net | 9 | 1,167,933 | 1,149,972 |
| Goodwill | 10 | 2,840,250 | 2,688,835 |
| Intangible assets net | 10 | 1,152,675 | 1,149,880 |
| Investments | 11 | 51,454 | 46,317 |
| Other assets | 12 | 149,085 | 147,591 |
| Deferred tax assets | 13 | 380,304 | 356,706 |
| **Total non-current assets** | | **5,741,701** | **5,539,301** |
| **TOTAL ASSETS** | | **7,645,278** | **7,261,294** |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | | |
| CURRENT LIABILITIES: | | | |
| Bank overdrafts | 14 | 221,956 | 148,951 |
| Current portion of long-term debt | 15 | 135,142 | 166,279 |
| Accounts payable | 16 | 415,576 | 434,604 |
| Income taxes payable | 17 | 88,044 | 11,204 |
| Other liabilities | 18 | 515,087 | 554,136 |
| **Total current liabilities** | | **1,375,805** | **1,315,174** |
| NON-CURRENT LIABILITIES: | | | |
| Long-term debt | 19 | 2,394,627 | 2,401,796 |
| Liability for termination indemnities | 20 | 42,755 | 44,633 |
| Deferred tax liabilities | 21 | 403,224 | 396,048 |
| Other liabilities | 22 | 315,495 | 350,028 |
| **Total non-current liabilities** | | **3,156,101** | **3,192,505** |
| STOCKHOLDERS' EQUITY | | | |
| Luxottica Group stockholders' equity | 23 | 3,101,281 | 2,737,239 |
| Noncontrolling interests | 24 | 12,091 | 16,376 |

| | | |
|---|---|---|
| **Total stockholders' equity** | **3,113,373** | **2,753,615** |
| **TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY** | **7,645,278** | **7,261,294** |

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**STATEMENT OF CONSOLIDATED INCOME**
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009 (UNAUDITED)**
***In accordance with IAS/IFRS***

| | Footnote reference | 2010 | 2009 |
|---|---|---|---|
| | | (Thousands of Euro)[1] | |
| **Net sales** | 25 | **4,451,542** | **3,937,233** |
| Cost of sales | 25 | 1,529,395 | 1,352,480 |
| **Gross profit** | | **2,922,148** | **2,584,752** |
| Selling | 25 | 1,427,794 | 1,281,290 |
| Royalties | 25 | 74,512 | 74,509 |
| Advertising | 25 | 286,455 | 245,410 |
| General and administrative | 25 | 454,547 | 425,227 |
| Intangibles amortization | 25 | 62,829 | 61,266 |
| **Total operating expenses** | | **2,306,136** | **2,087,703** |
| **Income from operations** | | **616,012** | **497,049** |
| **Other income/(expense)** | | | |
| Interest income | 25 | 5,824 | 4,322 |
| Interest expense | 25 | (78,500) | (79,307) |
| Other net | 25 | (5,872) | (1,905) |
| **Income before provision for income taxes** | | **537,464** | **420,159** |
| Provision for income taxes | 25 | (186,202) | (145,308) |
| **Net income** | | **351,262** | **274,852** |
| Of which attributable to: | | | |
| **Luxottica Group stockholders** | 25 | **347,077** | **269,869** |
| Noncontrolling interests | 25 | 4,185 | 4,983 |
| **NET INCOME** | | **351,262** | **274,852** |
| Weighted average number of shares outstanding: | | | |
| Basic | | 458,544,153 | 457,108,193 |
| Diluted | | 460,249,173 | 457,661,787 |
| Earnings per share: | | | |
| Basic | | 0.76 | 0.59 |
| Diluted | | 0.75 | 0.59 |

(1) Amounts in thousands except per share data

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**STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME**
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009 (UNAUDITED)**
***In accordance with IAS/IFRS***

| | September 30, 2010 (unaudited) | September 30, 2009 (unaudited) |
|---|---|---|
| | (Thousands of Euro) | |
| **Net income** | 351,262 | 274,852 |
| **Other comprehensive income:** | | |
| Cash flow hedge net of tax | (9,032) | 6,120 |
| Currency translation differences and other | 161,675 | (12,515) |
| Actuarial gain/(loss) on postemployment benefit obligations | (92) | 406 |
| Total other comprehensive income net of tax | 152,551 | (5,989) |
| Total comprehensive income for the period | 503,813 | 268,863 |
| Attributable to: | | |
| Luxottica Group stockholders' equity | 499,101 | 263,758 |
| Noncontrolling interests | 4,712 | 5,105 |
| Total comprehensive income for the period | 503,813 | 268,863 |

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**STATEMENT OF CONSOLIDATED STOCKHOLDERS' EQUITY**
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 (UNAUDITED)**

***In accordance with IAS/IFRS***

| | 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 | | | | | 269,869 | | | | 269,869 | 4,983 |
| Other comprehensive income: | | | | | | | | | | |
| Currency translation differences and other | | | | | | | (12,637) | | (12,637) | 122 |
| Cash flow hedge net of tax of Euro 2.8 million | | | | | 6,120 | | | | 6,120 | |
| Actuarial gains/(losses) on postemployment benefit obligations | | | | | 406 | | | | 406 | |
| **Total comprehensive income as of September 30, 2009** | | | | | **276,395** | | **(12,637)** | | **263,758** | **5,105** |
| Exercise of stock options | 595,600 | 36 | | 6,677 | | | | | 6,713 | |
| Non-cash stock-based compensation | | | | | | 17,561 | | | 17,561 | |
| Treasury shares | | | | 1,052 | | | | (2,860) | (1,808) | |
| Change in controlling interest in subsidiary | | | | | | | | | | (996) |
| Dividends | | | | | | | | | | (2,445) |
| Allocation to legal reserve | | | 7 | | (7) | | | | | |
| **Balances, September 30, 2009** | **463,963,833** | **27,838** | **5,561** | **146,153** | **2,952,939** | **115,519** | **(443,184)** | **(72,847)** | **2,731,979** | **15,393** |
| **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 | | | | | 347,077 | | | | 347,077 | 4,185 |
| Other comprehensive income: | | | | | | | | | | |
| Currency translation differences and other | | | | | | | 161,148 | | 161,148 | 527 |
| Cash flow hedge net of tax of Euro 4.1 million | | | | | (9,032) | | | | (9,032) | |
| Actuarial gain/(loss) on postemployment benefit obligations | | | | | (92) | | | | (92) | |
| **Total comprehensive income as of September 30, 2010** | | | | | **337,953** | | **161,148** | | **499,101** | **4,712** |

Exercise of stock options