LUXOTTICA GROUP SPA
Form 6-K
August 02, 2012

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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, 2012
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 three- and six-months ended June 30 of Fiscal Year 2012

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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, 2014.

Chairman	Leonardo Del Vecchio
Deputy Chairman	Luigi Francavilla
Chief Executive Officer	Andrea Guerra
Directors	Roger Abravanel*
	Mario Cattaneo*
	Enrico Cavatorta
	Claudio Costamagna*
	Claudio Del Vecchio
	Sergio Erede
	Elisabetta Magistretti*
	Marco Mangiagalli*
	Anna Puccio*
	Marco Reboa* (Lead Independent Director)

**Independent director.*

Human Resources Committee	Claudio Costamagna (Chairman)
	Roger Abravanel
	Anna Puccio
Internal Control Committee	Mario Cattaneo (Chairman)
	Elisabetta Magistretti
	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, 2014

Regular Auditors	Francesco Vella (Chairman)
	Alberto Giussani
	Barbara Tadolini
Alternate Auditors	Giorgio Silva
	Fabrizio Riccardo di Giusto
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, 2020.
PricewaterhouseCoopers SpA

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Luxottica Group S.p.A.

Headquarters and registered office Via C. Cantù 2, 20123 Milan, Italy

Capital Stock € 28,183,305.72

authorized and issued

ITEM 1. MANAGEMENT REPORT ON THE INTERIM FINANCIAL RESULTS
AS OF JUNE 30, 2012
(UNAUDITED)

The following discussion should be read in connection with the disclosure contained in the consolidated financial statements as of December 31, 2011, which includes a study about risks and uncertainties that can influence the Group's operational results or financial position.

1. OPERATING PERFORMANCE FOR THE THREE- AND THE SIX-MONTH PERIODS ENDED JUNE 30, 2012

During the course of the second quarter of 2012, the Group's growth trend continued. In a more challenging macroeconomic environment, the Group achieved positive results in the majority of the geographic areas in which it operates, with excellent performance in North America, Australia and all emerging countries.

Net sales for the quarter were Euro 1882.2 million, and increased by 15.2% (+7.0% at constant exchange rates[1]), from Euro 1,633.5 million in the same period of 2011. Net income increased by 20.6% to Euro 195.5 million from Euro 162.1 million in the same quarter of 2011.

During the half-year ended June 30, 2012, net sales grew by 15.1% (+9.0% current exchange rates) to Euro 3,670.4 million (Euro 3,189.6 million during the same period in 2011).

EBITDA in the second quarter of 2012 rose by 18.1% over the same period in 2011, going from Euro 352.2 million in 2011 to Euro 415.9 million in the same period of 2012. Additionally, adjusted EBITDA[2] in the first half of 2012 increased by 20.2 percent to Euro 761.2 million from Euro 635.1 million in the same period of 2011.

Operating income for the second quarter of 2012 amounted to Euro 332.6 million (Euro 276.8 million during the same period of the previous year) and increased by +20.2%, as compared to the same period in 2011. The Group's operating margin grew even further rising from 16.9% in the second quarter of 2011 to 17.7% in the current quarter.

During the first sixth months of 2012, adjusted operating income[3] amounted to Euro 590.6 million, up by 22.0% as compared to Euro 484.2 million in the same period of 2011. The Group's adjusted operating margin[4] therefore rose from 15.2% during the first six months of 2011 to 16.1% in the same period of 2012.

In the second quarter of 2012, net income attributable to Luxottica Stockholders was Euro 195.5 million (Euro 162.1 million in the same period of 2011). In the second quarter 2012 earnings

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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, 2011. Please refer to Attachment 1 for further details on exchange rates.

2 For a further discussion of adjusted EBITDA, see page 15 "Non-IFRS Measures."

3 For a further discussion of adjusted operating income, see page 15 "Non-IFRS Measures."

4 For a further discussion of adjusted operating margin, see page 15 "Non-IFRS Measures."

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per share ("EPS") was Euro 0.42 and EPS expressed in USD was 0.54 (at an average exchange rate of Euro/USD of 1.2814).

By carefully controlling working capital, the Group generated positive free cash flow[5] in both the first six months of the year (Euro 216 million) and the second quarter (Euro 180 million). After the payment of dividends of approximately Euro 227 million, net debt as of June 30, 2012 was Euro 2,164 million (Euro 2,032 million at the end of 2011), with the ratio of net debt to adjusted EBITDA[6] of 1.7x, unchanged compared to December 31, 2011.

2. SIGNIFICANT EVENTS DURING THE SIX MONTHS ENDED JUNE 30, 2012

January

On January 20, 2012, the Group successfully completed the acquisition of 80% of share capital of the Brazilian entity Grupo Tecnol Ltd. The remaining 20% will be acquired evenly (five percent per year) starting from 2013 over a four year period. The consideration paid for the 80% was approximately 143.7 million Brazilian Reais (approximately Euro 59.4 million); additionally the Group assumed Tecnol's net debt amounting to approximately Euro 31.5 million. The acquisition furthers the Group's strategy of continued expansion of its wholesale business and acquiring a manufacturing facility in South America.

On January 24, 2012, the Board of Directors of Luxottica Group S.p.A. (hereinafter, also the "Company") approved the reorganization of the retail business in Australia. As a result of the reorganization, the Group will close approximately 10% of its Australian and New Zealand stores, redirecting resources into its market-leading OPSM brand.

March

On March 19, 2012, the Company closed an offering in Europe to institutional investors of Euro 500 million of senior unsecured guaranteed notes due March 19, 2019. The notes are listed on the Luxembourg Stock Exchange under ISIN XS0758640279. Interest on the Notes accrues at 3.625% per annum. The Notes are guaranteed on a senior unsecured basis by Luxottica U.S. Holdings Corp. ("U.S. Holdings") and Luxottica S.r.l., both of which are wholly-owned subsidiaries. On March 19, 2012, the notes were assigned a BBB+ credit rating by Standard & Poor's.

April

At the Stockholders' Meeting on April 27, 2012, the stockholders approved the Statutory Financial Statements as of December 31, 2011, as proposed by the Board of Directors and the distribution of a cash dividend of Euro 0.49 per ordinary share, reflecting a year-over-year 11.4 percent increase. The aggregate dividend amount of Euro 227.0 million was fully paid in May 2012.

May

On May 17, 2012, the Company entered into an agreement pursuant to which it will acquire approximately 120 Sun Planet stores in Spain and Portugal. Over time, the stores will be rebranded under the Sunglass Hut brand. In 2011, net sales of the chain totaled approximately Euro 22 million.

June

On June 8, 2012, Armani Group and the Company signed an exclusive license agreement for the design, manufacture and worldwide distribution of sun and prescription eyewear under the Giorgio Armani, Emporio Armani and A/X Armani Exchange brands. The 10-year license agreement,

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[5] For a further discussion of free cash flow, see page 15 "Non-IFRS Measures."

[6] For a further discussion of net debt to adjusted EBITDA, see page 15 "Non-IFRS Measures."

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incorporating market conditions, will begin on January 1, 2013. The first collection will be presented during 2013.

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 6.2 billion in 2011, over 65,000 employees and a strong global presence. We operate in two industry segments: (i) manufacturing and wholesale distribution; and (ii) retail distribution. See Note 5 to the Condensed Consolidated Half Year Financial Report as of June 30, 2012 (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, Bright Eyes, Oakley "O" Stores and Vaults, David Clulow, Multiopticas 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. $1.2965 in the first six months of 2012 to Euro 1.00 = U.S. $1.4032 in the same period of 2011. With the acquisition of OPSM and Bright Eyes (acquired through Oakley), our results of operations have also been rendered susceptible to currency fluctuations between the Euro and the Australian dollar. Additionally, we incur part of our manufacturing costs in Chinese Yuan; therefore, the fluctuation of the Chinese Yuan relative to other currencies in which we receive revenues could impact the demand of our products or the profitability in consolidation. 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. This discussion should be read in conjunction with the risk factor discussion in Note 10 of the Management Report of the 2011 Consolidated Financial Statements.

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RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 2012 AND 2011 (UNAUDITED)

In accordance with IFRS

	Six months ended June 30,			
(Amounts in thousands of Euro)	**2012**	**% of net sales**	**2011**	**% of net sales**
Net sales	**3,670,358**	**100.0%**	**3,189,646**	**100.0%**
Cost of sales	1,229,042	33.5%	1,097,127	34.4%
Gross profit	**2,441,316**	**66.5%**	**2,092,519**	**65.6%**
Selling	1,134,419	30.9%	980,366	30.7%
Royalties	68,104	1.9%	57,052	1.8%
Advertising	225,407	6.1%	203,673	6.4%
General and administrative	444,238	12.1%	367,194	11.5%
Total operating expenses	**1,872,168**	**51.0%**	**1,608,285**	**50.4%**
Income from operations	**569,148**	**15.5%**	**484,234**	**15.2%**
Other income/(expense)				
Interest income	11,895	0.3%	7,235	0.2%
Interest expense	(72,988)	(2.0)%	(60,434)	(1.9)%
Other net	(489)	(0.1)%	(2,896)	(0.1)%
Income before provision for income taxes	**507,566**	**13.8%**	**428,140**	**13.4%**
Provision for income taxes	(178,077)	(4.9)%	(147,221)	(4.6)%
Net income	**329,489**	**9.0%**	**280,919**	**8.8%**
Attributable to				
Luxottica Group stockholders	**326,321**	**8.9%**	**276,781**	**8.7%**
non-controlling interests	3,168	0.1%	4,138	0.1%
NET INCOME	**329,489**	**9.0%**	**280,919**	**8.8%**

Adjusted Measures[7]	**2012**	**% of net sales**	**2011**	**% of net sales**	**% change**
Adjusted income from Operations	590,580	16.1%	484,234	15.2%	22.0%
Adjusted EBITDA	721,227	20.7%	635,140	19.9%	19.9%
Adjusted Net Income attributable to Luxottica Group Stockholders	341,323	9.3%	276,781	8.7%	23.3%

Net Sales. Net sales increased by Euro 480.8 million, or 15.1 percent, to Euro 3,670.4 million in the first six months of 2012 from Euro 3,189.6 million in the same period of 2011. Euro 169.9 million of such increase was attributable to the increased sales in the manufacturing and wholesale distribution segment in the first six months of 2012 as compared to the same period in 2011 and to increased sales in the retail distribution segment of Euro 310.9 million for the same period.

Net sales for the retail distribution segment increased by Euro 310.9 million, or 16.9 percent, to Euro 2,155.4 million in the first six months of 2012 from Euro 1,844.5 million in the same period in 2011. The increase in net sales for the period was partially attributable to a 6.1 percent improvement in

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[7] Adjusted measures are not in accordance with IFRS. For a further discussion of adjusted measures, see page 15 "Non-IFRS Measures."

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comparable store sales[8]. In particular, we saw a 6.4 percent increase in comparable store sales for the North American retail operations, and an increase for the Australian/New Zealand retail operations of 5.3 percent. The 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 Australian dollar compared to the Euro, increased net sales in the retail distribution segment by Euro 159.8 million during the period.

Net sales to third parties in the manufacturing and wholesale distribution segment increased by Euro 169.9 million, or 12.6 percent, to Euro 1,515.0 million in the first six months of 2012 from Euro 1,345.1 million in the same period in 2011. This increase was mainly attributable to increased sales of most of our house brands, in particular Ray-Ban, Oakley and Persol, and of some designer brands such as Chanel, Prada, Polo, Tiffany and the recently launched Coach line. These sales volume increases occurred in most of the geographic markets in which the Group operates. These positive effects were partially confirmed by positive currency fluctuations, in particular the strengthening of the U.S. dollar and other minor currencies, including but not limited to the Japanese Yen and Canadian Dollar, despite the weaknesses of the Brazilian Real and Turkish Lira, the total effect of which was to increase net sales to third parties in the manufacturing and wholesale distribution segment by Euro 34.7 million.

In the first six months of 2012, net sales in the retail distribution segment accounted for approximately 58.7 percent of total net sales, as compared to approximately 57.8 percent of total net sales for the same period in 2011. This increase in sales for the retail distribution segment as a percentage of total net sales was primarily attributable to a 16.9 percent increase in net sales to third parties in our retail distribution segment for the first six months of 2012 as compared to the same period of 2011, which exceeded a 12.6 percent increase in net sales for the manufacturing and wholesale distribution segment for the first six months of 2012 as compared to the same period of 2011.

In the first six months of 2012, net sales in our retail distribution segment in the United States and Canada comprised 79.3 percent of our total net sales in this segment as compared to 81.8 percent of our total net sales in the same period of 2011. In U.S. dollars, retail net sales in the United States and Canada increased by 4.7 percent to U.S. $2,214.9 million in the first six months of 2012 from U.S. $2,116.2 million for the same period in 2011, due to sales volume increases. During the first six months of 2012, net sales in the retail distribution segment in the rest of the world (excluding the United States and Canada) comprised 20.7 percent of our total net sales in the retail distribution segment and increased by 32.8 percent to Euro 446.9 million in the first six months of 2012 from Euro 336.5 million, or 18.2 percent of our total net sales in the retail distribution segment for the same period in 2011, mainly due to a general increase in consumer demand and to recent acquisitions in Latin America.

In the first six months of 2012, net sales to third parties in our manufacturing and wholesale distribution segment in Europe were Euro 691.5 million, comprising 45.6 percent of our total net sales in this segment, compared to Euro 682.0 million, or 50.7 percent of total net sales in the segment, for the same period in 2011. The increase in net sales in Europe of Euro 9.5 million in the first six months of 2012 as compared to the same period of 2011 constituted a 1.4 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. $511.0 million and comprised 26.0 percent of our total net sales in this segment for the first six months of 2012, compared to U.S. $422.5 million, or 22.4 percent of total net sales in the segment, for the same period of 2011. The increase in net sales in the United States and Canada was primarily due to a general increase in consumer demand. In the first six months of 2012, net sales to third parties in our manufacturing and wholesale distribution segment in the rest of the world were Euro 429.4 million, comprising 28.3 percent

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[8] 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.

of our total net sales in this segment, compared to Euro 362.0 million, or 26.9 percent of our net sales in this segment, in the same period of 2011. The increase of Euro 67.4 million, or 18.6 percent, in the first six months of 2012 as compared to the same period of 2011, 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 131.9 million, or 12.0 percent, to Euro 1,229.0 million in the first six months of 2012 from Euro 1,097.1 million in the same period of 2011. As a percentage of net sales, cost of sales decreased to 33.5 percent in the first six months of 2012 as compared to 34.4 percent in the same period of 2011 due to efficiencies achieved in the production cycle. In the first six months of 2012, the average number of frames produced daily in our facilities increased to approximately 271,000 as compared to approximately 266,000 in the same period of 2011, 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 348.8 million, or 16.7 percent, to Euro 2,441.3 million in the first six months of 2012 from Euro 2,092.5 million for the same period of 2011. As a percentage of net sales, gross profit increased to 66.5 percent in the first six months of 2012 as compared to 65.6 percent for the same period of 2011, due to the factors noted above.

Operating Expenses. Total operating expenses increased by Euro 263.9 million, or 16.4 percent, to Euro 1,872.2 million in the first six months of 2012 from Euro 1,608.3 million in the same period of 2011. As a percentage of net sales, operating expenses increased to 51.0 percent in the first six months of 2012, from 50.4 percent in the same period of 2011.

Adjusted operating expenses[9], excluding the non-recurring expenses related to the reorganization of the Retail business in Australia amounting to approximately Euro 20.1 million, increased by Euro 243.8 million, or 15.2 percent, to Euro 1,852.1 million in the first six months of 2012 from Euro 1,608.3 million in the same period of 2011. As a percentage of net sales, operating expenses are in line with last year at 50.5 percent in the first six months of 2012, and 50.4 percent in the same period of 2011.

Selling and advertising expenses (including royalty expenses) increased by Euro 186.8 million, or 15.1 percent, to Euro 1,427.9 million in the first six months of 2012 from Euro 1,241.1 million in the same period of 2011. Selling expenses increased by Euro 154.1 million, or 15.7 percent. Advertising expenses increased by Euro 21.7 million, or 10.7 percent. Royalties increased by Euro 11.1 million, or 19.4 percent. As a percentage of net sales, selling and advertising expenses were 38.9 percent in the first six months of 2012 and 2011.

Adjusted selling expenses[10], excluding the non-recurring expenses related to the reorganization of the Retail business in Australia amounting to approximately Euro 17.1 million, increased by Euro 137.0 million, or 14.0 percent to Euro 1,117.3 million from Euro 980.4 million in the same period of 2011.

General and administrative expenses, including intangible asset amortization increased by Euro 77.0 million, or 21.0 percent, to Euro 444.2 million in the first six months of 2012 as compared to Euro 367.2 million in the same period of 2011. As a percentage of net sales, general and administrative expenses were 12.1 percent in the first six months of 2012 as compared to 11.5 percent in the same period of 2011.

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[9] For a further discussion of adjusted operating expenses, see page 15 "Non-IFRS Measures."

[10] For a further discussion of adjusted selling expenses, see page 15 "Non-IFRS Measures."

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Adjusted general and administrative expenses[11], including intangible asset amortization and excluding the non-recurring expenses related to the reorganization of the Retail business in Australia amounting to approximately Euro 3.0 million, increased by Euro 74.1 million, or 20.2 percent, to Euro 441.2 million in the first six months of 2012 as compared to Euro 367.2 million in the same period of 2011. As a percentage of net sales, adjusted general and administrative expenses were 12.0 percent in the first six months of 2012 as compared to 11.5 percent in the same period of 2011.

Income from Operations. For the reasons described above, income from operations increased by Euro 84.9 million, or 17.5 percent, to Euro 569.1 million in the first six months of 2012 from Euro 484.2 million in the same period of 2011. As a percentage of net sales, income from operations increased to 15.5 percent in the first six months of 2012 from 15.2 percent in the same period of 2011.

Adjusted income from operations,[12] excluding the non-recurring expenses related to the reorganization of the Retail business in Australia amounting to Euro 21.4 million, increased by Euro 106.3 million, or 22.0 percent, to Euro 590.6 million in the first six months of 2012 from Euro 484.2 million in the same period of 2011. As a percentage of net sales, adjusted income from operations increased to 16.1 percent in the first six months of 2012 from 15.2 percent in the same period of 2011.

Other Income (Expense) Net. Other income (expense) net was Euro (61.6) million in the first six months of 2012 as compared to Euro (56.1) million in the same period of 2011. Net interest expense was Euro 61.1 million in the first six months of 2012 as compared to Euro 53.2 million in the same period of 2011. The increase was mainly due to the acquisition of Tecnol and to the arrangement of a new long term loan in the second quarter of 2012.

Net Income. Income before taxes increased by Euro 79.4 million, or 18.6 percent, to Euro 507.6 million in the first six months of 2012 from Euro 428.1 million in the same period of 2011, for the reasons described above. As a percentage of net sales, income before taxes increased to 13.8 percent in the first six months of 2012 from 13.4 percent in the same period of 2011. Adjusted income before taxes[13] increased by Euro 100.9 million, or 23.6 percent, to Euro 529.0 million in the first six months of 2012 from Euro 428.1 million in the same period of 2011. As a percentage of net sales, adjusted income before taxes was 14.4 percent in the first six months of 2012 as compared to 13.4 percent in the first six months of 2011. Net income attributable to non-controlling interests decreased to Euro 3.2 million in the first six months of 2012 as compared to Euro 4.1 million in the same period of 2011. Our effective tax rate was 35.1 percent in the first six months of 2012 as compared to 34.4 percent for the same period of 2011.

Net income attributable to Luxottica Group stockholders increased by Euro 49.5 million, or 17.9 percent, to Euro 326.3 million in the first six months of 2012 from Euro 276.8 million in the same period of 2011. Net income attributable to Luxottica Group stockholders as a percentage of net sales increased to 8.9 percent in the first six months of 2012 from 8.7 percent in the same period of 2011.

Adjusted net income attributable to Luxottica Group Stockholders[14] increased by Euro 64.5 million, or 23.3 percent, to Euro 341.3 million in the first six months of 2012 from Euro 276.8 million in the same period of 2011. Adjusted net income attributable to Luxottica Group stockholders as a percentage of net sales increased to 9.3 percent in the first six months of 2012 from 8.7 percent in the same period of 2011.

Basic and diluted earnings per share were Euro 0.70 in the first six months of 2012 as compared to Euro 0.60 in the same period of 2011.

Adjusted basic and diluted earnings per share[15] were Euro 0.74 in the first six months of 2012 as compared to Euro 0.60 in the same period of 2011.

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11 For a further discussion of adjusted general and administrative expenses, see page 15 "Non-IFRS Measures."

12 For a further discussion of adjusted income from operations, see page 15 "Non-IFRS Measures."

13 For a further discussion of adjusted income before taxes, see page 15 "Non-IFRS Measures."

14 For a further discussion of adjusted net income attributable to Luxottica Group stockholders, see page 15 "Non-IFRS Measures."

15 For a further discussion of adjusted basic and diluted earnings per share, see page 15 "Non-IFRS Measures."

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RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED JUNE 30, 2012 AND 2011 (UNAUDITED)

In accordance with IFRS

	Three months ended June 30,			
(Amounts in thousands of Euro)	**2012**	**% of net sales**	**2011**	**% of net sales**
Net sales	**1,882,185**	**100.0%**	**1,633,544**	**100.0%**
Cost of sales	606,477	32.2%	542,674	33.2%
Gross profit	**1,275,708**	**67.8%**	**1,090,871**	**66.8%**
Selling	562,847	29.9%	488,101	29.9%
Royalties	35,586	1.9%	28,509	1.7%
Advertising	123,429	6.6%	113,260	6.9%
General and administrative	221,213	11.8%	184,183	11.3%
Total operating expenses	**943,075**	**49.8%**	**814,053**	**49.8%**
Income from operations	**332,633**	**16.9%**	**276,819**	**16.9%**
Other income/(expense)				
Interest income	6,478	0.3%	5,148	0.3%
Interest expense	(36,004)	1.9%	(31,172)	1.9%
Other net	(421)	0.1%	(1,152)	0.1%
Income before provision for income taxes	**302,686**	**16.1%**	**249,642**	**15.3%**
Provision for income taxes	(105,896)	5.6%	(85,822)	5.3%
Net income	**196,790**	**10.5%**	**163,820**	**10.0%**
Attributable to				
Luxottica Group stockholders	**195,545**	**10.4%**	**162,087**	**9.9%**
non-controlling interests	1,245	0.1%	1,734	0.1%
NET INCOME	**196,790**	**10.5%**	**163,820**	**10.0%**

Net Sales. Net sales increased by Euro 248.7 million, or 15.2 percent, to Euro 1,882.2 million in the three-month period ended June 30, 2012 from Euro 1,633.5 million in the same period of 2011. Euro 84.2 million of such increase was attributable to the increased sales in the manufacturing and wholesale distribution segment in the three-month period ended June 30, 2012 as compared to the same period in 2011 and to the increased sales in the retail distribution segment of Euro 164.4 million for the same period.

Net sales for the retail distribution segment decreased by Euro 164.4 million, or 17.7 percent, to Euro 1,094.0 million in the three-month period ended June 30, 2012 from Euro 929.6 million in the same period in 2011. The segment experienced a 5.1 percent improvement in comparable store sales[16]. In particular, there was a 5.6 percent increase in comparable store sales for the North American retail operations, and 4.6 percent increase for the Australian/New Zealand retail operations. The 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 Australian Dollar,

increased net sales in the retail distribution segment by Euro 109.6 million during the period.

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[16] 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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Net sales to third parties in the manufacturing and wholesale distribution segment increased by Euro 84.2 million, or 12.0 percent, to Euro 788.2 million in the three-month period ended June 30, 2012 from Euro 704.0 million in the same period in 2011. This increase was mainly attributable to increased sales of most of our house brands, in particular Ray-Ban, Oakley and Persol and of some designer brands such as Chanel, Polo, Prada, Tiffany and the recently launched Coach line. These sales volume increases occurred in most of the geographic markets in which the Group operates. These positive effects were partially decreased by negative currency fluctuations, in particular a strengthening of the U.S. dollar and other minor currencies, including but not limited to the Canadian dollar and the Japanese Yen, which increased net sales to third parties in the manufacturing and wholesale distribution segment by Euro 25.4 million, notwithstanding the weaknesses of the Brazilian Real and Turkish Lira.

During the three-month period ended June 30, 2012, net sales in the retail distribution segment accounted for approximately 58.1 percent of total net sales, as compared to approximately 56.9 percent of total net sales for the same period in 2011. This increase in sales for the retail distribution segment as a percentage of total net sales was primarily attributable to a 17.7 percent increase in net sales to third parties in our retail distribution segment for the three-month period ended June 30, 2012 from the same period of 2011, as compared to a 12.0 percent decrease in net sales in the manufacturing and wholesale distribution segment for the three-month period ended June 30, 2012 from the same period of 2011.

During the three-month period ended June 30, 2012, net sales in our retail distribution segment in the United States and Canada comprised 80.0 percent of our total net sales in this segment as compared to 81.6 percent of our total net sales in the same period of 2011. In U.S. dollars, retail net sales in the United States and Canada increased by 2.9 percent to U.S. $1,122.7 million in the three-month period ended June 30, 2012 from U.S. $1,091.1 million for the same period in 2011, due to sales volume increases. During the three-month period ended June 30, 2012, net sales in the retail distribution segment in the rest of the world (excluding the United States and Canada) comprised 20.0 percent of our total net sales in the retail distribution segment and increased by 28.1 percent to Euro 218.7 million in the three-month period ended June 30, 2012 from Euro 170.9 million, or 18.4 percent of our total net sales in the retail distribution segment for the same period in 2011, mainly due to an increase in consumer demand and to recent acquisitions in Latin America.

During the three-month period ended June 30, 2012, net sales to third parties in our manufacturing and wholesale distribution segment in Europe were Euro 362.5 million, comprising 46.0 percent of our total net sales in this segment, compared to Euro 370.2 million, or 52.6 percent of total net sales in the segment, for the same period in 2011. The decrease in net sales in Europe of Euro (7.7) million in the three-month period ended June 30, 2012 as compared to the same period of 2011 constituted a (2.1) percent decrease in net sales to third parties, due to a general decrease in consumer demand. Net sales to third parties in our manufacturing and wholesale distribution segment in the United States and Canada were U.S. $263.8 million and comprised 26.1 percent of our total net sales in this segment for the three-month period ended June 30, 2012, compared to U.S. $212.8 million, or 21.0 percent of total net sales in the segment, for the same period of 2011. The increase in net sales in the United States and Canada was primarily due to a general increase in consumer demand. In the three-month period ended June 30, 2012, net sales to third parties in our manufacturing and wholesale distribution segment in the rest of the world were Euro 220.2 million, comprising 27.9 percent of our total net sales in this segment, compared to Euro 186.0 million, or 26.4 percent of our net sales in this segment, in the same period of 2011. The increase of Euro 34.2 million, or 18.4 percent, in the three-month period ended June 30, 2012 as compared to the same period of 2011, was due to an increase in consumer demand.

Cost of Sales. Cost of sales increased by Euro 63.8 million, or 11.8 percent, to Euro 606.5 million in the three-month period ended June 30, 2012 from Euro 542.7 million in the same period of 2011. As a percentage of net sales, cost of sales decreased to 32.3 percent in the three-month period ended June 30, 2012 compared to 33.2 percent in the three-month period ended June 30, 2011 due to efficiencies achieved in the production cycle. The average number of frames produced daily in our

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facilities increased to approximately 278,100 in the three-month period ended June 30, 2012, as compared to approximately 280,700 in the same period of 2011.

Gross Profit. Our gross profit increased by Euro 184.8 million, or 16.9 percent, to Euro 1,275.7 million in the three-month period ended June 30, 2012 from Euro 1,090.9 million for the same period of 2011. As a percentage of net sales, gross profit increased to 67.8 percent in the three month period ended June 2012 as compared to 66.8 percent in the three-month period ended June 30, 2011, due to the factors noted above.

Operating Expenses. Total operating expenses increased by Euro 129.0 million, or 15.8 percent, to Euro 943.1 million in the three-month period ended June 30, 2012 from Euro 814.1 million in the same period of 2011. As a percentage of net sales, operating expenses increased to 50.1 percent in the three-month period ended June 30, 2012, from 49.8 percent in the same period of 2011.

Selling and advertising expenses (including royalty expenses) increased by Euro 92.0 million, or 14.6 percent, to Euro 721.9 million in the three-month period ended June 30, 2012 from Euro 629.9 million in the same period of 2011. Selling expenses increased by Euro 74.7 million, or 15.3 percent. Advertising expenses increased by Euro 10.2 million, or 9.0 percent. Royalties increased by Euro 7.1 million, or 24.8 percent. As a percentage of net sales, selling and advertising expenses are in line at 38.3 percent in the three-month period ended June 30, 2012, compared to 38.6 percent for the same period of 2011.

General and administrative expenses, including intangible asset amortization increased by Euro 37.0 million, or 20.1 percent, to Euro 221.2 million in the three-month period ended June 30, 2012 as compared to Euro 184.2 million in the same period of 2011. As a percentage of net sales, general and administrative expenses were 11.8 percent in the three-month period ended June 30, 2012 as compared to 11.3 percent in the same period of 2011.

Income from Operations. For the reasons described above, income from operations increased by Euro 55.8 million, or 20.2 percent, to Euro 332.6 million in the three-month period ended June 30, 2012 from Euro 276.8 million in the same period of 2011. As a percentage of net sales, income from operations increased to 17.7 percent in the three-month period ended June 30, 2012 from 16.9 percent in the same period of 2011.

Other Income (Expense) Net. Other income (expense) net was Euro (29.9) million in the three-month period ended June 30, 2012 as compared to Euro (27.2) million in the same period of 2011. Net interest expense was Euro 29.5 million in the three-month period ended June 30, 2012 as compared to Euro 26.0 million in the same period of 2011.

Net Income. Income before taxes increased by Euro 53.0 million, or 21.2 percent, to Euro 302.7 million in the three-month period ended June 30, 2012 from Euro 249.6 million in the same period of 2011, for the reasons described above. As a percentage of net sales, income before taxes increased to 16.1 percent in the three-month period ended June 30, 2012 from 15.3 percent in the same period of 2011. Net income attributable to non-controlling interests decreased to Euro 1.2 million in the three-month period ended June 30, 2012 as compared to Euro 1.7 million in the same period of 2011. Our effective tax rate was 35.0 percent in the three-month period ended June 30, 2012 as compared to 34.4 percent for the same period of 2011.

Net income attributable to Luxottica Group stockholders increased by Euro 33.5 million, or 20.6 percent, to Euro 195.5 million in the three-month period ended June 30, 2012 from Euro 162.1 million in the same period of 2011. Net income attributable to Luxottica Group stockholders as a percentage of net sales increased to 10.4 percent in the three-month period ended June 30, 2012 from 9.9 percent in the same period of 2011.

Basic and diluted earnings per share were Euro 0.42 in the three-month period ended June 30, 2012 as compared to Euro 0.35 in the same period of 2011.

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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, 2012	As of June 30, 2011
(Amounts in thousands of Euro)		**(unaudited)**	
A)	Cash and cash equivalents at the beginning of the period	905,100	679,852
B)	Cash provided by operating activities	372,233	272,300
C)	Cash used in investing activities	(210,479)	(162,508)
D)	Cash used in financing activities	57,450	(260,339)
	Effect of exchange rate changes on cash and cash equivalents	13,205	(20,908)
E)	Net change in cash and cash equivalents	232,409	(171,455)
F)	**Cash and cash equivalents at the end of the period**	**1,137,510**	**508,397**

Operating activities. Cash provided by operating activities was Euro 372.3 million and Euro 272.3 million for the first six months of 2012 and 2011, respectively.

Depreciation and amortization were Euro 170.6 million in the first six months of 2012 as compared to Euro 150.9 million in the same period of 2011.

Cash used in accounts receivable was Euro 229.2 million in the first six months of 2012, compared to Euro 179.7 million in the same period of 2011. This change was primarily due to an increase in sales volume in the first six months of 2012 as compared to the same period of 2011. Cash used in inventory was Euro 30.5 million in the first six months of 2012 as compared to Euro 9.5 million in the same period of 2011. The increase in inventory in the first six months of 2012 is mainly related to new acquisitions starting from the second half of 2011, which increased inventory by Euro 20.8 million. Cash used in accounts payable was Euro 0.5 million in the first six months of 2012 compared to Euro 40.0 million in the same period of 2011. This change is mainly due to more favorable payment terms agreed during 2011. Income taxes paid were Euro 108.2 million in the first six months of 2012 as compared to Euro 95.6 million in the same period of 2011. This change was mainly due to the timing of tax payments made by the Group in the different jurisdictions. Interest paid was Euro 57.3 million and Euro 60.9 million in the first six months of 2012 and 2011, respectively.

Investing activities. Our cash used in investing activities was Euro 210.5 million for the first six months of 2012 as compared to Euro 162.5 million for the same period in 2011. The cash used in investing activities in the first six months of 2012 primarily consisted of (i) Euro 91.4 million in capital expenditures, (ii) Euro 63.1 million for the acquisition of intangible assets related to the creation of a new IT structure, (iii) Euro 53.0 million for the acquisition of Tecnol, and (iv) other acquisitions of Euro 3.0 million.

Cash used in investing activities in the first six months of 2011 primarily consisted of (i) Euro 131.6 million in capital expenditures, (ii) the acquisition of two retail chains of Euro 19.5 million, the acquisition of a retail chain in Australia of Euro 6.0 million and other minor acquisitions of Euro 5.4 million in the first six months of 2011.

Financing activities. Our cash provided by/(used in) financing activities for the first six months of 2012 and 2011 was Euro 57.5 million and Euro (279.8) million, respectively. Cash used in financing activities for the first six months of 2012 consisted primarily of (i) Euro 508.4 million of proceeds from the issuance of long-term borrowings, (ii) Euro (176.6) million used to repay long-term debt expiring during the first six months of 2012 and (iii) Euro (227.4) million in cash used to pay dividends to the Company's stockholders. Cash (used in)/provided by financing activities for the first six months of 2011 consisted primarily of (i) Euro (95.2) million in cash used to repay long-term debt expiring during the first six months of 2011 and (ii) Euro (204.6) million in cash used to pay dividends.

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OUR CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS (Amounts in thousands of Euro)	June 30, 2012 (unaudited)	December 31, 2011 (audited)
CURRENT ASSETS:		
Cash and cash equivalents	1,137,510	905,100
Accounts receivable net	962,798	714,033
Inventories net	708,023	649,506
Other assets	208,846	230,850
Total current assets	**3,017,177**	**2,499,489**
NON-CURRENT ASSETS:		
Property, plant and equipment net	1,191,892	1,169,066
Goodwill	3,240,651	3,090,563
Intangible assets net	1,407,292	1,350,921
Investments	8,971	8,754
Other assets	136,558	147,625
Deferred tax assets	199,438	377,739
Total non-current assets	**6,184,802**	**6,144,667**
TOTAL ASSETS	**9,201,979**	**8,468,624**

LIABILITIES AND STOCKHOLDERS' EQUITY	June 30, 2012 (unaudited)	December 31, 2011 (audited)
CURRENT LIABILITIES:		
Short term borrowings	116,535	193,834
Current portion of long-term debt	722,471	498,295
Accounts payable	628,528	608,327
Income taxes payable	79,285	39,859
Short term provisions for risks and other charges	70,081	53,337
Other liabilities	612,404	579,595
Total current liabilities	**2,229,305**	**1,973,247**
NON-CURRENT LIABILITIES:		
Long-term debt	2,462,397	2,244,583
Employee benefits	224,898	197,675
Deferred tax liabilities	268,740	280,842
Long term provisions for risks and other charges	99,523	80,400
Other liabilities	65,918	66,756
Total non-current liabilities	**3,121,476**	**2,870,256**
STOCKHOLDERS' EQUITY:		
Luxottica Group stockholders' equity	3,838,417	3,612,928
Non-controlling interests	12,782	12,192
Total stockholders' equity	**3,851,199**	**3,625,120**

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**9,201,979**	**8,468,624**

As of June 30, 2012, total assets increased by Euro 733.4 million to Euro 9,202.0 million, compared to Euro 8,468.6 million as of December 31, 2011.

In the first six months of 2012, non-current assets increased by Euro 215.7 million, due to increases in intangible assets (including goodwill) of Euro 206.5 million, property, plant and equipment of

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Euro 22.8 million, investments of Euro 0.2 million and partially offset by decreases of other assets of Euro 11.1 million and of deferred tax assets of Euro 2.8 million.

The increase in intangible assets was primarily due to the positive effects of foreign currency fluctuations from December 2011 to June 2012 of Euro 97.3 million, the software additions of Euro 63.1 and Euro 119.0 related to the acquisition that occurred in the first six months of 2012 and partially offset by the amortization for the period of Euro 67.3 million.

The increase in property, plant and equipment was primarily due to positive currency fluctuation effects of Euro 22.2 million, the additions of Euro 109.6 million, including financial leases of Euro 18.2 million and Euro 10.2 million related to the acquisition made in the first six months of 2012, and partially offset by the depreciation for the period of Euro 103.4 and decreases of the period of Euro 18.7 million.

As of June 30, 2012, as compared to December 31, 2011:

Accounts receivable increased by Euro 248.8 million, mainly due to the increase in net sales during the first six months of 2012;

Other non-current assets decreased by Euro 11.1 million due to the reduction in advances the Group paid to certain licensees for future contractual minimum royalties, amounting to Euro 79.2 million (Euro 88.3 million at December 31, 2011);

Accounts payable increased by Euro 20.2 million mainly due to exchange currency fluctuations of Euro 8.3 million and the acquisitions in the period of Euro 6.8 million;

Current taxes increased by Euro 39.4 million mainly due to the timing of tax payments made by the Group in the different jurisdictions;

Current liabilities increased by Euro 32.8 million mainly due to the increase of sales tax payables which are in line with the Group's sales growth and to the acquisitions in the period of Euro 10 million;

Employee benefits increased by Euro 27.2 million mainly due to a decrease in the discount rates applied to the actuarial calculations of employee pension liabilities.

Our net financial position as of June 30, 2012 and December 31, 2011 was as follows:

(Amounts in thousands of Euro)	**June 30, 2012 (unaudited)**	**December 31, 2011 (audited)**
Cash and cash equivalents	1,137,510	905,100
Bank overdrafts	(116,535)	(193,834)
Current portion of long-term debt	(722,471)	(498,295)
Long-term debt	(2,462,397)	(2,244,583)
Total	**(2,163,894)**	**(2,031,612)**

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

As of June 30, 2012, Luxottica, together with our wholly-owned Italian subsidiary Luxottica S.r.l., had credit lines aggregating Euro 311.7 million. The interest rate is a floating rate of EURIBOR plus a margin on average of approximately 0.45 percent. As of June 30, 2012, we have not utilized these credit lines.

As of June 30, 2012, our wholly-owned subsidiary Luxottica U.S. Holdings maintained unsecured lines of credit with an aggregate maximum availability of Euro 103.2 million (U.S. $130 million). The interest rate is a floating rate and is approximately USD LIBOR plus 80 basis points. At June 30, 2012, these lines were not used.

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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 related party transactions, please refer to Note 30 to the Condensed Consolidated Half Year Financial Report as of June 30, 2012 (unaudited).

5. SUBSEQUENT EVENTS

For further details regarding subsequent events, please refer to Note 37 to the Condensed Consolidated Half Year Financial Report as of June 30, 2012 (unaudited).

6. 2011 OUTLOOK

Management believes that the results obtained in the first six months of 2012 are an excellent basis for the second half of 2012. Management looks to the year optimistically, relying on the strength of the Group's brands and aware of the need to deliver on its plans with impeccable execution.

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NON-IFRS MEASURES

Adjusted measures

We use in this Management Report certain performance measures that are not in accordance with IFRS. Such non-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 IFRS. Rather, these non-IFRS measures should be used as a supplement to IFRS results to assist the reader in better understanding our operational performance.

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

In order to provide a supplemental comparison of current period results of operations to prior periods, we have adjusted for certain non-recurring transactions or events.

We have made such adjustments to the following measures: operating income and operating margin, EBITDA, EBITDA margin and net income by excluding non-recurring costs related to the reorganization of the retail business in Australia of Euro 21.4 million

The Group believes that these adjusted measures are useful to both management and investors in evaluating the Group's operating performance compared with that of other companies in its industry because they exclude the impact of non-recurring items that are not relevant to the Group's operating performance.

The adjusted measures referenced above are not measures of performance in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS). We include these adjusted comparisons in this presentation in order to provide a supplemental view of operations that excludes items that are unusual, infrequent or unrelated to our ongoing core operations. See the tables below for a reconciliation of the adjusted measures discussed above to their most directly comparable IFRS financial measure or, in the case of adjusted EBITDA, to EBITDA, which is also a non-IFRS measure. For reconciliation of EBITDA to its most directly comparable IFRS measure, see the pages following the tables below:

Non-IFRS Measure: Reconciliation between reported and adjusted P&L items

Luxottica Group

	6M12								
Millions of Euro	**Net sales**	**EBITDA**	**EBITDA margin**	**Operating Income**	**Operating Income margin**	**Income before taxes**	**Net Income**	**EPS base**	**EPS dilutive**
Reported	**3,670.4**	**739.8**	**20.2%**	**569.1**	**15.5%**	**507.6**	**326.3**	**0.70**	**0.70**
> Adjustment for OPSM reorganization		21.4	0.5%	21.4	0.6%	21.4	15.0	0.04	0.03
Adjusted	**3,670.4**	**761.2**	**20.7%**	**590.6**	**16.1%**	**529.0**	**341.3**	**0.74**	**0.73**

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Non-IFRS Measure: Reconciliation between reported and adjusted P&L items

Luxottica Group

	6M11			
Millions of Euro	**Net sales**	**EBITDA**	**Operating Income**	**Net Income**
Reported	**3,189.6**	**635.1**	**484.2**	**276.8**
> Adjustment for OPSM reorganization				
Adjusted	**3,189.6**	**635.1**	**484.2**	**276.8**

Non-IFRS Measure: Reconciliation between reported and adjusted P&L items

Retail Division

	6M12		
Millions of Euro	**Net sales**	**EBITDA**	**Operating Income**
Reported	**2,155.4**	**353.0**	**272.6**
> Adjustment for OPSM reorganization		21.4	21.4
Adjusted	**2,155.4**	**374.5**	**294.1**

Retail Division

	6M11		
Millions of Euro	**Net sales**	**EBITDA**	**Operating Income**
Reported	**1,844.5**	**295.9**	**226.6**
> Adjustment for OPSM reorganization			
Adjusted	**1,844.5**	**295.9**	**226.6**

EBITDA and EBITDA margin

EBITDA represents net income attributable to Luxottica Group stockholders, before non-controlling 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 IFRS. We include them in this Management Report in order to:

improve transparency for investors;

assist investors in their assessment of the Group'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 Group's cost of debt;

ensure that these measures are fully understood in light of how the Group 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 EBITDA margin are not meant to be considered in isolation or as a substitute for items appearing on our financial statements prepared in accordance with IFRS. Rather, these non-IFRS measures should be used as a supplement to IFRS results to assist the reader in better understanding the operational performance of the Group.

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

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;
- 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 IFRS measurements, to assist in the evaluation of our operating performance and leverage. The

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

Non-IFRS Measure: EBITDA and EBITDA margin

Millions of Euro	**2Q 2011**	**2Q 2012**	**6M 2011**	**6M 2012**	**FY 2011**	**LTM June 30, 2012**
Net income/(loss) (+)	162.1	195.5	276.8	326.3	452.3	501.9
Net income attributable to non-controlling interest (+)	1.7	1.2	4.1	3.2	6.0	5.0
Provision for income taxes (+)	85.8	105.9	147.2	178.1	237.0	267.8
Other (income)/expense (+)	27.2	29.9	56.1	61.6	111.9	117.4
Depreciation & amortization (+)	75.3	83.3	150.9	170.6	323.9	343.6
EBITDA (=)	352.2	415.9	635.1	739.8	1,131.0	1,235.7
Net sales (/)	1,633.5	1,882.2	3,189.6	3,670.4	6,222.5	6,703.2
EBITDA margin (=)	21.6%	22.1%	19.9%	20.2%	18.2%	18.4%

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Non-IFRS Measure: *Adjusted* EBITDA and *Adjusted* EBITDA margin

Millions of Euro	2Q 2011	2Q 2012	6M 2011	6M 2012[1]	FY 2011[1]	LTM June 30, 2012[1]
Adjusted Net income/(loss) (+)	162.1	195.5	276.8	341.3	455.6	520.2
Net income attributable to non-controlling interest (+)	1.7	1.2	4.1	3.2	6.0	5.0
Adjusted provision for income taxes (+)	85.8	105.9	147.2	184.5	247.4	284.7
Other (income)/expense (+)	27.2	29.9	56.1	61.6	111.9	117.4
Adjusted depreciation & amortization (+)	75.3	83.3	150.9	170.6	315.0	334.7
Adjusted EBITDA (=)	352.2	415.9	635.1	761.2	1,135.9	1,261.9
Net sales (/)	1,633.5	1,882.2	3,189.6	3,670.4	6,222.5	6,703.2
Adjusted EBITDA margin (=)	21.6%	22.1%	19.9%	20.7%	18.3%	18.8%

(1) The adjusted figures exclude the following measures:

(a) an extraordinary gain of approximately €19 million related to the acquisition, in 2009, of a 40% stake in Multiopticas Internacional;

(b) non-recurring costs related to Luxottica's 50th anniversary celebrations of approximately €12 million, including the adjustment relating to the grant of treasury shares to Group employees;

(c) non-recurring restructuring and start-up costs in the Retail Division of approximately €11 million; and

(d) non-recurring OPSM re-organization costs for approximately €9.5 million in 2011 and €21.4 million in 2012.

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 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;

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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.

Free cash flow is not meant to be considered in isolation or as a substitute for items appearing on our financial statements prepared in accordance with IFRS. Rather, this non-IFRS measure should be used as a supplement to IFRS results to assist the reader in better understanding the operational performance of the Group.

The Group cautions that this measure is not a defined term under IFRS and its definition should be carefully reviewed and understood by investors.

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 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 IFRS financial measure:

Non-IFRS Measure: Free cash flow

Millions of Euro	**6M 2012**
Adjusted EBITDA[1]	**761**
Δ working capital	(229)
Capex	(146)
Operating cash flow	**386**
Financial charges[2]	(61)
Taxes	(108)
Other net	(0)
Free cash flow	**216**

(1)

EBITDA is not an IFRS measure; please see table on the earlier page for a reconciliation of EBITDA to net income.

(2) Equals interest income minus interest expense.

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Non-IFRS Measure: Free cash flow

Millions of Euro	**2Q 2012**
EBITDA[1]	**416**
Δ working capital	(26)
Capex	(84)
Operating cash flow	**305**
Financial charges[2]	(30)
Taxes	(96)
Other net	(0)
Free cash flow	**180**

(1) EBITDA is not an IFRS measure; please see table on the earlier page for a reconciliation of EBITDA to net income.

(2) Equals interest income minus interest 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 Group believes that EBITDA is useful to both management and investors in evaluating the Group'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 Group'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 (IFRS).

We include them in this Management Report in order to:

- improve transparency for investors;
- assist investors in their assessment of the Group'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 Group's cost of debt;
- ensure that these measures are fully understood in light of how the Group 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 IFRS. Rather, these non-IFRS measures should be used as a supplement to IFRS results to assist the reader in better understanding the operational performance of the Group.

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The Group cautions that these measures are not defined terms under 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 Group 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 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 IFRS financial measure, as well as the calculation of the ratio of net debt to EBITDA. For a reconciliation of EBITDA to its most directly comparable IFRS measure, see the table on the earlier page.

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

Millions of Euro	**June 30, 2012**	**Dec. 31, 2011**
Long-term debt (+)	2,462.4	2,244.6
Current portion of long-term debt (+)	722.5	498.3
Bank overdrafts (+)	116.5	193.8
Cash (-)	(1,137.5)	(905.1)
Net debt (=)	2,163.9	2,031.6
EBITDA	1,235.7	1,131.0
Net debt/EBITDA	1.8x	1.8x
Net debt @ avg. exchange rates[1]	2,097.0	1,944.4
Net debt @ avg. exchange rates[1]/EBITDA	1.7x	1.7x

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

Non-IFRS Measure: Net debt and Net debt/*Adjusted* EBITDA

Millions of Euro	**June 30, 2012[2]**	**Dec. 31, 2011[2]**
Long-term debt (+)	2,462.4	2,244.6
Current portion of long-term debt (+)	722.5	498.3
Bank overdrafts (+)	116.5	193.8
Cash (-)	(1,137.5)	(905.1)
Net debt (=)	2,163.9	2,031.6
LTM Adjusted EBITDA	1,261.9	1,135.9
Net debt/LTM Adjusted EBITDA	1.7x	1.8x
Net debt @ avg. exchange rates[1]		

	2,097.0	1,944.4
Net debt @ avg. exchange rates[1]/LTM EBITDA	1.7x	1.7x

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

(2) The adjusted figures exclude the following measures:

(a) an extraordinary gain of approximately €19 million related to the acquisition, in 2009, of a 40% stake in Multiopticas Internacional;

(b) non-recurring costs related to Luxottica's 50th anniversary celebrations of approximately €12 million, including the adjustment relating to the grant of treasury shares to Group employees;

(c) non-recurring restructuring and start-up costs in the Retail Division of approximately €11 million; and

(d) non-recurring OPSM reorganization costs of approximately €9.5 million and €21.4 million in 2012.

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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 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 STATEMENT OF FINANCIAL POSITION

(Amounts in thousands of Euro)	Note reference	June 30, 2012 (unaudited)	Of which related parties (note 30)	December 31, 2011 (audited)	Of which related parties (note 28)
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	6	1,137,510		905,100	
Accounts receivable	7	962,798	1,221	714,033	4,168
Inventories	8	708,023		649,506	
Other assets	9	208,846	39	230,850	
Total current assets		**3,017,177**	**1,260**	**2,499,489**	**4,168**
NON-CURRENT ASSETS:					
Property, plant and equipment	10	1,191,892		1,169,066	
Goodwill	11	3,240,651		3,090,563	
Intangible assets	11	1,407,292		1,350,921	
Investments	12	8,971	4,387	8,754	391
Other assets	13	136,558	2,431	147,625	2,358
Deferred tax assets	14	199,438		202,206	
Total non-current assets		**6,184,802**	**6,818**	**5,969,135**	**2,749**
TOTAL ASSETS		**9,201,979**	**8,078**	**8,468,624**	**6,917**
LIABILITIES AND STOCKHOLDERS' EQUITY					
CURRENT LIABILITIES:					
Short-term borrowings	15	116,535		193,834	
Current portion of long-term debt	16	722,471		498,295	
Accounts payable	17	628,528	15,353	608,327	18,004
Income taxes payable	18	79,285		39,859	
Short term provisions for risks and other charges	19	70,081		53,337	
Other liabilities	20	612,404	61	579,595	2,568
Total current liabilities		**2,229,305**	**15,413**	**1,973,247**	**20,572**
NON-CURRENT LIABILITIES:					
Long-term debt	21	2,462,397		2,244,583	
Employee benefits	22	224,898		197,675	
Deferred tax liabilities	23	268,740		280,842	
Long term provisions for risks and other charges	24	99,523		80,400	
Other liabilities	25	65,918		66,756	
Total non-current liabilities		**3,121,476**	**0**	**2,870,256**	
STOCKHOLDERS' EQUITY:					
Luxottica Group stockholders' equity	26	3,838,417		3,612,928	
Non-controlling Interests	27	12,782		12,192	

Total stockholders' equity	**3,851,199**	**0**	**3,625,120**	
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**9,201,979**	**15,413**	**8,468,624**	**20,572**

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CONSOLIDATED STATEMENT OF INCOME

(Amounts in thousands of Euro)[1]	Note reference	1 Half 2012 (unaudited)	Of which related parties (note 30)	1 Half 2011 (unaudited)	Of which related parties (note 28)
Net sales	28	**3,670,358**	**855**	**3,189,646**	**5,484**
Cost of sales		1,229,042	23,785	1,097,127	21,855
of which non recurring	34	1,344			
Gross profit		**2,441,316**	**(22,930)**	**2,092,519**	**(16,371)**
Selling	28	1,134,419		980,366	9
of which non recurring	34	17,100			
Royalties	28	68,104	683	57,052	158
Advertising	28	225,407	44	203,673	48
General and administrative	28	444,238	34	367,194	66
of which non recurring	34	2,988			
Total operating expenses		**1,872,168**	**761**	**1,608,285**	**281**
Income from operations		**569,149**	**(23,691)**	**484,235**	**(16,652)**
Other income/(expense)					
Interest income	28	11,895		7,235	
Interest expense	28	(72,988)		(60,434)	
Other net	28	(489)		(2,896)	(9)
Income before provision for income taxes		**507,567**	**(23,691)**	**428,140**	**(16,661)**
Provision for income taxes	28	(178,077)		(147,221)	
Net income		**329,490**		**280,919**	
Of which attributable to:					
Luxottica Group stockholders		**326,321**		**276,781**	
Non-controlling interests		3,168		4,138	
NET INCOME		**329,489**		**280,919**	
Weighted average number of shares outstanding:					
Basic		463,228,972		460,118,653	
Diluted		465,560,791		462,153,860	
EPS:					
Basic		0.70		0.60	
Diluted		0.70		0.60	

(1)

Except per share data

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		1 Half 2012 (unaudited)	1 Half 2011 (unaudited)
		(Amounts in thousands of Euro)	
Net income		**329,489**	**280,919**
Other comprehensive income:			
Cash flow hedge net of tax of Euro 2.5 million and 5.3 million as of June 30, 2012 and June 30, 2011, respectively.		10,435	11,886
Currency translation differences		74,364	(183,405)
Actuarial gain/(loss) on defined benefit plans net of tax of Euro 10.7 million and Euro 0.2 million as of June 30, 2012 and June 30, 2011.	22	(18,544)	339
Total other comprehensive income net of tax		66,255	(171,180)
Total comprehensive income for the period		395,745	109,739
Attributable to:			
Luxottica Group stockholders' equity		392,827	107,416
Non-controlling interests		2,918	2,323
Total comprehensive income for the period		395,745	109,739

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CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

FOR THE PERIODS ENDED JUNE 30, 2012 AND 2011 (UNAUDITED)

	Capital stock		Legal reserve	Additional paid-in capital	Retained earnings	Stock options reserve	Translation of foreign operations and other	Treasury shares	Stockholders' equity	Non-controlling interests
	Number of shares	Amount								
					Note 26					Note 27
	(Amounts in thousands of Euro, except share data)									
Balance as of January 1, 2011	466,077,210	27,964	5,578	218,823	3,129,786	159,184	(172,431)	(112,529)	3,256,375	13,029
Total Comprehensive Income as of June 30, 2011					289,006		(181,590)		107,416	2,323
Exercise of Stock Options	801,133	48		11,488					11,536	
Non-cash Stock based compensation net of tax effect of Euro 1.3 million.						20,514			20,514	
Investment in Treasury shares								(10,473)	(10,473)	
Dividends (0.44 Euro per ordinary share)					(202,524)				(202,524)	(2,044)
Allocation of Legal Reserve			22		(22)					
Balance as of June 30, 2011	**466,878,343**	**28,012**	**5,600**	**230,311**	**3,216,247**	**179,698**	**(354,021)**	**(123,002)**	**3,182,845**	**13,308**
Balance as of January 1, 2012	467,351,677	28,041	5,600	237,015	3,355,931	203,739	(99,980)	(117,418)	3,612,928	12,192
Total Comprehensive Income as of June 30, 2012					**318,213**		**74,614**		**392,827**	**2,918**
Exercise of Stock Options	2,370,085	142		35,094					35,236	
Non-cash Stock based compensation						19,523			19,523	
Excess tax benefit on Stock Options				5,288					5,288	
Granting of treasury shares to employees					(25,489)			25,489		
Dividends (0.49 Euro per ordinary share)					(227,386)				(227,386)	(2,328)
Allocation of Legal Reserve			23		(23)					
Balance as of June 30, 2012	**469,721,762**	**28,183**	**5,623**	**277,397**	**3,421,246**	**223,262**	**(25,366)**	**(91,929)**	**3,838,417**	**12,782**

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CONSOLIDATED STATEMENT OF CASH FLOWS

(Amounts in thousands of Euro)	Note reference	1 Half 2012 (unaudited)	1 Half 2011 (unaudited)
Net income		**507,567**	**428,140**
Stock-based compensation	35	19,523	19,191
Depreciation and amortization	10/11	170,649	150,905
Net loss fixed assets and other	10	18,675	6,693
Financial charges		72,988	60,434
Other non-cash items(*)		15,314	(146)
Changes in accounts receivable		(229,194)	(179,746)
Changes in inventories		(30,532)	(9,504)
Changes in accounts payable		(479)	(40,045)
Changes in other assets/liabilities		(6,712)	(7,193)
Total adjustments		**30,232**	**589**
Cash provided by operating activities		**537,799**	**428,728**
Interest paid		(57,328)	(60,857)
Tax paid		(108,238)	(95,571)
Net cash provided by operating activities		**372,233**	**272,300**
Property, plant and equipment:			
Additions	10	(91,354)	(131,582)
Purchases of businesses net of cash acquired(**)	4	(56,071)	(30,926)
Additions to intangible assets	11	(63,054)	
Cash used in investing activities		**(210,479)**	**(162,508)**

(*) Other non-cash items include the non-recurring expense related to the reorganization of the Australian retail business of Euro 15.5 million (Euro 0.0 million in 2011), and other non-cash items of Euro 0.6 million (Euro (0.1) million in 2011).

(**) In the first six months of 2012, purchases of businesses net of cash acquired include the purchase of 80% of Tecnol for Euro 53.1 million and other acquisitions for Euro 3.0 million.

For the same period of 2011, purchases of businesses net of cash acquired include (i) two retail chains in Mexico for Euro 19.5 million, (ii) of one retail chain in Australia for Euro 6.0 million and (iii) other acquisitions for Euro 5.4 million.

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CONSOLIDATED STATEMENT OF CASH FLOWS

	Note reference	1 Half 2012 (unaudited)	1 Half 2011 (unaudited)
		(Amounts in thousands of Euro)	
Long-term debt:			
Proceeds	21	508,369	
Repayments	21	(176,711)	(95,196)
Short-term debt:			
Proceeds			38,361
Repayments		(79,732)	
Exercise of stock options	26	35,238	11,537
Sale of treasury shares			(10,473)
Dividends	32	(229,714)	(204,568)
Cash used in financing activities		**57,450**	**(260,339)**
Increase (decrease) in cash and cash equivalents		**219,204**	**(150,547)**
Cash and cash equivalents, beginning of the period		**905,100**	**679,852**
Effect of exchange rate changes on cash and cash equivalents		13,205	(20,908)
Cash and cash equivalents, end of the period		**1,137,510**	**508,397**

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Luxottica Group S.p.A.

Headquarters and registered office Via C. Cantù 2 20123 Milan, Italy
Capital Stock: € 28,183,305.72
authorized and issued

Notes to the
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As of JUNE 30, 2012
(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 C. Cantù 2, Milan (Italy), organized under the laws of the Republic of 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, at its meeting on July 26, 2012, approved the Group's interim condensed consolidated financial statements as of June 30, 2012 (hereinafter referred to as the "Financial Report") for publication.

The financial statements included in this Financial Report are unaudited.

2. BASIS OF PREPARATION

This Financial Report has been prepared in accordance with article 154-ter of the Legislative Decree No. 58 of February 24, 1998 and subsequent modifications and in accordance with the CONSOB Issuers Regulation in compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union in accordance with the regulation (CE) n. 1606/2002 of the European Parliament and of the Council of July 19, 2002. Furthermore, this financial report has been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*, and of the provisions which implement Article 9 of Legislative Decree no. 38/2005.

This unaudited Financial Report should be read in connection with the consolidated financial statements as of December 31, 2011, which were prepared in accordance with IFRS.

In accordance with IAS 34, the Group has chosen to publish a set of condensed financial statements in its financial report as of June 30, 2012.

The principles and standards used in the preparation of this unaudited Financial Report are consistent with those used in preparing the audited consolidated financial statements as of December 31, 2011, except as described in Note 3 "New Accounting Principles", and taxes on income which are accrued using the tax rate that would be applicable to expected total annual profit.

In particular, this Financial Report has been prepared on a going concern basis. Management believes that there are no indicators that may cast significant doubt upon the Group's ability to continue as a going concern.

The consolidated financial statements in this Financial Report are composed of the consolidated statements of financial position, the consolidated statements of income, the consolidated statements of comprehensive income, the consolidated statements of stockholders' equity, the consolidated statements of cash flows and these Notes to the Interim Consolidated Financial Statements as of June 30, 2012.

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Notes to the
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As of JUNE 30, 2012
(UNAUDITED)

2. BASIS OF PREPARATION (Continued)

The Group also applied the CONSOB resolution n. 15519 of July 19, 2006 and the CONSOB communication n. 6064293 of July 28, 2006.

In order to provide the reader of this Financial Report with a meaningful comparison of the information included in the consolidated financial statements as of June 30, 2012, the Group implemented certain changes reflected in the Consolidated Statement of Financial Position. Certain prior year comparative information in the financial statements and notes has been reclassified to conform to the current year presentation.

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, and the actuarial calculations necessary to calculate certain employee benefits liabilities, are generally carried out only when the audited consolidated financial statements for the fiscal year are prepared, unless there are indicators which require updates to estimates.

3. NEW ACCOUNTING PRINCIPLES

New and amended accounting standards and interpretations must be adopted in the first interim financial statements issued after the applicable effective date. There are no new IFRSs or IFRICs (International Financial Reporting Interpretations Committee) that are effective for the first time for this interim period that would be expected to have a material impact on the Group.

In addition to the new accounting principles indicated in Note 3 "New Accounting Principles" of the notes to the consolidated financial statements as of December 31, 2011, on May 17, 2012 the IASB issued the Improvements to IFRS, which are summarized below. The amendments have not yet been endorsed by the European Union as of the date this Financial Report was authorized for issuance. The amendments are applicable to reporting periods beginning on or after January 1, 2013. Early adoption is permitted, however the Group has not elected to early adopt any of the following:

Amendment to IFRS 1 "First time adoption of IFRS." The amendment clarifies that an entity may apply IFRS 1 more than once under certain circumstances. An entity that previously applied IFRS but then stopped is permitted but not required to apply IFRS 1 when it recommences applying IFRS;

Amendment to IFRS 1 "First time adoption of IFRS." The amendment clarifies that an entity can choose to adopt *IAS 23, "Borrowing costs"*, either from its date of transition or from an earlier date;

Amendment to IAS 1 "Presentation of Financial Statements." The amendment clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet either as required by *IAS 8, "Accounting policies, changes in accounting estimates and errors"* or voluntarily;

Notes to the
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As of JUNE 30, 2012
(UNAUDITED)

3. NEW ACCOUNTING PRINCIPLES (Continued)

Amendment to IFRS 1 as a result of the above *amendment to IAS 1* The consequential amendment clarifies that a first-time adopter should provide the supporting notes for all statements presented;

Amendment to IAS 16 "Property, Plant and Equipment." The amendment clarifies that spare parts and servicing equipment are classified as property, plant and equipment rather than inventory when they are used for longer than one period;

Amendment to IAS 32 "Financial Instruments Presentation." The amendment clarifies the treatment of income tax relating to distributions and transaction costs. Income taxes related to distributions are to be recognized in the income statement, and income taxes related to the costs of equity transactions are to be recognized in equity;

Amendment to IAS 34 "Interim Financial Reporting." The amendment clarifies that a measure of total assets and liabilities is required for an operating segment in interim financial statements if such information is regularly provided to the Chief Operating Decision Maker and there has been a material change in those measures since the most recent annual financial statements.

Amendment to IAS 19 "Employee Benefits." The European Union has published a Commission Regulation endorsing the amendment to IAS 19 "Employee Benefits" published by the IASB on June 16, 2011. The amendment to IAS 19 is applicable from January 1, 2013 and requires retrospective application in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors." The amendment requires that actuarial gains and losses on defined benefit plans (e.g. TFR) be recognized in other comprehensive income, eliminating the other options previously permitted, including the possibility for recognition directly within the income statement. In addition, interest costs and expected return on plan assets will be replaced with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset) that is classified as finance expense or income. The Group has yet to assess the full impact of these amendments.

4. BUSINESS COMBINATIONS

On January 20, 2012, the Group successfully completed the acquisition of 80% of share capital of the Brazilian entity Grupo Tecnol Ltd ("Tecnol"). The remaining 20% will be acquired evenly (five percent per year) starting from 2013 over a four year period. The consideration paid for the 80% was approximately 143.7 million Brazilian Reais (approximately Euro 59.4 million). Additionally the Group assumed Tecnol net debt amounting to approximately Euro 31.5 million. The acquisition furthers the Group's strategy of continued expansion of its wholesale business and acquiring a manufacturing facility in South America.

The Company uses various methods to calculate the fair value of the Tecnol assets acquired and the liabilities assumed. Tecnol assets and liabilities have been calculated on an estimated basis, since, as of the date of this Financial Report was authorized for issuance; certain valuation processes have not been concluded. In accordance with IFRS 3, the fair value of the net assets and liabilities assumed will be defined within 12 months from the acquisition date.

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Notes to the
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As of JUNE 30, 2012
(UNAUDITED)

4. BUSINESS COMBINATIONS (Continued)

The following table summarizes the consideration paid, the fair value of assets acquired and liabilities assumed at the acquisition date (in thousands of Euro):

Cash paid for 80% of share capital of Tecnol	59,379
Payable for the acquisition of the residual 20%	14,845
Total consideration	**74,224**
Recognized amount of identifiable assets and liabilities assumed	
Cash and cash equivalents	6,297
Accounts receivable*	12,642
Inventory	20,034
Other current receivables	4,825
Fixed assets	10,072
Trademarks and other intangible assets	36,109
Other long term receivables	182
Accounts payable	(2,939)
Other current liabilities	(23,262)
Income tax payable	(447)
Long-term debt	(31,789)
Deferred income tax payable	(11,406)
Provisions for risks	(24,827)
Other long-term liabilities	(2,071)
Total net identifiable assets	**(6,580)**
Provisional goodwill	80,803
Total	**74,224**

* Accounts receivable are presented net of a bad debt provision of Euro 953 thousand.

The above-mentioned goodwill is mainly related to the expected growth of Tecnol, taking into account the Group's strategy of expanding its wholesale business in South America. Acquisition related costs were approximately Euro 1.2 million.

5. 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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Notes to the
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As of JUNE 30, 2012
(UNAUDITED)

5. SEGMENT REPORTING (Continued)

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

(Amounts in thousands of Euro)	Manufacturing and wholesale distribution	Retail distribution