First-Half 2010 Results

A Very Good First Half

- ➔ **Sharp increase in revenue: up 15.8%**
- ➔ **High contribution margin maintained, at 18.0% of revenue**
- ➔ **Adjusted earnings per share: up 17.6%**
- ➔ **Strong increase in free cash flow: up 72%**

Charenton-le-Pont, France (August 27, 2010, 6:30 a.m. CEST) – The 2010 interim financial statements were approved by the Board of Directors of Essilor International on August 26, 2010. These financial statements have been audited and the Statutory Auditors have issued an unqualified opinion thereon.

€ millions	**First-half 2010**	First-half 2009	% Change
Revenue	**1,926.8**	1,663.4	+15.8%
Contribution margin(1)	**347.5**	301.8(4)	+15.2%
% of revenue	***18.0%***	*18.1%*	-
Profit attributable to equity holders of Essilor International	**197.5**	200.1	-1.3%
Adjusted attributable profit(2)	**238.8**	**200.1**	**+19.3%**
Earnings per share (in €)	**0.94**	0.97	-2.7%
Adjusted earnings per share (in €)(2)	**1.14**	**0.97**	**+17.6%**
Free cash flow(3)	**165**	96	+72%

(1) Operating profit before compensation costs of share-based payments, restructuring costs, other income and expense, and goodwill impairment.
(2) Adjusted for the €41.3 million net of tax provision set aside for the fine imposed by the BKA, the German antitrust authority, which the Company has appealed.
(3) Net cash from operating activities less purchases of property, plant and equipment and intangible assets, according to the IFRS consolidated cash flow statement.
(4) Adjusted for €0.9 million in non-capitalized costs related to bolt-on acquisitions (application of revised IFRS 3).

In an ophthalmic optics market that is slowly but steadily improving, Essilor continued to increase its global market share by leveraging its innovative products and accelerating the deployment of its targeted acquisitions strategy. **For the period, the Company posted revenue growth of 5.9% excluding the currency effect and strategic acquisitions, in line with its full-year objective.** Essilor also enhanced its competitiveness through ongoing programs to optimize the production base and develop new services for eyecare professionals.

First-half highlights

- Integration of **FGXI**, the world leader in non-prescription reading glasses, and **Signet Armorlite**, the exclusive manufacturer and distributor of Kodak-brand lenses. Overall, these acquisitions were accretive to first-half consolidated earnings.
- **Successful new product launches**, of which the Varilux Physio® 2.0 lens in Europe and the United States, the Xperio™ polarized lens in Europe, and lenses produced using Eyecode™ technology around the world.
- **An increase in unit sales**, reflecting the ramp-up of the Company's strategy of developing the mid-range product segment and rapid growth in emerging markets.
- Accelerated deployment of the acquisitions strategy with **13 new partnerships** that extend Essilor's geographical coverage.
- **High operating margin remained** (contribution margin 18% of revenue) thanks to ongoing gains in operating efficiency.
- **Sharp increase in adjusted earnings per share**.
- A strong **increase in net cash flow** and a solid balance sheet.

Outlook

The very good first-half results support Essilor's major strategic choices. During the second half, in a still fragile business recovery, Essilor will continue to implement its growth strategy, based on new products, geographic expansion, bolt-on acquisitions and the mid-segment. For 2010, the Company confirms its objectives of revenue growth of 5% to 7% excluding the currency effect and strategic acquisitions, and a stable contribution margin excluding strategic acquisitions and changes in IFRS.
Moreover, following the sale of its stake in Sperian Protection, the Company will recognize an estimated €27-million consolidated capital gain in the second half.

An analysts meeting will be held today, August 27, at 9:30 a.m. Paris time.

The meeting will be available live and recorded for later listening at:
http://hosting.3sens.com/Essilor/20100827-FC6C8EAD/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 or by clicking on:
http://www.essilor.com/-Reports-#interim

Future event:

Third-quarter revenue will be released on Friday, October 22, 2010.

Investor Relations and Financial Communications

Véronique Gillet – Sébastien Leroy

Phone: +33 1 49 77 42 16

www.essilor.com

***The world leader in ophthalmic optical products**, Essilor International researches, develops, manufactures and markets around the world a wide range of lenses to improve and protect eyesight. Its flagship brands are **Varilux**®, **Crizal**®, **Essilor**®, **Definity**® and **Xperio™**.*

Based in France, the company reported consolidated revenue of more than €3.2 billion in 2009, with 34,700 employees and operations in 100 countries.

*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: FR0000121667; Reuters: ESSI.PA; Bloomberg: EI:FP.

MANAGEMENT REPORT

The 2009 financial statements have been adjusted following the expensing of acquisition-related costs in accordance with revised IFRS 3.

REVENUE UP 11.8% AT CONSTANT EXCHANGE RATES

Revenue by division and by region

(in € millions)	**H1 2010**	**H1 2009**	**% Change (reported)**	**Like-for-like growth**	**Contribution from acquisitions***
Lenses and Optical Instruments	1,786.9	1,613.6	+10.7%	+2.5%	+4.1%
Europe	*707.6*	*665.1*	*+6.4%*	*+1.4%*	*+4.1%*
North America	*776.4*	*718.1*	*+8.1%*	*+1.0%*	*+3.9%*
Asia-Pacific & Africa	*214.3*	*170.1*	*+26.0%*	*+8.0%*	*+4.8%*
Latin America	*88.6*	*60.3*	*+47.1%*	*+16.6%*	*+5.0%*
Equipment	60.2	49.8	+20.8%	+8.8%	+12.1%
Readers	79.7	-	N/M	N/M	N/M
TOTAL	**1,926.8**	**1,663.4**	**+15.8%**	**+2.7%**	**+9.1%**

** Revenue from Signet Armorlite has been allocated by region.*

Revenue rose 15.8% to €1,926.8 million in first-half 2010. Excluding FGXI and Signet, revenue growth stood at 10%.

- Like-for-like growth in first-half revenue came to 2.7%, which included increases of 2.5% in the first quarter and 2.9% in the second. This reflected growth of 2.5% in the Optical Lenses business and 8.8% in the Equipment business.
- The 9.1% contribution from acquisitions corresponds to the bolt-on acquisitions carried out in 2009 and first-half 2010, for 3.2%, and the contribution of FGXI and Signet Armorlite, consolidated from March 12 and April 1, 2010 respectively.
- The positive currency effect of 4% reflects the euro's decline against all the other currencies and particularly the Brazilian real, the Canadian dollar and the US dollar.

Performance by division

Lenses and Optical Instruments

Revenue growth was driven by an increase in sales volumes in all regions.

- In **Europe**, where performances still vary considerably from one country to another, sales progressed overall by 1.4% like-for-like. France maintained strong momentum thanks to its multi-network strategy and business picked up in the Netherlands, but remained disappointing in Germany and Austria. Benefiting from Russia's rapid development, the Eastern European countries returned to growth.
- Growth leveled off in **North America** (up 1.0% like-for-like). In the United States, all distribution channels contributed to growth in volumes, with a significant increase reported in sales of Xperio polarized lenses. Operating problems affected performance in Canada, in an already challenging environment.
- In **Asia**, like-for-like growth of 8.0% was led by emerging markets. Essilor continued its rapid expansion in India, where it gained market share during the period, as well as in the ASEAN countries, particularly Thailand and Indonesia. Business in China was stimulated by improvements in the product mix, while sales contracted in Australia and New Zealand in a difficult market environment.
- Countries in **Latin America** recorded significant growth in the first half, with revenue for the region up 16.6% like-for-like. In Brazil, the mid-range segment benefited from an increase in volumes and higher demand for anti-reflective lenses, and Mexico and Argentina both reported very strong growth.

Equipment

- The Equipment division began to recover sharply in the first half of 2010, with revenue up 8.8% like-for-like excluding intragroup sales. Satisloh sales were particularly robust in the area of consumables and digital surfacing machines. Business is developing rapidly in Asia, particularly in China where Satisloh now has a dedicated product offering.

Readers

- Recently created following the acquisition of FGX International, the Readers division[1] performed very well. The second quarter saw particularly strong sales of sunglasses, which dominate demand at that time of year.

[1] The Readers business encompasses the production, distribution and sale of non-prescription glasses. The division's end customers are retailers, who sell the products on to consumers.

Second quarter: continued recovery in growth

Revenue *(in € millions)*	**Q2 2010**	Q2 2009	% Change as reported	Like-for-like growth	Contribution from acquisitions*
Lenses and Optical Instruments	923.0	797.7	+15.7%	+2.3%	+5.2%
Europe	*362.3*	*335.1*	*+8.1%*	*+2.1%*	*+5.0%*
North America	*400.7*	*345.7*	*+15.9%*	*-0.2%*	*+5.2%*
Asia-Pacific & Africa	*111.2*	*84.5*	*+31.6%*	*+7.5%*	*+4.3%*
Latin America	*48.8*	*32.5*	*+50.1%*	*+17.6%*	*+6.2%*
Equipment	36.6	25.4	+44.2%	+20.5%	+23.7%
Readers	61.3	-	N/M	N/M	N/M
TOTAL	**1,020.9**	823.1	**+24.0%**	**+2.9%**	**+13.2%**

** Revenue from Signet Armorlite has been allocated by region*

Consolidated revenue for the second quarter alone stood at €1,020.9 million, up 24% year-on-year as reported and 2.9% like-for-like. The integration of FGXI and Signet, as well as new partnerships, brought the contribution from acquisitions to a high 13.2%. All currencies contributed to the significant 7.9% positive currency effect.

The trends observed during the quarter varied between regions, with:

- A slight improvement in Europe.
- Stable demand in the United States and operating problems in Canada.
- Continued sharp growth in Asia, except for Australia and Japan.
- Very strong demand in Latin America.
- A sharp recovery in the Equipment business.

13 new partnerships and 2 strategic acquisitions in first-half 2010

During the first half of 2010, Essilor acquired or increased its holding in 13 companies, representing additional revenue of around €80 million. Transactions were carried out in all regions:

- In the **United States**, Essilor of America acquired a stake in two prescription laboratories— Hawkins in Kansas ($4.5 million in revenue) and Epic Labs in Minnesota ($3 million). EOA also acquired the assets of Custom Optical (Georgia, $2.5 million). Nikon-Essilor increased its stake in the Encore prescription laboratory (Connecticut, $4 million) through its US subsidiary.
- In **Canada**, Essilor acquired a majority stake in Cascade, a prescription laboratory in the province of British Columbia (C$6 million), and in Econo-Optic, a laboratory based in New Brunswick (C$0.7 million).
- In **Brazil**, the Company acquired an interest in Ceditop, a prescription laboratory and distributor in the state of Rio Grande do Sul, with annual revenue of around €3.5 million (BRL8 million).

- In **China**, a majority stake was acquired in ILT Danyang, which produces lenses for both the domestic market and for export.
- In **Singapore**, the Company acquired Visitech, a distributor that generates around €0.7 million in annual revenue.
- In **Taiwan**, a majority stake was acquired in SMJ, a prescription laboratory and distributor with €1.6 million in revenue.
- In the **United Arab Emirates**, Essilor become the majority shareholder of Ghanada Opticals, a prescription laboratory based in Abu Dhabi, which serves the United Arab Emirates and the other Gulf states and generates €2 million in revenue.
- In **Australia**, Essilor became a 70% partner in a joint venture with Luxottica, which owns the Eyebiz laboratory.
- In the **Equipment** division, the Company acquired a 60% interest in **DAC Vision**, one of the world's leading manufacturers of consumable supplies for surfacing, coating and mounting lenses, which generates around €30 million in revenue, mainly in France and the United States.

Since the beginning of the year, Essilor has also made two strategic acquisitions: **FGX International**, the North American leader in non-prescription reading glasses with $259 million in 2009 revenue, and California-based **Signet Armorlite**, one of the largest independent manufacturers of ophthalmic lenses and the exclusive producer of Kodak-brand lenses, with 2009 revenue of $115 million.

CONTRIBUTION MARGIN: 18.0%

Contribution from operations up 15.2% to €347.5 million, or 18% of revenue

(in € millions)	First-half 2010	First-half 2010 excl. FGXI and Signet Armorlite	First-half 2009
Gross margin	1,068.8	1,015.8	930.7
As a % of revenue	55.5%	55.5%	56.0%
Operating expenses	721.2	684.7	628.9
Contribution from operations [(1)]	347.5	331.0	301.8
As a % of revenue	18.0%	18.1%	18.1%

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

Gross margin up 14.8% to €1,068.8 million (up 9.1% excluding FGXI and Signet Armorlite)

In first-half 2010, gross margin (revenue less cost of sales, expressed as a percentage of revenue) stood at 55.5%, compared with 56.0% in first-half 2009. The decrease is mainly due to the dilutive effect of bolt-on acquisitions and the ramp-up of mid-range networks.

Operating expenses up 14.7% to €721.2 million (up 8.9% excluding FGXI and Signet Armorlite)

Operating expenses in the first half accounted for 37.4% of consolidated revenue, versus 37.8% in the prior-year period, when they amounted to €628.9 million.

Operating expenses comprised:

- R&D and engineering costs of €78.4 million, up 4.7% over first-half 2009.
- Selling and distribution costs of €421.7 million, versus €353.4 million in the prior-year period, representing an increase of 19.3% (12.9% excluding FGXI and Signet Armorlite) and coming to 21.9% of revenue compared with 21.2% in first-half 2009.
- Other operating expenses of €221.2 million, representing an increase of 10.3% (3.5% excluding FGXI and Signet Armorlite) and 11.5% of consolidated revenue versus 13.2% in first-half 2009.

Excluding FGXI and Signet Armorlite, the contribution margin rose 9.7% to €331 million and represented 18.1% of revenue, as in first-half 2009.

This performance reflects the Company's ability to integrate acquisitions, drive further productivity gains and diligently manage its operating expenses.

ADJUSTED EPS UP 17.6% TO €1.14

Operating profit up 1.0% to €281.2 million (up 15.9% excluding BKA provision)

"Other income and expenses from operations" and "Gains and losses on asset disposals" together represented a net expense of €66.3 million (compared with €23.4 million in first-half 2009). The increase reflects:

- Virtually unchanged compensation costs on stock options, performance share grants and employee stock ownership plans of €10.1 million, versus €9.7 million in first-half 2009.
- Restructuring costs of €12.5 million, versus €6.5 million in the prior-year period.
- A €41.5 million provision set aside for the fine imposed by Germany's competition authorities, the Bundeskartellamt (BKA). Essilor has lodged two appeals against the BKA's decision, which suspend payment of the fine (see Note 10 of the financial statements).

Operating profit represented 14.6% of consolidated revenue, compared with 16.7% in first-half 2009.

Finance costs and other financial income and expenses, net: net expense of €6.2 million

Finance costs and other financial income and expenses represented a net expense of €6.2 million compared with €5.3 million in first-half 2009, reflecting an increase in average debt partially offset by a decrease in finance costs.

Profit attributable to equity holders of Essilor International down 1.3% to €197.5 million (up 19.3% excluding BKA provision)

Net profit totaled €202.9 million, versus €204.8 million in first-half 2009. It comprised:

- Income tax expense of €88.8 million. The 32.3% effective tax rate (28.1% excluding BKA provision) compared with a 28.9% rate for first-half 2009.
- The share of profit from associates — VisionWeb, Sperian Protection and Transitions — which amounted to €16.7 million, versus €10.7 million in the prior-year period. Earnings were up for both Transitions (€14.2 million versus €9.8 million in first-half 2009) and Sperian Protection (€2.5 million versus €0.9 million).

Profit attributable to equity holders of the parent amounted to €197.5 million, down 1.3%, and earnings per share stood at €0.94, down 2.7%.

Excluding the BKA provision, attributable profit rose 19.3% to €238.8 million and earnings per share climbed 17.6% to €1.14.

FREE CASH FLOW UP 72%

The Company' high profitability and robust performance enabled it to pursue an ambitious program of industrial and financial investment (acquisitions and share buybacks) and to increase dividends.

Investments

Capital expenditure net of divestments totaled €54 million or 2.8% of consolidated revenue.

Financial investments net of disposals amounted to €563 million, which included €485 million related to acquisitions, mainly FGXI and Signet Armorlite.

Transactions involving Essilor shares amounted to €182 million. These included the buyback of 4.1 million shares, as well as employee share grants and the conversion of OCEANE bonds.

Working capital requirement

The change in working capital requirement amounted to €106 million, relatively unchanged from first-half 2009, despite the seasonal impact of annual discount payments to customers, which are generally concentrated in the first half.

Inventories amounted to €626 million at June 30, 2010, compared with €486 million at year-end 2009, an increase of 28.8%. At comparable scope of consolidation and exchange rates, the increase was 6.8%.

Free cash flow and change in net debt

At €165 million, free cash flow[2] was up 72% compared with first-half 2009.

At June 30, 2010, net debt was up €731 million to €638 million, compared with net cash of €93 million at December 31, 2009, for gearing of 21.6%.

Cash Flow Statement

(in € millions)			
Net cash from operations (before WCR)	**329**	Purchases of property, plant and equipment	**58**
Proceeds from employee share issue	**40**	Change in WCR	**106**
Reported change in net debt	**731**	Dividends	**147**
		Financial investments net of disposals*	**563**
		Treasury stock	**182**
		Other	**44**

* Of which €107 million in acquired financial debt

SIGNIFICANT EVENTS SINCE THE END OF THE FIRST HALF

Acquisitions

Since July 1, two new partnerships have been created in the United States:

- Essilor of America acquired a majority stake in **Gulf States**, a prescription laboratory based in Louisiana that generates $3 million in revenue.
- Nikon Optical US, a Nikon-Essilor subsidiary, acquired a majority interest in Colorado-based **Pasch**, which generates $3.9 million in revenue.

Divestment of Sperian Protection shares

Essilor sold its long-standing 15% stake in Sperian Protection to Honeywell on August 9, 2010. The asset's net realizable value is estimated at nearly €132 million. The consolidated capital gain from the sale (estimated at approximately €27 million) will be recognized in the Company's second-half 2010 accounts.

Redemption of OCEANE convertible bonds

On July 2, Essilor redeemed at maturity all the 2003 OCEANE bonds that had not yet been converted. These bonds were previously traded on the NYSE-Euronext Paris exchange under ISIN code FR0000189276.

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

Ongoing share buybacks

Since June 30, Essilor has pursued its share buyback program. More than 700,000 shares with a total value of €33.7 million have been bought back on the market.

Related party transactions / Risks and contingencies

In first-half 2010, the nature of transactions with companies consolidated by the proportionate or equity method was not significantly different from the description in the 2009 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.