



NEWS RELEASE

**A Solid First-Half Performance
Net Profit Up 16.8% at constant exchange rates**

Essilor Launches a Share Buyback Program

(Charenton-le-Pont, France – August 28, 2008 – 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, 2008.

€ millions	First-half 2008	First-half 2007	% change	% change at constant exchange rates
Revenue	1,520.2	1,476.9	+2.9%	+9.6%
Contribution margin	18.2%	18.1%	-	-
Profit attributable to equity holders of Essilor International	198.3	181.9	+9.0%	+16.8%
Basic earnings per share (in €)	0.96	0.88 ⁽¹⁾	+8.1%	+15.8%

(1) Adjusted for the two-for-one stock split on July 16, 2007

The highlights of the first half were:

- Growth (excluding the currency effect) of **9.6%**
- Sustained business growth in North America, Latin America, the ASEAN countries, China and India.
- Successful new products, notably the sixth-generation of **Transitions®** variable-tint lenses and **Crizal Avancé™** anti-reflective lenses **with Scotchgard™ Protector**.
- High profitability, with a contribution margin of **18.2%** that was slightly higher than the figure reported for full-year 2007.
- A **9%** increase in profit attributable to equity holders of Essilor International, for a net margin of 13%.



- An ongoing external growth strategy, with the acquisition of **13 companies** representing approximately €70 million in full-year revenue.
- The buyback of 1.7 million Essilor shares for a total of €64.5 million, increasing treasury stock from 1.3% to 2.0%.

Highlights since the end of the first half

Ongoing external growth strategy

Since July 1, Essilor has acquired three new companies. In Germany, it acquired **Nika GmbH**, a lens wholesaler with around €9 million in revenue. In the United States, Essilor of America acquired a majority stake in **Optimatrix**, a prescription laboratory based in Alabama with revenue of \$4.6 million. In India, Essilor acquired the assets of **Sankar & Co's** ophthalmic division, comprising five formerly franchised laboratories, which together generate €0.9 million in revenue.

Launch of a specific program to buy back 3.3% of outstanding shares

In July, Essilor decided to introduce a share buyback program to offset the dilutive impact of OCEANE bonds due in 2010 in the event that the remaining bonds are converted into new or existing shares.

The program consists of purchasing 6.9 million shares, or 3.3% of the capital. Financed by cash and routine borrowings, this investment will increase the Company's gearing.

Launched in July 2008, the buyback will continue through the end of the year and, if necessary, may extend into 2009.

In addition to this specific program, Essilor will continue to buy back shares to reduce the dilutive impact of stock option and performance share grants.

Outlook

In the second half, Essilor will pursue its strategy of deploying valued-added products, developing in the international marketplace and expanding through acquisitions. Full year performance is expected once again to confirm Essilor's ability to drive steady growth in both revenue and margins.

A meeting with analysts will be held today at 10:00 a.m.

The meeting will be webcast live and recorded for later viewing at the following address:

<http://hosting.3sens.com/Essilor/20080828-379EA2FD/en>

The presentation will be posted at the following address:

<http://www.essilor.com/results-presentations>



Regulatory Information

The interim report can be downloaded from the Company's website, www.essilor.com, in the News > Publications section, or by clicking on: <http://www.essilor.com/reports#interim>

Next financial announcement:

Third-quarter revenue will be announced on Thursday, October 23, 2008.

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, 270 lens finishing laboratories and local distribution networks. The Essilor share trades on the Euronext Paris market and is included in the CAC 40 index. Codes and symbols: ISIN: FR 0000121667; Reuters: ESSI.PA; Bloomberg: EF.FP.

Investor Relations and Financial Communications

Véronique Gillet – Sébastien Leroy

Phone: + 33 (0)1 49 77 42 16

www.essilor.com



Management Report

First-Half 2008

€ millions	First-half 2008	First-half 2007	% change
Revenue	1,520.2	1,476.9	+2.9%
Contribution from operations ⁽¹⁾	276.3	267.3	+3.4%
<i>% of revenue</i>	18.2%	18.1%	
Operating profit	261.7	253.2	+3.4%
Profit attributable to equity holders of Essilor International	198.3	181.9	+9.0%
<i>% of revenue</i>	13.0%	12.3%	
Basic earnings per share (in €)	0.96	0.88⁽²⁾	+8.1%

(1) Operating profit before share-based payments, restructuring costs and other non-recurring items, and goodwill impairment.

(2) Adjusted for the two-for-one stock split on July 16, 2007.

Revenue up 2.9% to €1,520.2 million

Essilor's consolidated revenue for the six months ended June 30, 2008 rose by 5.4% like-for-like and 9.6% excluding the currency effect. Changes in the scope of consolidation boosted revenue by 4.2%, reflecting the contributions of the businesses acquired in 2007 and in the first half of 2008. The currency effect was a negative 6.6%, which reduced reported growth to 2.9%.

Organic growth in revenue was led by:

- Very strong demand in North America, South America and most countries in Asia.
- The successful launch of the sixth-generation of Transitions[®] variable-tint lenses as well as the Crizal Avancé[™] anti-reflective lenses with Scotchgard[™] Protector.
- A sharp increase in sales of medium and high-index lenses, especially in 1.6 high-index material.



Revenue by region

€ millions	First-half 2008	First-half 2007	% change (reported)	% change (like-for-like)
Europe	697.1	675.7	+3.2%	+2.7%
North America	625.4	622.4	+0.5%	+7.0%
Asia-Pacific	137.1	128.7	+6.5%	+6.9%
Latin America	60.6	50.1	+21.0%	+17.6%

Thirteen acquisitions in the first half

Essilor acquired 13 companies or their assets during the first half. Together, they represent additional full-year revenue of €70 million for a total investment of €75.7 million.

- In Europe, Essilor acquired all outstanding shares in Italy's **Galileo** (€13 million in revenue) and Bulgaria's **Optymal** (€1 million), and also acquired a majority stake in Netherlands-based **O'Max** (€3 million).
- In the United States, Essilor of America added six laboratories to its network: **Interstate** (\$26 million in revenue), **Empire** (\$23 million), **Advance** (\$6 million), **Future TN**, (\$3 million), **Deschutes** (\$3 million) and **Rainbow** in Puerto Rico (\$3 million). Nikon-Essilor also acquired a minority holding in **Encore Optics**.
- In Canada, Essilor acquired a majority interest in **Westlab** (C\$4 million in revenue).
- In Asia, Essilor acquired Malaysia's **Frame N Lenses** (€2 million in revenue) and India's **Rx 20/20** (€1 million).

In June, Essilor also announced the acquisition of **Satisloh**, the world's leading supplier of prescription laboratory equipment, with €161 million in 2007 revenue. The agreement is subject to certain conditions precedent.

Gross margin up 1.4% to €67 million

Gross margin (revenue less cost of goods sold, expressed as a percentage of revenue) stood at 57.0%, compared with 57.9% in first-half 2007. The decline was mainly due to the dilutive impact of acquisitions—particularly OOGP (contact lens distribution), KBco (polarized lens distribution) and ILT (ophthalmic lens distribution), all of which were acquired in 2007—whose margins are structurally lower than the rest of the Company.



Operating expenses up 0.5% to €90.7 million

Operating expenses were virtually stable in the first half and accounted for 38.9% of consolidated revenue, versus 39.8% in the prior-year period, when they amounted to €587.5 million.

Operating expenses comprised:

- R&D and engineering costs of €71.3 million (net of a €5.4 million tax credit), representing 4.7% of consolidated revenue, the same as in first-half 2007.
- Selling and distribution costs of €329.2 million (21.7% of revenue compared with 22.1% in the previous-year period).
- Other operating expenses of €190.3 million (12.5% of revenue versus 13.0% in first-half 2007).

The Company continued to invest in research and development and maintained its marketing and sales efforts, while stabilizing overall spending.

Contribution from operations up 3.4% to €276.3 million

As a percentage of revenue, contribution from operations stood at 18.2%, slightly above the full-year contribution of 18.1% in 2007. This record high reflects Essilor's ability to integrate acquisitions, continue driving productivity gains and manage operating costs in a challenging economic environment.

Operating profit up 3.4% to €261.7 million

"Other income and expenses from operations" and "Gains and losses on asset disposals" together represented a net expense of €14.6 million (compared with €14.1 million in first-half 2007), of which €12.3 million in compensation costs on employee stock ownership plans, stock option plans and performance share grants. Operating profit represented 17.2% of consolidated revenue.

€2.9 million in finance costs and other financial income and expenses, net

Finance costs and other financial income and expenses amounted to a net income of €2.9 million, a sharp improvement over the €5.5 million expense recorded in first-half 2007. This performance reflected the increase in the Company's net cash and cash equivalents compared with June 30, 2007, as well as net exchange gains and fair value adjustments to financial instruments.

Profit attributable to equity holders of Essilor International up 9% to €198.3 million

Net profit totaled €201.4 million, an increase of 9.6%. It comprised:



- Income tax expense of €77.9 million. The 29.4% effective tax rate compared with a 32.0% rate for first-half 2007. The improvement was driven by a lower average tax rate in Europe and business growth in Asia, where the rate is below the Company average.
- The share of profit from associates—VisionWeb, Sperian Protection and Transitions—which amounted to €14.7 million, versus €15.3 million in first-half 2007. Earnings from Transitions declined slightly to €9.6 million, from €10.1 million for the prior-year period, because of a strongly negative currency effect and the concentration of marketing costs in the first half related to the launch of the sixth generation of variable-tint lenses in North America.

Profit attributable to equity holders of the parent was 9.0% higher, at €198.3 million. Earnings per share rose by 8.1% to €0.96.

Inventories and work in progress

Inventories amounted to €400 million at June 30, 2008, compared with 394 million at December 31, 2007, a 1.5% increase. The like-for-like increase was 4.3%, below the rate of revenue growth.

Investments

Capital expenditure net of divestments totaled €95 million or 6.2% of consolidated revenue. Financial investments net of disposals amounted to €140.2 million. Of this amount, acquisitions accounted for €75.7 million, while buybacks of Essilor shares accounted for €64.5 million.

Cash Flow Statement

<i>€ millions</i>			
Net cash from operations	275	Capital expenditure net of the proceeds from asset sales	95
Proceeds from employee share issue	22	Change in WCR and provisions	92
Net decrease in cash and cash equivalents	150	Dividends	129
Effect of changes in exchange rates and in the scope of consolidation	9	Financial investments net of the proceeds from disposals	140



Net cash and cash equivalents declined to €109.4 million, from €259.6 million at year-end 2007 as the Company' high profitability and robust performance enabled it to pursue an ambitious program of industrial and financial investment and to increase dividends. Net cash and cash equivalents were also affected by the seasonal impact of annual discount payments to customers, which are generally concentrated in the first half.

Related party transactions / Risks and contingencies

In first-half 2008, the nature of transactions with companies consolidated by the proportionate or equity method was not significantly different from the description in the 2007 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, Essilor will pursue its strategy of deploying valued-added products, developing in the international marketplace and expanding through acquisitions. Full year performance is expected once again to confirm Essilor's ability to drive steady growth in both revenue and margins.
