

An Excellent First Half:

- ➔ **Contribution margin maintained at a high 18.2%**
- ➔ **A further increase in basic earnings per share**
- ➔ **Sharp rise in net cash flow**

Charenton-le-Pont, France (August 27, 2009 – 6:30 a.m.) — The Board of Directors of Essilor International, the world leader in ophthalmic optics, has approved the financial statements for the six months ended June 30, 2009.

€ millions	First-half 2009	First-half 2008	% Change
Revenue	1,663.4	1,520.2	+9.4%
Contribution margin	302.6	276.3	+9.5%
% of revenue	18.2 %	18.2 %	-
Profit attributable to equity holders of Essilor International	202.4	198.3	+2.1%
Basic earnings per share (in €)	0.98	0.96	+2.4%

The highlights of the first half were:

- The successful launch of new products in an overall ophthalmic optics market that experienced slower growth. Among the products were the **Crizal Forte®** anti-reflective lens, the Essilor **Transitions®** variable-tint lens in Europe, the **Xperio™** polarized lens in the United States and the new **Mr Blue™** edger.
- Sustained growth momentum in **emerging markets**, notably India, South Korea, China, the ASEAN countries, Latin America, South Africa and Russia.
- Strong operating profitability with a contribution margin (**18.2%**) that returned to its **all-time high** of first-half 2008 (including Satisloh) thanks to cost discipline across the organization.
- Profit attributable to equity holders of Essilor that remained high at 12.2% of revenue and a further increase in earnings per share.
- An ongoing external growth strategy, with the acquisition of **11 companies** around the world representing approximately €47 million in full-year revenue.
- A sharp 12.5% **increase in net cash flow** and a solid balance sheet.



Highlights since the end of the first half

Acquisitions

Following approval by UK competition authorities, Essilor completed its acquisition of **Wholesale Lens Corporation Limited**, a Croydon-based wholesaler of ophthalmic lenses that generated revenue of £8.4 million in 2008. WLC will be consolidated as from August 2009.

As mentioned in the July 18, 2009 news release, Essilor will also consolidate five new companies in the second half: De Ceunynck in Belgium, Amico in the Middle East and Apex Optical, Vision Pointe Optical and OptiSource International in the United States.

Ongoing share buybacks

Since June 30, 2009, Essilor has pursued a share buyback program set up to offset potential dilution from the conversion of outstanding OCEANE bonds. On August 21, Essilor purchased 576,547 of its own shares on the open market for a total of €21.9 million. Since the beginning of the year, 1,256,245 shares have been purchased for a total of €42.1 million.

A meeting with analysts will be held today, August 27, at 9:00 a.m. Paris time.

The meeting will be available live and recorded for later listening at:
<http://hosting.3sens.com/Essilor/20090827-D516F570/en>

The presentation will be webcast at:
<http://www.essilor.com/results-presentations>

Regulatory Information:

The interim financial report is available at www.essilor.com, by clicking on:
<http://www.essilor.com/reports#interim>



Next financial announcement:

Third-quarter revenue will be announced on Thursday, October 22, 2009.

Essilor International is the world leader in ophthalmic optical products, offering a wide range of lenses under the flagship Varilux®, Crizal®, Essilor® and Definity® brands to correct myopia, hyperopia, presbyopia and astigmatism. Essilor operates worldwide through 15 production sites, 293 lens finishing laboratories and local distribution networks.

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

Codes and symbols: ISIN: FR 0000121667; Reuters: ESSI.PA; Bloomberg: EI:FP.

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MANAGEMENT REPORT

First-Half 2009

€ millions	First-half 2009	First-half 2008	% Change
Revenue	1,663.4	1,520.2	+9.4%
Contribution from operations ⁽¹⁾	302.6	276.3	+9.5%
% of revenue	18.2%	18.2%	
Operating profit	281.9	261.7	+7.7%
Profit attributable to equity holders of Essilor International	202.4	198.3	+2.1%
% of revenue	12.2%	13.0%	
Basic earnings per share (in €)	0.98	0.96	+2.4%

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

Revenue up 9.4% to €1,663.4 million

Essilor's consolidated revenue for the six months ended June 30, 2009 rose by 5.3%, excluding the currency effect, and by 0.7% like-for-like. Changes in the scope of consolidation increased revenue by 6.0%, reflecting the contributions of the businesses acquired in 2008 and in the first half of 2009. The currency effect was a positive 4.1%, lifting growth to 9.4%.

The like-for-like decrease in first-half revenue included a decline of 1.0% in the first quarter and of 0.4% in the second, reflecting the following factors:

- The successful launch of value-added products around the world, including the new Crizal Forte® anti-reflective lens, the Essilor Transitions® VI variable-tint lens in Europe, the Xperio™ polarized lens in the United States and the new MrBlue™ edger.
- Firm growth in entry-level products, where Essilor holds strong positions.
- A disappointing first-quarter performance in Instruments.



Revenue by region

€ millions	H1 2009	H1 2008	% Change (reported*)	% Change (like-for-like)	Change in scope of consolidation
Europe	665.1	693.5	-4.1%	-4.4%	+2.0%
North America	718.1	617.9	+16.2%	-0.9%	+4.3%
Asia-Pacific	170.1	146.8	+15.9%	+13.5%	+1.3%
Latin America	60.3	60.6	-0.5%	+9.4%	+0.7%
Laboratory equipment 1	49.8**	1.4***	n.a.	n.a.	n.a.

(*) Currency effect: +4.1%. (**) The figure excludes Satisloh sales to Essilor, which totaled €14.8 million. (***) Satisloh was not part of the Group in first-half 2008.

Eleven acquisitions in the first half

During the first half, Essilor acquired or increased its holding in eleven companies. Together, they represent additional full-year revenue of €47 million for a total investment of €36.9 million.

- In the United States, Essilor of America added three laboratories to its network: **Barnett & Ramel** (\$10.8 million in revenue), **McLeod** (\$10 million) and **Abba Optical** \$2.2 million).
- In Poland, Essilor raised its stake in **JZO**, the ophthalmic optics market leader, to 51% from 10% previously.
- In Australia, Essilor completed four acquisitions representing an aggregate €3.6 million in full-year revenue. Equity interests were acquired in three prescription laboratories—**Prescription Glass Pty Ltd**, **Precision Optics Pty Ltd** and **Wallace Everett Lens Technology Pty Ltd**—and a 50% stake was acquired in **Sunix Computer Consultants**, a leading developer of optometric practice management systems.
- In India, Essilor raised its interest in **GKB Rx Lens Private Ltd** to 60% from 10%.
- In Brazil, Essilor acquired a majority stake in **Technopark**, a joint venture with a local partner that combines the business operations of two prescription laboratories (€10 million in revenue).
- In Canada, Nikon Optical Canada, a Nikon-Essilor subsidiary, increased its stake in the **TechCite** prescription laboratory from 50 to 100%.

⁽¹⁾Application of IFRS 8 – Operating Segments has resulted in the creation of the “Laboratory Equipment” business segment, which includes the machines, consumables and replacement parts sold by Satisloh and Delamare to prescription laboratories. The change has not has a material impact on revenue from the operating regions, which consolidate all of the other sales (primarily of ophthalmic lenses and optical instruments).



Gross margin up 7.3% to €930.7 million

Gross margin (revenue less cost of sales, expressed as a percentage of revenue) stood at 56.0%, compared with 57.0% in first-half 2008. The decrease results mainly from the dilutive impact of acquisitions, in particular Satisloh.

Operating expenses up 6.3% to €628.1 million

Operating expenses in the first half accounted for 37.8% of consolidated revenue, versus 38.9% in the prior-year period, when they amounted to €590.7 million. Operating expenses comprised:

- R&D and engineering costs of €74.9 million (net of a €4.9 million tax credit), representing 4.5% of consolidated revenue, down very slightly from 4.7% in the first six months of 2008.
- Selling and distribution costs of €353.4 million (21.2% of revenue compared with 21.7% in the previous-year period).
- Other operating expenses of €199.8 million (12.0% of revenue versus 12.5% in first-half 2008).

Contribution from operations up 9.5% to €302.6 million

The contribution margin stood at 18.2% of revenue, on a par with first-half 2008's record high and up from 17.9% for full-year 2008. This performance reflects the Company's ability to integrate acquisitions, to drive further productivity gains and to diligently manage its operating expenses in a slowing market.

Operating profit up 7.7% to €281.9 million

"Other income and expenses from operations" and "Gains and losses on asset disposals" together represented a net expense of €20.7 million (compared with €14.6 million in first-half 2008). Compensation costs on stock options, performance share grants and employee stock ownership plans declined to €9.7 million from €12.3 million in first-half 2008, while restructuring costs related to the closing of several production facilities rose to €6.5 million from €0.2 million for the prior-year period. Operating profit represented 17.0% of consolidated revenue.

Finance costs and other financial income and expenses: net expense of €5.3 million

Finance costs and other financial income and expenses represented a net expense of €5.3 million compared with net income of €2.9 million in first-half 2008, reflecting the increase in finance costs, which mainly concerned the financing of the Satisloh acquisition and the share buyback program.



Profit attributable to equity holders of Essilor International up 2.1% to €202.4 million

Net profit totaled €207.1 million, an increase of 2.8%. It comprised:

- Income tax expense of €80.1 million. The 29.0% effective tax rate compared with a 29.4% rate for first-half 2008. The decline was mainly due to Satisloh's tax rate, which is lower than the Company average.
- The share of profit from associates—VisionWeb, Sperian Protection and Transitions—which amounted to €10.7 million, versus €14.7 million in first-half 2008. Transitions' earnings were up slightly at €9.8 million (from €9.6 million in first-half 2008) while Sperian Protection's earnings were sharply lower at €0.9 million (compared with €5.1 million).

Profit attributable to equity holders of the parent was 2.1% higher, at €202.4 million. Earnings per share rose by 2.4% to €0.98.

Inventories

Inventories amounted to €493 million at June 30, 2009, compared with €475 million at year-end 2008, an increase of 3.8%. Like-for-like, the increase was 2.1%.

Investments

Capital expenditure net of divestments totaled €72 million or 4.3% of consolidated revenue. Financial investments net of disposals amounted to €60.9 million. Of this amount, acquisitions accounted for €36.9 million, while buybacks of shares accounted for €19.5 million.

Cash Flow Statement

€ millions			
Net cash from operations	273	Capital expenditure net of the proceeds from asset sales	72
Proceeds from employee share issue	16	Change in WCR and provisions	102
Change in net debt	99	Dividends	138
		Financial investments net of disposals	61
		Effect of changes in exchange rates and in the scope of consolidation	15



Net debt increased by €99 million to €211 million, from €112 million at year-end 2008 as the Company' high profitability and robust performance enabled it to pursue an ambitious financial investment program involving acquisitions and share buybacks and to increase dividends. Net debt was also affected by the seasonal impact of annual discount payments to customers, which are generally concentrated in the first half. Net cash flow (cash flow less capital expenditure) rose by 12.5% to €99 million.

Related party transactions / Risks and contingencies

In first-half 2009, the nature of transactions with companies consolidated by the proportionate or equity method was not significantly different from the description in the 2008 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.

Outlook

In the second half of the year, Essilor will continue to grow the business, leveraging the quality of its products and its services to opticians, backed by an acquisitions strategy that extends across all regions. The Company will also pursue its efforts to maintain a high operating margin. Over the full year, Essilor expects to strengthen its presence in all markets.
