Interim 2011 Results

Revenue Up 9.0% Excluding Currency Effect

- ➔ **Confirmed improvement of like-for-like revenue growth at 4.5%**
- ➔ **Acceleration in all business lines**
- ➔ **High contribution margin, at 18.0%**
- ➔ **Adjusted earnings per share[2] up 9.3%**

Charenton-le-Pont, France (August 26, 2011, 6:30 a.m.) – The Board of Directors of Essilor International met yesterday to approve the Company's financial statements for the six months ended June 30, 2011. The financial statements have been the object of a limited review, and the auditors have issued an unqualified opinion.

€ millions	**First-half 2011**	First-half 2010	% Change
Revenue	**2,060.1**	1,926.8	+ 6.9%
Contribution from operations [1] *(% of revenue)*	**371.6** ***18.0%***	347.5 *18.0%*	+ 6.9% -
Profit attributable to equity holders of Essilor International	**258.2**	197.5	+ 30.7%
Adjusted attributable profit[2]	**258.2**	238.8	+ 8.1%
Earnings per share (in €)	**1.25**	0.94	+ 32.1%
Adjusted earnings per share (in €)[2]	**1.25**	1.14	+ 9.3%
Cash flow [3]	**357**	329	+ 8.5%

[1] *Operating profit before compensation costs of share-based payments, restructuring costs, other income and expense, and goodwill impairment;*
[2] *First-half 2010 figures adjusted for the €41.3 million provision, net of tax, set aside for the fine imposed by the BundesKartellAmt (BKA) in Germany, which the Company has appealed;*
[3] *Cash flows resulting from operations, less the change in working capital requirement.*

In the first six months of 2011, Essilor continued to expand in every market and strengthened its positions in the fast growing economies and in the mid-range segment. **The faster growth in the Optical lenses and instruments business and the solid performance in the Equipment and**

Readers divisions drove a 9% increase in revenue excluding currency, of which 7% excluding strategic acquisitions[4], in line with the annual target.

First-half highlights

- **Successful sales of premium lenses**, led by the worldwide deployment of the Varilux Physio® 2.0 and the Varilux Comfort® New Edition lenses and the robust growth in demand for Crizal® lenses.
- **An increase in unit sales**, primarily reflecting the expansion strategy in fast-growing markets and the rapid development of the mid-range offering.
- **A strong contribution** from the **Equipment** and **Readers** divisions.
- **Higher capital spending to increase capacity** in every division.
- Sustained deployment of the acquisitions strategy, with **13 new partnerships** that will help to speed Essilor's expansion in the fast-growing economies.
- Sustained **high operating margin**, with a contribution margin of 18% after the impact of strategic acquisitions (18.6% before acquisitions).
- **Strong growth in adjusted earnings per share.**

Outlook

The interim 2011 results reflect the success of the strategy implemented by the Company. In the second half of the year, Essilor will continue to leverage its innovation, operating efficiency and financial capacity to consolidate its positions in the premium segment, pursue its market share gains in the mid-range and capitalize on the fast growing countries.

Despite a more uncertain economic environment, the Company confirms its full-year objectives of revenue growth of 6% to 8% excluding the currency effect and strategic acquisitions, with margins maintained at current high levels excluding strategic acquisitions.

An analysts' meeting will be held in Paris today, August 26, at 10:00 a.m. CET.

The meeting will be available live and recorded for later listening at:
http://hosting.3sens.com/Essilor/20110826-F7B8539D/en/

The presentation will be available by clicking on: http://www.essilor.com/-results-presentations-

Regulatory Information

The interim financial report is available at www.essilor.com or by clicking on:
http://www.essilor.com/-Reports-#interim

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[4] FGXI and Signet Armorlite

Next financial announcement:

Third-quarter revenue will be published on Friday, October 21, 2011.

The world's leading ophthalmic opticals company, Essilor designs, manufactures and markets a wide range of lenses to improve and protect eyesight. Its corporate mission is to enable everyone around the world to access lenses that meet his or her unique vision requirements. To support this mission, the Company allocates around €150 million to research and development, in a commitment to continuously bringing new, more effective products to market. Essilor's flagship brands are Varilux®, Crizal®, Definity®, Xperio®, Kodak® and Foster Grant®. It also develops and markets equipment, instruments and services for eyecare professionals.

Essilor reported consolidated revenue of more than €3.9 billion in 2010 and employs 42,700 people in around 100 countries. It operates 14 plants, 332 prescription laboratories and several research and development centers around the world.

For more information, please visit ***www.essilor.com****.*

The Essilor share trades on the NYSE Euronext Paris market and is included in the CAC 40 index.

Codes and symbols: ISIN: FR FR0000121667; Reuters: ESSI.PA; Bloomberg: EI:FP.

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MANAGEMENT REPORT

REVENUE UP 9.0% EXCLUDING CURRENCY EFFECT

Revenue by business and region

(in € millions)	**First-Half 2011**	**First-Half 2010**	**% Change as reported**	**Like-for-like growth**	**Contribution from acquisitions**
Optical lenses and instruments	**1,864.5**	1,779.8[(1)]	+ 4.8%	+ 3.6%	+ 3.1%
Europe	*733.1*	*707.6*	*+ 3.6%*	*+ 1.4%*	*+ 1.8%*
North America	*757.8*	*769.3[(1)]*	*-1.5%*	*+ 2.7%*	*+ 1.7%*
Asia-Pacific & Africa	*260.0*	*214.3*	*+ 21.3%*	*+ 11.1%*	*+ 8.6%*
Latin America	*113.5*	*88.6*	*+ 28.1%*	*+ 11.1%*	*+ 13.7%*
Equipment	**89.4**	**67.3[(1)]**	+ 32.8%	+ 24.0%	+ 8.8%
Readers	**106.2**	**79.7**	+ 33.3%	+ 7.4%	+ 32.7%
TOTAL	**2,060.1**	**1,926.8**	**+ 6.9%**	**+ 4.5%**	**+ 4.5%**

[(1)] Following an operational reorganization, revenue from National Optronics was reclassified in the Equipment division in 2011 from the North America region in 2010. In first-half 2010, this represented an amount of €7.2 million.

Revenue amounted to €2,060.1 million in the first six months of 2011, an increase of 6.9% as reported and of 9.0% excluding the currency effect.

- On a like-for-like basis, revenue was up 4.5% for the period, with equivalent gains in each quarter. Interim growth included increases of 3.6% in Lenses, 24% in Equipment and 7.4% in Readers.
- The 4.5-point contribution to growth from acquisitions came from the bolt-on acquisitions[2] carried out in 2010 and first-half 2011 (2.5%) and from FGXI and Signet Armorlite, which have been consolidated since first-half 2010 (2.0%).
- The negative 2.1% currency effect primarily reflected the sharp fall in the US dollar against the euro.

[2] Local acquisitions or partnerships

Performance by Business

Optical Lenses and Instruments

Revenue growth was driven by an increase in sales volumes in every region.

- In **Europe**, where performance continued to vary from one country to another, revenue rose by an overall 1.4% like-for-like. Growth was led by operations in France, where sales were lifted by the success of Varilux® and Crizal® lenses among independent eyecare professionals, and by business in the Netherlands and Eastern Europe. On the other hand, conditions remain challenging in the United Kingdom and Southern Europe, despite a rebound in Italy.
- Growth gained momentum in **North America**, with a 2.7% like-for-like increase in revenue over the period. Sales in the United States were led by the solid performance of the Varilux®, high-index and variable-tint ranges, in particular with independent eyecare professionals. In addition, Essilor gained new market share with certain large optical chains.
- Revenue in the **Asia-Pacific & Africa** region rose by 11.1% like-for-like, led by demand in China – where sales were stimulated by the strategy of expanding in the mid-range – India and other fast-growing economies. Operations in Indonesia, Thailand and the Gulf countries all turned in a very good performance. Revenue in the developed countries was stable overall despite the natural disasters in Japan and New Zealand in the first quarter.
- Growth in the **Latin American** countries remained very dynamic, with revenue gaining 11.1% like-for-like despite high prior-year comparatives. It was impelled by the successful sales of value-added lenses, particularly anti-reflectives. Operations in Mexico and Argentina both reported very strong growth.

Equipment

- The Equipment division continued to enjoy a very strong momentum, with revenue rising 24% like-for-like excluding intragroup sales, supported by demand for digital surfacing machines and the consumables business. Growth was particularly vigorous in Asia, where Satisloh gained new market share.

Readers

- With revenue up 7.4% like-for-like, the Readers division had a good first half in both the readers and sunglasses segments in the United States. In other markets, FGX benefited from an increase in the number of in-store displays, particularly in the United Kingdom.

Second quarter: continued recovery in growth

Revenue *(in € millions)*	**Second Quarter 2011**	Second Quarter 2010	% Change as reported	Like-for-like growth	Contribution from acquisitions
Optical lenses and instruments	**920.8**	**919.3**	+ 0.2%	+ 3.5%	+ 2.3%
Europe	*367.8*	*362.3*	*+ 1.5%*	*+ 1.1%*	*+ 0.5%*
North America	*363.2*	*397.1(1)*	*-8.5%*	*+ 2.5%*	*+ 0.8%*
Asia-Pacific & Africa	*129.0*	*111.2*	*+ 16.0%*	*+ 11.6%*	*+ 8.2%*
Latin America	*60.7*	*48.8*	*+ 24.5%*	*+ 11.9%*	*+ 14.6%*
Equipment	**49.0**	**40.2(1)**	+ 21.7%	+ 22.5%	-0.8%
Readers	**62.7**	**61.4**	+ 2.3%	+ 7.6%	+ 3.4%
TOTAL	**1,032.5**	**1,020.9**	**+ 1.1%**	**+ 4.5%**	**+ 2.2%**

(1) *Following an operational reorganization, revenue from National Optronics was reclassified in the Equipment division in 2011 from the North America region in 2010. In second-quarter 2010, this represented an amount of €3.7 million.*

Consolidated revenue for the second quarter alone stood at €1,032.5 million, up 1.1% from the prior-year period and 4.5% like-for-like. Acquisitions added 2.2 points to growth, while the currency effect was a sharply negative 5.6% due to the steep fall in the US dollar against the euro over the period.

In a tougher economic environment, second quarter performance was in line with first-quarter trends. Analyzed by region and division, the period saw:

- A slight fall-off in business in Europe caused by the slowdown in instrument sales.
- Firm demand in the United States
- Sustained strong growth in fast growing economies and an upturn in business in Japan.
- Further dynamic growth in Latin America.
- Strong growth in the Equipment division.
- A solid performance by the Readers division.

13 transactions in the first half

During the first half of 2011, Essilor acquired holdings in 13 companies, representing additional revenue of around €55 million on an annualized basis. These transactions were carried out in every region and division:

- In **Brazil**, majority stakes were acquired in **Orgalent**, a prescription laboratory based in the State of Porto Allegre with revenue of €12.7 million, and in **Repro**, a Santa Catarina-based company with €11.9 million in revenue. In addition, the Company raised to 51% its interest in **Unilab**, a prescription laboratory based in Northwest Brazil, with €6.3 million in revenue.
- In **India**, a majority interest was acquired in **Enterprise Ophthalmics Private Ltd** as part of a joint-venture with Enterprise Trading Company, one of the country's leading lens distributors.
- In **Taiwan**, Essilor purchased a majority interest in **Trend Optical**, a prescription laboratory and distributor with around €1.3 million in revenue.

- In **Australia**, the Company raised its stake from 30 to 60% in **Precision Optics**, a prescription laboratory with €1.3 million in revenue.
- In **Morocco**, a majority interest was acquired in **L'N Optic**, one of the Company's current distributors, with revenue of €2 million.
- In **Thailand**, a majority interest was purchased in **JWL Phuket Lab**.
- In **China**, Essilor invested in **Shandong Wholesaler**, an ophthalmic lens distributor.
- In the **United States**, Essilor of America acquired a stake in **Caveo Optical**, a prescription laboratory with $1.5 million in revenue.
- In **Italy**, FGX Europe acquired the entire capital of **Polinelli,** Italy's leading reading glasses distributor, with annual revenue of €10 million.
- In the **United Kingdom**, FGX Europe acquired all outstanding shares of **Framed Vision Limited**, the country's second largest reading glasses distributor, with revenue of around €2.5 million.
- In the **Equipment** division, Essilor acquired a majority stake in **Bazell Technologies**, a California-based manufacturer of equipment for processing water used in lens production, with around $4 million in revenue.

CONTRIBUTION FROM OPERATIONS: 18.0%

Contribution from operations up 6.9% to €371.6 million, or 18.0% of revenue

(in € millions)	2011	2010
Gross margin	1,144.8	1,068.8
As a % of revenue	55.6%	55.5%
Operating expenses	773.1	721.2
Contribution from operations (1)	371.6	347.5
As a % of revenue	18.0%	18.0%

(1) Operating profit before compensation costs of share-based payments, restructuring costs, other income and expense, and goodwill impairment.

Gross profit up 7.1% to €1,144.8 million

In first-half 2011, gross margin (revenue less cost of sales, expressed as a percentage of revenue) stood at 55.6%, compared with 55.5% in first-half 2010. The stability reflects the benefits delivered by product innovation and the gains in operating efficiency, which offset the dilutive impact of acquisitions.

Operating expenses up 7.2% to €773.1 million

Operating expenses amounted to 37.5% of revenue, compared with 37.4% in first-half 2010.
They comprised:

- Research, development and engineering expenses, in an amount of €75.3 million.
- Selling and distribution costs of €465.4 million, versus €421.7 million in the prior-year period. The 10.4% increase primarily reflected the marketing initiatives designed to spur faster penetration of value-added products, such as the advertising campaigns for the Crizal® brand.
- Other operating expenses totaling €232.4 million, up a contained 5.1%.

In all, the contribution from operations stood at €371.6 million for the period, up 6.9%. Its stability at 18.0% of revenue reflects the Company's ability to integrate acquisitions, continue to drive productivity gains and finance a large number of growth initiatives, all while keeping operating expenses under control.

Adjusted EPS up 9.3% to €1.25

Operating profit up 22.2% to €343.7 million (up 6.5% excluding the BKA provision in H1-2010)

“Other income and expenses from operations” and “Gains and losses on asset disposals” together represented a net expense of €27.9 million (compared with a net expense of €24.8 million in first-half 2010, excluding the BKA provision). The increase primarily reflected:

- Virtually unchanged compensation costs on stock options and performance share grants, at €10.2 million, versus €10.1 million in first-half 2010.
- Lower restructuring costs, at €8.2 million versus €12.5 million in the prior-year period.
- Higher strategic acquisition costs of €6.5 million, primarily linked to the purchase of a 50% holding in Shamir Optical transaction.

Operating profit represented 16.7% of consolidated revenue, unchanged from first-half 2010.

Finance costs and other financial income and expenses: net expense of €3.9 million

Finance costs and other financial income and expenses represented a net expense of €3.9 million compared with €6.2 million in first-half 2010. The improvement reflected the decline in interest expense and the increase in the interest income earned on the Company’s cash investments.

Profit attributable to equity holders of Essilor International up 30.7% to €258.2 million (up 8.1% excluding the BKA provision in H1-2010)

Net profit totaled €258.2 million, versus €197.5 million in first-half 2010. It comprised:

- Income tax expense of €91.4 million, representing a 26.9% effective tax rate, down from first-half 2010.
- The share of profit from associates, VisionWeb and Transitions, which amounted to €15.4 million, versus €16.7 million in the prior-year period, reflecting the increase in profit from Transitions despite the decline in the US dollar against the euro. Note that in August 2010, Essilor sold its stake in Sperian, which contributed €2.5 million to interim 2010 share of profit from associates.
- Non-controlling interests in an amount of €5.6 million, versus €5.3 million in first-half 2010.

Earnings per share rose by 32.1% to €1.25. Excluding the BKA provision, profit attributable to equity holders of Essilor International increased by 8.1% over the period, while earnings per share climbed 9.3%

CASH FLOW UP 8.5%

At 8.5%, growth in operating cash flow slightly outpaced the increase in the contribution from operations. The Company's high profitability enabled it to finance the growth in capital expenditure, an ambitious financial investment program and a 17% increase in the dividend.

Investments

Capital expenditure net of disposals stood at €77 million for the period, or 3.8% of consolidated revenue, compared with 2.8% in first-half 2010. The increase primarily reflected the higher outlays to add capacity in both mass production and prescription facilities.

Financial investments net of disposals amounted to €65 million, while share buybacks came to €148 million for the purchase of three million shares.

Working capital requirement

The change in working capital requirement amounted to €102 million, unchanged from first-half 2010 and reflecting the seasonal impact of annual discount payments to customers, which are generally concentrated in the first half.

Inventories were stable as reported, at €644.4 million at June 30, 2011 compared with €645.4 million at year-end 2010, but were up 4.0% at comparable scope of consolidation and exchange rates.

Free cash flow and change in net debt

In all, free cash flow[1] rose by 4.7% year-on-year to €173 million.

Net debt rose by €149 million over the period, to €445 million at June 30, 2011 from €296 million at December 31, 2010, thereby raising the gearing ratio to 15.3%.

Cash Flow Statement

(in € millions)			
Net cash from operations (before WCR)	**357**	Purchases of property, plant and equipment	**82**
Proceeds from employee share issue	**35**	Change in WCR	**102**
Other	**28**	Dividends	**172**
Reported change in net debt	**149**	Financial investments net of disposals	**65**
		Share buybacks	**148**

[1]Net cash from operating activities less purchases of property, plant and equipment and intangible assets, according to the IFRS consolidated cash flow statement.

SIGNIFICANT EVENTS SINCE THE END OF THE FIRST HALF

Acquisitions

In line with the announcement on October 15, 2010, Kibbutz Shamir and Essilor have completed the sale of a 50% interest in Shamir Optical to Essilor, which has consolidated all of the company's revenue since July 1, 2011. In 2010, Shamir Optical reported revenue of $158 million.

Essilor has also purchased a majority interest in Cientifica, one of the leading independent prescription laboratories in Brazil. Based in the State of São Paulo, Cientifica has revenue of BRL 68 million (around €30 million). The new partner will enable Essilor to extend its multi-network coverage of the region and speed up the distribution of its products and services.

Share buybacks

Since June 30, Essilor has carried out a small number of discrete share buybacks, purchasing close to 227,000 of its own shares on the market for an aggregate €11.3 million.

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Related party transactions / Risks and contingencies

In first-half 2011, the nature of transactions with companies consolidated by the proportionate or equity method was not significantly different from the description in the 2010 Registration Document.

Similarly, risks and contingencies to which the Company is exposed in the months ahead are generally in line with the analysis presented in Chapter 4 of the Registration Document.