2007 INTERIM FINANCIAL REPORT

ESSILOR INTERNATIONAL

Contents

This is a free translation into English of the 2007 Interim Financial Report issued in French.

MANAGEMENT REPORT
1ST HALF 2007

€ millions	**First-half 2007**	First-half 2006	% change
Revenue	**1,476.9**	1,362.4	8.4%
Contribution from operations(1) *Contribution margin*	**267** ***18.1%***	242.8 *17.8%*	10.0%
Operating profit	**252.9**	229.3	10.3%
Profit attributable to equity holders of Essilor International *% of revenue*	**181.7** ***12.3%***	164.1 *12.0%*	10.7%
Basic earnings per share (in €)(2)	**0.88**	0.80	9.9%

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

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

Revenue up 8.4% to €1,476.9 million

Essilor's consolidated revenue for the six months ended June 30, 2007 rose by 8.4% as reported and by 8.5% like-for-like. Changes in the scope of consolidation boosted revenue by 3.5%, reflecting the contributions of the businesses acquired in 2006 and in the first half of 2007. The currency effect was a negative 3.6%.

Organic growth was led by various factors:

- Strong demand in all regions worldwide throughout the period.
- An accelerated improvement in the price mix and higher volumes, which contributed equally to growth. Unit sales of medium and high-index, progressive and photochromic lenses were especially robust.
- The success of new products, in particular the progressive lens marketed under the Anateo™ brand (for BBGR in Europe) and the Accolade™ brand (for optical chains and cooperatives in the rest of the world), the Crizal® anti-reflective, antistatic lens, and the Varilux Physio® progressive lens launched in early 2006.

Revenue by region

€ millions	**First-half 2007**	First-half 2006	Reported change	Like-for-like change*
Europe	***675.7***	*606.4*	*11.4%*	*8.5%*
North America	***622.4***	*596.0*	*4.4%*	*7.1%*
Asia-Pacific	***128.7***	*116.8*	*10.2%*	*12.4%*
Latin America	***50.1***	*43.2*	*15.9%*	*16.7%*

**Based on a comparable scope of consolidation and at constant exchange rates.*

Nine acquisitions since January 1, 2007

Essilor acquired nine companies or their assets during the first half. Together, they represent additional full-year revenue of €118 million for a total investment of €101.7 million.

- In Europe the Company acquired a majority stake in the **Novacel** group, with annual revenue of €39 million.
- In the United States, Essilor acquired **OOGP** ($50 million in revenue), **Beitler McKee Optical Company** ($13 million), **Sutherlin Optical Company** ($13 million), **Personal Eyes** ($2 million), and purchased the prescription safety eyewear assets of **Dispensers Optical Service Corp.** ($5 million).
- In Canada, Essilor acquired a majority interest in **Optique Cristal Inc**, with revenue of C$2 million.
- In Singapore, Essilor acquired a 51% stake in **Integrated Lens Technology Pte Ltd**, with revenue of €13 million.
- In China, Nikon Essilor acquired all outstanding shares in **Nikon Beijing**, its local distributor.

Gross profit up 7.9% to €854.8 million

Gross margin (revenue less cost of sales, expressed as a percentage of revenue) stood at 57.9%, compared with 58.2% in first-half 2006. In the Company's core businesses, the product mix showed a satisfactory improvement. However, Essilor's 2007 acquisitions, especially OOGP (contact lens distribution) and Novacel (lens distribution), adversely affected gross margin since these companies operate in different segments and have different business models from the rest of the Company in terms of capital employed and margins.

Operating expenses up 6.9% to €587.8 million

Operating expenses rose less quickly than revenue and accounted for 39.8% of consolidated revenue in first-half 2007, versus 40.3% in the prior-year period, when they totaled €549.7 million.

Operating expenses comprised:

- R&D and engineering costs representing 4.8% of consolidated revenue, versus 4.6% in the first six months of 2006, and amounting to €69.1 million (net of a €1.7 million tax credit).
- Selling and distribution costs of €326.9 million (22.1% of revenue compared with 22.8% in the previous-year period).
- Other operating expenses of €191.8 million (13% of revenue versus 13.1% in first-half 2006).

The Company continued to invest in research and development while maintaining tight control over spending.

Contribution from operations up 10.0% to €267 million

As a percentage of revenue, contribution from operations stood at 18.1%, above the full-year contribution of 17.9% in 2006.

This solid performance reflects a favorable product mix driven by sustained demand in all regions as well as new products, productivity gains and a limited increase in operating costs.

Operating profit up 10.3% to €252.9 million

"Other income and expenses from operations" and "Gains and losses on asset disposals" together represented a net expense of €14.1 million (compared with €13.6 million in first-half 2006), of which €10.7 million in compensation costs on employee stock ownership plans, stock options and performance share grants.

Operating profit represented 17.1% of consolidated revenue.

Finance costs net of €5.5 million

Finance costs and other financial income and expenses represented a net expense of €5.5 million compared with €13.5 million in first-half 2006. This reflected an improvement in net cash and cash equivalents, and the reduced impact of exchange losses and changes in the fair value of financial instruments.

Profit attributable to equity holders of Essilor International up 10.7% to €181.7 million

Net profit totaled €183.7 million, an increase of 11%. It comprised:

- Income tax expense of €79.1 million. The 32% effective tax rate compared with 30.7% for first-half 2006. The higher rate stemmed mainly from the increased contribution to profit of entities in North America, the Company's highest tax region.
- The share of profit from associates—VisionWeb, Sperian Protection (formerly Bacou-Dalloz) and Transitions—which amounted to €15.3 million, versus €16.1 million in first-half 2006. Profit from Transitions declined slightly to €10.1 million, from €12.1 million for the prior-year period, because of a substantial currency effect, the concentration of marketing costs in the first half and restructuring costs related to the plant closing in Australia.

Profit attributable to equity holders of the parent was 10.7% higher, at €181.7 million. Earnings per share rose by 9.9% to €0.88 (adjusted for the July 16, 2007 stock split).

Inventories

Inventories amounted to €397 million at June 30, 2007, compared with €371 million one year earlier, a 7% increase. The like-for-like increase was 2.6%, significantly below the rate of revenue growth.

Investments

Capital expenditure net of divestments totaled €107 million or 7.2% of consolidated revenue.
Financial investments net of disposals amounted to €111.3 million. Of this amount, acquisitions accounted for €101.7 million, while buybacks of shares under the liquidity contract accounted for €9.6 million.

Cash Flow Statement

€ millions			
Net cash from operations	**235**	Capital expenditure net of disposals(1)	**107**
Proceeds from employee share issue	**20**	Change in WCR and provisions	**71**
Decline in net cash and cash equivalents	**141**	Dividends	**113**
Effect of changes in exchange rates and in the scope of consolidation	**7**	Financial investments net of the proceeds from disposals(1)	**111**

(1) In all, the proceeds from disposals of property, plant and equipment and non-current financial assets totaled €1.7 million in first-half 2007.

Net cash and cash equivalents declined to €69 million, from €210 million at year-end 2006 as the Company's high profitability and robust performance enabled it to pursue an ambitious program of industrial and financial investment and increase dividends.
Net cash and cash equivalents were also affected by the usual seasonal impact of annual volume discount payments to customers, which are concentrated in the first half.

Related party transactions/Risks and uncertainties

In first-half 2007, the nature of transactions with related parties, consolidated subsidiaries and associates did not change significantly compared to the description in the 2006 Registration Document. Similarly, risks and uncertainties affecting business for the months ahead are still in line with the analysis in Chapter 4 of the Registration Document.

Outlook

In the second half, Essilor will pursue its strategy of implementing valued-added products and developing in the international marketplace. For the full year, the Company expects to report high quality financial results, confirming once again its steady growth.

FIRST-HALF 2007
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The notes form an integral part of the consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

€ thousands, except per share data	Notes	First-half 2007 (6 months)	First-half 2006 (6 months)	2006 (12 months)
Revenue	**3**	1,476,870	1,362,394	2,689,958
Cost of sales		(622,026)	(569,905)	(1,123,078)
GROSS MARGIN		**854,844**	**792,489**	**1,566,880**
Research and development costs		(69,086)	(60,875)	(127,629)
Selling and distribution costs		(326,925)	(310,848)	(604,548)
Other operating expenses		(191,802)	(177,930)	(352,789)
CONTRIBUTION FROM OPERATIONS		**267,031**	**242,836**	**481,914**
Other income and expenses from operations, net	**4**	(13,944)	(11,566)	(21,760)
Gains and losses on asset disposals, net		(147)	(1,988)	(304)
OPERATING PROFIT	**3**	**252,940**	**229,282**	**459,850**
Finance costs		(17,697)	(15,734)	(30,510)
Income from cash and cash equivalents		14,809	8,734	20,090
Other financial income and expenses, net	**5**	(2,637)	(6,517)	(9,442)
PROFIT BEFORE TAX		**247,415**	**215,765**	**439,988**
Income tax expense		(79,067)	(66,316)	(137,331)
NET PROFIT OF FULLY-CONSOLIDATED COMPANIES		**168,348**	**149,449**	**302,657**
Share of profits of associates	**3**	15,305	16,059	28,499
PROFIT FOR THE PERIOD		**183,653**	**165,508**	**331,156**
attributable to equity holders of Essilor International		**181,723**	**164,070**	**328,284**
attributable to minority interests		1,930	1,438	2,872

Earnings per share				
Before two-for-one stock split				
Basic earnings per share (€)		1.77	1.61	3.21
Weighted average number of shares (thousands)	**6**	102,721	101,931	102,123
Diluted earnings per share (€)		1.70	1.55	3.11
Diluted weighted average number of shares (thousands)		109,184	108,019	108,169
After two-for-one stock split				
Basic earnings per share (€)		0.88	0.80	1.61
Weighted average number of shares (thousands)		205,442	203,863	204,247
Diluted earnings per share (€)		0.85	0.78	1.55
Diluted weighted average number of shares (thousands)		218,369	216,038	216,339

CONSOLIDATED BALANCE SHEET

ASSETS

€ thousands	Notes	June 30, 2007	Dec. 31, 2006
Goodwill	**7**	566,077	474,771
Other intangible assets		119,948	118,166
Property, plant and equipment		728,185	671,257
INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT, NET	**3**	**1,414,210**	**1,264,194**
Investments in associates		181,911	155,596
Other long-term financial investments		43,835	34,657
Deferred tax assets		43,567	34,655
Long-term receivables		12,451	10,708
OTHER NON-CURRENT ASSETS, NET		**281,764**	**235,616**
TOTAL NON-CURRENT ASSETS, NET		**1,695, 974**	**1,499,810**
Inventories		396,516	371,133
Prepayments to suppliers		12,597	7,698
Short-term receivables		646,491	551,013
Current income tax assets		5,972	7,929
Other receivables		7,575	6,558
Derivative financial instruments		1,447	3,174
Prepaid expenses		21,312	16,174
Marketable securities		101,492	75,147
Cash and cash equivalents	**8**	680,838	584,889
CURRENT ASSETS		**1,874,240**	**1,623,715**
TOTAL ASSETS	**3**	**3,570,214**	**3,123,525**

CONSOLIDATED BALANCE SHEET

EQUITY AND LIABILITIES

€ thousands	Notes	June 30, 2007	Dec.31, 2006
Share capital		36,466	36,347
Additional paid-in-capital		256,312	236,858
Retained earnings		1,557,601	1,331,761
Treasury stock		(80,254)	(71,502)
OCEANE conversion option		35,489	35,489
Revaluation and other reserves		793	1,935
Translation reserve		8,048	(4,398)
Profit attributable to equity holders of Essilor International		181,723	328,283
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF ESSILOR INTERNATIONAL		**1,996,178**	**1,894,773**
Minority interests		12,887	11,032
TOTAL EQUITY		**2,009,065**	**1,905,805**
Provision for pensions and other post-employment benefit obligations		98,294	95,793
Long-term borrowings	**8**	523,485	262,997
Deferred tax liabilities		1,709	1,267
Long-term payables		770	198
NON-CURRENT LIABILITIES		**624,258**	**360,255**
Provisions		24,287	23,350
Short-term borrowings	**8**	189,859	187,011
Customer prepayments		3,929	3,183
Short-term payables		586,880	554,693
Taxes payable		44,593	29,086
Other liabilities		74,543	50,591
Derivative financial instruments		4,557	2,221
Deferred income		8,243	7,330
CURRENT LIABILITIES		**936,891**	**857,465**
TOTAL EQUITY AND LIABILITIES		**3,570,214**	**3,123,525**

CONSOLIDATED CASH FLOW STATEMENT

€ thousands	First-half 2007	First-half 2006	2006
PROFIT FOR THE PERIOD	**183,653**	**165,508**	**331,156**
Share of profits of associates, net of dividends received	(14,045)	(6,640)	(6,416)
Depreciation, amortization and other non-cash items	65,089	70,702	133,161
Profit before non-cash items and share of profits of associates, net of dividends received	**234,697**	**229,570**	**457,901**
Provision charges (reversals)	2,807	964	4,328
(Gains) and losses on asset disposals, net	143	1,991	312
Cash flow after income tax expense and finance costs, net	**237,647**	**232,525**	**462,541**
Finance costs, net	3,058	6,870	10,134
Income tax expense (current and deferred taxes)	79,067	66,316	137,331
Cash flow before income tax expenses and finance costs, net	**319,772**	**305,711**	**610,006**
Income taxes paid	(68,961)	(71,574)	(127,553)
Interest (paid) and received, net	4,183	(1,583)	(4,543)
Change in working capital	(85,539)	(83,213)	(26,849)
NET CASH FROM OPERATING ACTIVITIES	**169,455**	**149,341**	**451,061**
Purchases of property, plant and equipment	(108,713)	(97,197)	(204,745)
Acquisitions of subsidiaries, net of the cash acquired	(87,552)	(17,179)	(44,024)
Purchases of available-for-sale financial assets	(9,088)	(6,732)	(2,135)
Purchases of other long-term financial investments	(495)	(3,059)	(4,829)
Proceeds from the sale of subsidiaries, net of the cash sold			(116)
Proceeds from the sale of other non-current assets	1,644	3,416	14,080
NET CASH USED IN INVESTING ACTIVITIES	**(204,204)**	**(120,751)**	**(241,769)**
Proceeds from issue of share capital	19,573	16,185	33,312
(Purchases) and sales of treasury stock, net	(8,728)	(6,127)	9,192
Dividends paid to:			
- Equity holders of Essilor International	(113,066)	(95,840)	(95,840)
- Minority shareholders of subsidiaries	(103)	(84)	(381)
Repayments of borrowings other than finance lease liabilities	247,877	(48,848)	(138,426)
Purchases of marketable securities*	(26,345)	(62,941)	(75,147)
Repayments of finance lease liabilities	(727)	(1,108)	(2,175)
Other movements	365	(1,183)	2,464
NET CASH USED IN FINANCING ACTIVITIES	**118,846**	**(199,946)**	**(267,001)**
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**84,097**	**(171,356)**	**(57,709)**
Cash and cash equivalents at January 1	569,873	631,100	631,100
IAS 39 adjustments to opening cash and cash equivalents			
Effect of changes in exchange rates	(84)	(2,603)	(3,518)
CASH AND CASH EQUIVALENTS AT DECEMBER 31	**653,886**	**457,141**	**569,873**
Cash and cash equivalents reported in the balance sheet			584,889
Cash equivalents	559,762	363,559	
Cash	121,076	118,662	
Short-term bank loans and overdrafts	(26,952)	(25,080)	(15,016)

* Units in money market funds not qualified as cash equivalents under IAS 7.

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

- **First-half 2007**

(€ thousands)	Share capital	Additional paid-in capital	Reval-uation reserves	OCEANE conversion option	Retained earnings	Translation reserve	Treasury stock	Profit attributable to equity holders of Essilor International	**Equity attributable to equity holders of Essilor International**	Minority interests	**Total equity**
Equity at January 1, 2007	**36,347**	**236,858**	**1,935**	**35,489**	**1,331,761**	**(4,399)**	**(71,502)**	**328,284**	**1,894,773**	**11,032**	**1,905,805**
Issue of share capital											
- To the corporate mutual funds	61	12,308							12,369		12,369
- On exercise of stock options	58	7,146							7,204		7,204
Cancellation of treasury stock											
OCEANE buybacks											
Share-based payments					10,663				10,663		10,663
Purchases and sales of treasury stock, net					24		(8,752)		(8,728)		(8,728)
Appropriation of profit					328,284			(328,284)			
Effect of changes in scope of consolidation										23	23
Dividends paid					(113,051)				(113,051)	(103)	(113,154)
Transactions with shareholders	**119**	**19,454**	**0**	**0**	**225,920**	**0**	**(8,752)**	**(328,284)**	**(91,543)**	**(80)**	**(91,623)**
Gains and losses on remeasurement at fair value of derivative financial instruments, net of tax:											
Cash flow hedges, effective portion			(670)						(670)		(670)
Hedges of net investments in foreign operations, effective portion			787						787		787
Transfers to profit for the period, net of tax:											
Gains and losses on cash flow hedges, effective portion			(13)						(13)		(13)
Gains and losses on hedges of net investments in foreign operations, effective portion			(1,102)						(1,102)		(1,102)
Gains and losses on remeasurement at fair value of available-for-sale financial assets, net of tax			(137)						(137)		(137)
Exchange differences on translating foreign operations and other			(7)		(80)	12,447			12,360	5	12,365
Total income and expense for the period recognized directly in equity (a)	**0**	**0**	**(1,142)**	**0**	**(80)**	**12,447**	**0**	**0**	**11,225**	**5**	**11,230**
Profit for the period (b)								181,723	181,723	1,930	183,653
Total recognized income and expense (a) + (b)	**0**	**0**	**(1,142)**	**0**	**(80)**	**12,447**	**0**	**181,723**	**192,948**	**1,935**	**194,883**
Equity at June 30, 2007	**36,466**	**256,312**	**793**	**35,489**	**1,557,601**	**8,048**	**(80,254)**	**181,723**	**1,996,178**	**12,887**	**2,009,065**

♦ **Fiscal 2006**

€ thousands	Share capital	Additional paid-in capital	Reval-uation reserves	OCEANE conversion option	Retained earnings	Translation reserve	Treasury stock	Profit attributable to equity holders of Essilor International	**Equity attributable to equity holders of Essilor International**	Minority interests	**Total equity**
Equity at January 1, 2006	**36,122**	**203,771**	**(1,289)**	**40,752**	**1,133,089**	**63,266**	**(81,979)**	**287,134**	**1 680 866**	**7,000**	**1,687,866**
Issue of share capital											
- To the corporate mutual funds	107	19,389							19,496		19,496
- On exercise of stock options	118	13,698							13,816		13,816
Cancellation of treasury stock											
OCEANE buybacks				(5,263)	(7,237)				(12,500)		(12,500)
Share-based payments					16,101				16,101		16,101
Purchases and sales of treasury stock, net					(1,285)		10,477		9,192		9,192
Appropriation of profit					287,134			(287,134)			
Effect of changes in scope of consolidation										2,236	2,236
Dividends paid					(95,840)				(95,840)	(381)	(96,221)
Transactions with shareholders	**225**	**33,087**	**0**	**(5,263)**	**198,873**	**0**	**10,477**	**(287,134)**	**(49,735)**	**1,855**	**(47,880)**
Gains and losses on remeasurement at fair value of derivative financial instruments, net of tax: Cash flow hedges, effective portion			2,243						2,243		2,243
Hedges of net investments in foreign operations, effective portion			1,587						1,587		1,587
Transfers to profit for the period, net of tax: Gains and losses on cash flow hedges, effective portion			185						185		185
Gains and losses on hedges of net investments in foreign operations, effective portion			(675)						(675)		(675)
Gains and losses on remeasurement at fair value of available-for-sale financial assets, net of tax			(78)						(78)		(78)
Exchange differences on translating foreign operations and other			(38)		(201)	(67,665)			(67,904)	(695)	(68,599)
Total income and expense for the period recognized directly in equity (a)	**0**	**0**	**3,224**	**0**	**(201)**	**(67,665)**	**0**	**0**	**(64,642)**	**(695)**	**(65,337)**
Profit for the period (b)								328,284	328,284	2,872	331,156
Total recognized income and expense (a) + (b)	**0**	**0**	**3,224**	**0**	**(201)**	**(67,665)**	**0**	**328,284**	**263,642**	**2,177**	**265,819**
Equity at December 31, 2006	**36,347**	**236,858**	**1,935**	**35,489**	**1,331,761**	**(4,399)**	**(71,502)**	**328,284**	**1,894,773**	**11,032**	**1,905,805**

- **First-half 2006**

€ thousands	Share capital	Additional paid-in capital	Reval-uation reserves	OCEANE conversion option	Retained earnings	Translation reserve	Treasury stock	Profit attributable to equity holders of Essilor International	**Equity attributable to equity holders of Essilor International**	Minority interests	**Total equity**
Equity at January 1, 2006	**36,122**	**203,771**	**(1,289)**	**40,752**	**1,133,089**	**63,266**	**-81,979**	**287,134**	**1,680,866**	**7,000**	**1,687,866**
Issue of share capital											
- To the corporate mutual funds	67	11,956							12,023		12,023
- On exercise of stock options	37	4,125							4,162		4,162
Cancellation of treasury stock											
OCEANE buybacks				(5,262)	(7,465)				(12,727)		(12,727)
Share-based payments					8,159				8,159		8,159
Purchases and sales of treasury stock, net					(666)		(5,462)		(6,128)		(6,128)
Appropriation of profit					287,134			(287,134)			
Effect of changes in scope of consolidation										3,020	3,020
Dividends paid					(95,840)				(95,840)	(84)	(95,924)
Transactions with shareholders	**104**	**16,081**	**0**	**(5,262)**	**191,322**	**0**	**(5,462)**	**(287,134)**	**(90,351)**	**2,936**	**(87,415)**
Gains and losses on remeasurement at fair value of derivative financial instruments, net of tax:											
Cash flow hedges, effective portion			312						312		312
Hedges of net investments in foreign operations, effective portion			1,144						1,144		1,144
Transfers to profit for the period, net of tax:											
Gains and losses on cash flow hedges, effective portion			765						765		765
Gains and losses on hedges of net investments in foreign operations, effective portion			(216)						(216)		(216)
Gains and losses on remeasurement at fair value of available-for-sale financial assets, net of tax			(41)						(41)		(41)
Exchange differences on translating foreign operations and other			9			(49,754)			(49,745)	(595)	(50,340)
Total income and expense for the period recognized directly in equity (a)	**0**	**0**	**1,973**	**0**	**0**	**(49,754)**	**0**	**0**	**(47,781)**	**(595)**	**(48,376)**
Profit for the period (b)								164,070	164,070	1,438	165,508
Total recognized income and expense (a) + (b)	**0**	**0**	**1,973**	**0**	**0**	**(49,754)**	**0**	**164,070**	**116,289**	**843**	**117,132**
Equity at June 30, 2006	**36,226**	**219,852**	**684**	**35,490**	**1,324,411**	**13,512**	**(87,441)**	**164,070**	**1,706,804**	**10,779**	**1,717,583**

Notes to the condensed interim consolidated financial statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In accordance with European Council regulation 1606/2002/EC of July 19, 2002, the Company has adopted as its primary basis of accounting the International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs) and related interpretations adopted by the European Union as of the balance sheet date.

The condensed consolidated financial statements for the six months ended June 30, 2007 have been prepared in accordance with IAS 34 – Interim Financial Reporting. They were approved by the Board of Directors on August 29, 2007.

The accounting polices used to prepare the condensed interim consolidated financial statements are unchanged compared with those applied in the 2006 consolidated financial statements.

The Company's functional and presentation currency is the euro. All amounts are presented in thousands of euros, unless otherwise specified.

♦ **New standards, amendments to standards and interpretations applicable to the first-half 2007 consolidated financial statements**

- **IFRIC 7 – Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies**
  The Company is not concerned by this interpretation.

- **IFRIC 8 – Scope of IFRS 2**
  This interpretation has no impact on the consolidated financial statements.

- **IFRIC 9 – Reassessment of Embedded Derivatives**
  This interpretation has no material impact on the reassessment of embedded derivatives, as the reassessment method used by the Company already complied with IFRIC 9.

- **IFRS 7 – Financial Instruments: Disclosures** and **Amendment to IAS 1 – Presentation of Financial Statements: Capital Disclosures**
  After assessing the impact of applying IFRS 7 and the amendment to IAS 1, the Company believes that the additional disclosures to be made mainly concern sensitivity to market risks and the capital disclosures required by IAS 1. Given that they concern presentation and disclosure policies in the full set of financial statements, IFRS 7 and the amendment to IAS 1 will be applied to the consolidated financial statements for the year ending December 31, 2007.

- **IFRIC 10 – Interim Financial Reporting and Impairment**
  IFRIC 10 specifies that an impairment loss recognized in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost cannot be reversed in future periods. This interpretation has no impact on the consolidated financial statements.

♦ **New standards, amendments to standards and interpretations not applicable to the first-half 2007 consolidated financial statements**

The Company did not early adopt the following standards, amendments to standards or interpretations:

- **Amendment to IAS 23 – Borrowing Costs**
  The amendment to IAS 23, applicable to financial periods beginning on or after January 1, 2009, eliminates the option of expensing the borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. Those costs must now be systematically capitalized.

- **IFRS 8 – Operating Segments**
  According to IFRS 8, applicable to financial periods beginning on or after January 1, 2009, segment information should be based on operating segments used for management purposes. Given that it concerns presentation and disclosure policies in the full set of financial statements, IFRS 8 will be applied to the consolidated financial statements for the year ending December 31, 2009.

- **IFRIC 11 – IFRS 2: Group and Treasury Share Transactions**
  IFRIC 11 provides guidance on the accounting treatment of certain types of share-based payments and the recognition of such transactions in the separate financial statements. The Company is not concerned by this interpretation.

1.1. USE OF ESTIMATES

The preparation of financial statements involves the use of estimates and assumptions that may affect the reported amounts of assets, liabilities, income and expenses in the financial statements as well as the disclosures in the notes concerning contingent assets and liabilities at the balance sheet date. These estimates and assumptions, which were determined based on the information available when the financial statements were drawn up, mainly concern provisions for returned goods and trade receivables, product life cycles, pension and other post-employment benefit obligations, restructuring provisions, provisions for tax and environmental liabilities, claims and litigation, the measurement of goodwill, the measurement of purchased intangible assets and their estimated useful life, the fair value of derivative financial instruments, deferred tax assets and share-based payments. The final amounts may be different from these estimates.

The Company is subject to income tax in many jurisdictions with different tax rules and the determination of global income tax expense is based to a significant extent on estimates and assumptions that reflect the information available when the financial statements are drawn up.
Income tax expense in the interim financial statements is calculated based on the estimated effective tax rate expected to be paid for the fiscal year in accordance with IAS 34 – Interim Financial Reporting.

1.2. SEGMENT INFORMATION

The Company's primary segment reporting format is the geographical segment.

A geographical segment is a group of countries with comparable market structures in terms of the organization of distribution and the type of products sold, and comparable risks and returns. Information by geographical segment is presented based on the location of the related assets.

Because roughly 95% of revenue is derived from ophthalmic lens sales, information by business segment would not be materially different from information for the Company as a whole. Consequently, the Company considers that it does not have any secondary segment reporting format.

1.3. CONSOLIDATED CASH FLOW STATEMENT

The cash flow statement has been prepared by the indirect method, whereby profit is adjusted for the effects of non-cash transactions, deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing transactions.

In the consolidated cash flow statement:

- Changes in current assets and liabilities are stated before the effect of changes in scope of consolidation and exchange rates.

- Cash flows of foreign subsidiaries are translated at the average exchange rate for the period.
- Profit before non-cash items and share of profits of associates, net of dividends received, is defined as profit of fully-consolidated companies before depreciation, amortization and provisions (other than provisions for impairment of current assets) and other non-cash items (mainly the costs of stock option plans and employee stock ownership plans), plus dividends received from associates.
- The effect of changes in exchange rates on cash and cash equivalents corresponds to the effect of changes in exchange rates between the beginning and end of the period and to the effect of differences between the closing exchange rate and the average rate for the period on movements for the period.
- The amounts reported for acquisitions (sales) of subsidiaries correspond to the purchase price (sale proceeds) less the cash and cash equivalents of the acquired (sold) subsidiary at the transaction date.
- Cash and cash equivalents in the cash flow statement correspond to cash and marketable securities qualifying as cash equivalents less short-term bank loans and overdrafts. Marketable securities, consisting mainly of units in money market funds, are qualified as cash equivalents when the fund's management objectives fulfill the criteria specified by the French securities regulator (AMF) in its March 2006 press release.

  Marketable securities that do not fulfill these criteria are not classified as cash equivalents. Purchases and sales of these securities are treated as cash flows from financing activities.

1.4. OTHER INCOME AND EXPENSES FROM OPERATIONS

Other income and expenses from operations mainly include the following items:

- Restructuring costs
- Charges to provisions for claims and litigation
- Goodwill impairment losses and charges to provisions for impairment of other intangible assets and property, plant and equipment
- Compensation costs on share-based payments.

1.5. BORROWINGS

Borrowings are initially recognized at an amount corresponding to the issue proceeds net of directly attributable transaction costs.

Any difference between this amount and the redemption price is recognized in profit over the life of the debt by the effective interest method.

In accordance with IAS 32, the conversion option embedded in convertible bonds is separated from the host contract and recognized in equity, net of deferred taxes.
The conversion option is initially recognized at an amount corresponding to the difference between the convertible bond issue proceeds, net of directly attributable transaction costs, and the present value of vanilla bonds with the same characteristics.
Any difference between the carrying amount of convertible bonds, excluding the conversion option, and the redemption price is recognized in profit over the life of the debt using the effective interest method.

The purchase cost of any OCEANE convertible bonds bought back by the Company is allocated between the debt instrument and the equity instrument based on market interest rates at the buyback date for bonds with a maturity corresponding to the remaining life of the OCEANEs, using the same method as that applied at the issue date.

- The difference between the carrying amount of the debt at the buyback date (amortized cost) and the portion of the purchase price corresponding to the debt instrument is recognized in profit.
- The portion of the purchase price corresponding to the equity instrument is recognized directly in equity, net of deferred taxes.

NOTE 2. EXCHANGE RATES AND SCOPE OF CONSOLIDATION

2.1. EXCHANGE RATES OF THE MAIN FUNCTIONAL CURRENCIES

(for €1)	Closing rate as of:			Average rate		
	June 30, 2007	Dec. 31, 2006	June 30, 2006	H1 2007	FY 2006	H1 2006
Brazilian real	2.60	2.81	2.74	2.70	2.74	2.70
Canadian dollar	1.43	1.53	1.41	1.50	1.43	1.40
Pound sterling	0.67	0.67	0.69	0.68	0.68	0.69
Yen	165.61	156.93	145.75	160.46	146.81	142.69
U.S. dollar	1.35	1.32	1.27	1.33	1.26	1.24

2.2. CHANGES IN THE SCOPE OF CONSOLIDATION

- **Newly-consolidated companies**

The following companies were consolidated for the first time in first-half 2007:

Name	Country	Consolidated from	Consolidation method	% interest	% consolidated
Novacel	France	January 1, 2007	Full	75.00	100.00
Mega Optics	France	January 1, 2007	Full	75.00	100.00
Beitler Mc Kee Optical Inc	United States	January 1, 2007	Full	90.00	100.00
OOGP	United States	May 1, 2007	Full	80.00	100.00
Personal Eyes	United States	March 1, 2007	Full	80.00	100.00
Sutherlin	United States	June 1, 2007	Full	85.00	100.00
Nikon Beijing Co Ltd	Japan	April 1, 2007	Proportionate	50.00	50.00

The first-half 2007 income statement also includes the contribution over the full six months of the following companies that were consolidated for the first time in 2006:

Name	Country	Consolidated from	Consolidation method	% interest	% consolidated
AR Coating	Argentina	April 1, 2006	Full	60.00	100.00
TEC Optik Pty. Ltd	Australia	September 1, 2006	Full	100.00	100.00
AM Optical Co. Inc.	United States	March 1, 2006	Business acquisition		
PerfeRx Optical Co. Inc.	United States	April 1, 2006	Full	80.00	100.00
Uniscoat Inc.	United States	April 1, 2006	Full	100.00	100.00
Ozarks Optical Laboratories Inc.	United States	May 1, 2006	Full	80.00	100.00
Future Optics Inc.	United States	May 1, 2006	Full	80.00	100.00
Precision Optical Lab. (Tennessee)	United States	June 1, 2006	Full	80.00	100.00
Precision Optical Co. (Connecticut)	United States	July 1, 2006	Full	80.00	100.00
Homer Optical Inc.	United States	July 1, 2006	Full	100.00	100.00
Vision Star LLC	United States	August 1, 2006	Business acquisition		
SunStar Inc.	United States	September 1, 2006	Full	80.00	100.00
Dibok Inc. – Aspen Optical	United States	October 1, 2006	Full	80.00	100.00
Peninsula Optical Lab Inc.	United States	November 1, 2006	Full	80.00	100.00
Optical Labs, New Zealand Ltd	New Zealand	April 1, 2006	Full	50.00	100.00
Prolab	New Zealand	April 1, 2006	Full	100.00	100.00
SC Varirom Srl.	Romania	February 1, 2006	Full	100.00	100.00

- **Other movements**

In the second half of 2006, the Company increased its interest in Hobart Optical (Australia) from 49% to 100%.

At the end of 2006, the Company sold its entire interest in J.D. Montage (France).

2.3.

2.4. IMPACT OF CHANGES IN EXCHANGE RATES AND SCOPE OF CONSOLIDATION

♦ Balance sheet

The impact of changes in scope of consolidation on the consolidated balance sheet is presented below:

€ thousands	Newly-consolidated companies in first-half 2007
Intangible assets	67
Property, plant and equipment	13,245
Investments and other non-current financial assets	44
Other non-current assets	501
Current assets	29,681
Cash and cash equivalents	5,350
Total assets acquired	**48,888**
Minority interests in equity	0
Long-term borrowings	8,187
Other non-current liabilities	1,276
Short-term borrowings	434
Other current liabilities	20,708
Total liabilities assumed	**30,605**
NET ASSETS ACQUIRED	**18,283**

Acquisition cost	92,629
Fair value of net assets acquired	18,283
Put options granted to minority shareholders	(20,654)
Recognized goodwill	**95,000**

In view of the characteristics of the acquired assets and assumed liabilities, their fair value is not materially different from their carrying amount.
The amount recognized as goodwill is supported by projected synergistic benefits and the growth outlook of the acquired companies within Essilor.

The fair values of the net assets acquired over the period are provisional values that may change at a later date on completion of additional appraisals and analyses. Adjustments made within twelve months of the acquisition date will be recorded as a retrospective adjustment to goodwill. Any adjustments made beyond twelve months will be recognized directly in profit, except when they correspond to corrections of errors.

♦ Consolidated income statement

The overall effect of changes in scope of consolidation and exchange rates on first-half 2007 revenue, contribution from operations and operating profit was as follows:

In %	**First-half 2007 vs. First-half 2006**			
	Reported growth	Impact of changes in exchange rates	Impact of changes in consolidation scope	**Like-for-like growth**
Revenue	**8.4**	(3.7)	3.6	**8.5**
Contribution from operations	**10.0**	(3.7)	1.3	**12.4**
Operating profit	**10.3**	(3.9)	1.6	**12.6**

NOTE 3. SEGMENT INFORMATION

Revenue

€ millions	H1 2007			H1 2006			FY 2006		
	Total revenue	Elimi-nation of inter-segment revenue	External revenue	Total revenue	Elimi-nation of inter-segment revenue	External revenue	Total revenue	Elimi-nation of inter-segment revenue	External revenue
By geographical segment									
Europe	723	47	676	653	47	606	1,293	85	1,208
North America	645	23	622	612	16	596	1,191	34	1,157
Rest of world	246	67	179	225	65	160	445	120	325
	1,614	**137**	**1,477**	**1,490**	**128**	**1,362**	**2,929**	**239**	**2,690**
By business segment									
Corrective lenses			1,379			1,279			2,527
Other			98			83			163
			1,477			**1,362**			**2,690**

Acquisitions of property, plant and equipment and intangible assets

€ millions	H1 2007	H1 2006	FY 2006
By geographical segment			
Europe	47	37	75
North America	35	34	71
Rest of world	27	25	58
	109	**96**	**203**

Depreciation and amortization

€ millions	H1 2007	H1 2006	FY 2006
By geographical segment			
Europe	28	28	57
North America	21	23	45
Rest of world	16	14	30
	65	**65**	**132**

Contribution to operating profit

€ millions	H1 2007	H1 2006	FY 2006
By geographical segment			
Europe	108	104	198
North America	102	93	189
Rest of world	43	32	74
	253	**229**	**460**

Share of profits of associates

€ millions	H1 2007	H1 2006	FY 2006
By geographical segment			
Europe	9	8	15
North America	5	6	11
Rest of world	1	2	3
	15	**16**	**28**

Non-current assets and total assets

€ millions	June 30, 2007		December 31, 2006	
	Non-current assets*	Total assets	Non-current assets*	Total assets
By geographical segment				
Europe	482	1,936	386	1,616
North America	691	1,061	657	972
Rest of world	241	573	221	536
	1,414	**3,570**	**1,264**	**3,124**

* Excluding non-current financial assets.

Provisions and current liabilities

€ millions	June 30, 2007		December 31, 2006	
	Provisions for contingencies and charges	Short-term borrowings and operating liabilities	Provisions for contingencies and charges	Short-term borrowings and operating liabilities
By geographical segment				
Europe	96	882	93	829
North America	22	452	22	163
Rest of world	5	105	5	107
	123	**1,439**	**119**	**1,099**

NOTE 4. OTHER INCOME AND EXPENSES FROM OPERATIONS

€ thousands	**H1 2007**	**H1 2006**	**FY 2006**
By nature			
Impairment charges	(2,302)	(2,938)	(2,929)
Compensation costs on stock options	(4,484)	(5,153)	(10,621)
Compensation costs on employee share issues	(3,092)	(3,006)	(4,874)
Compensation costs on performance share grants	(3,087)		(606)
Restructuring costs, net		(751)	(2,662)
Other income and expenses from operations, net	(979)	282	(68)
Total	**(13,944)**	**(11,566)**	**(21,760)**

NOTE 5. OTHER FINANCIAL INCOME AND EXPENSES, NET

€ thousands	H1 2007	H1 2006	FY 2006
By nature			
Charges to provisions for impairment of available-for-sale financial assets, net	31	(1,085)	(2,363)
Loss on OCEANE convertible bond buybacks		(1,689)	(1,687)
Exchange gains and losses, net	(2,028)	(18,361)	(4,246)
Changes in fair value of derivative financial instruments	(840)	14,577	(1,442)
Dividends	212	63	321
Other financial income and expenses, net	(12)	(22)	(25)
Total	**(2,637)**	**(6,517)**	**(9,442)**

NOTE 6. CHANGE IN OUTSTANDING SHARES

In accordance with the resolutions approved by shareholders at the Annual Meeting of May 11, 2007, in July the par value of the Company's shares was raised from €0.35 to €0.36 and then reduced to €0.18 in a two-for-one stock split.

Change in outstanding shares (before the two-for-one stock split)

	H1 2007	FY 2006	H1 2006
Number of shares at January 1	**102,724,482**	**101,882,632**	**101,882,632**
Shares issued on exercise of stock options	165,787	337,041	105,518
Shares issued to the Essilor corporate mutual fund	174,382	305,133	192,499
Treasury shares allocated on conversion of OCEANE convertible bonds	2,253	10,075	237
Shares sold out of treasury on exercise of stock options	26,515	149,510	86,451
(Purchases) and sales of treasury stock, net	(114,091)	40,091	(114,500)
Number of shares at period-end	**102,979,328**	**102,724,482**	**102,152,837**
Number of treasury shares excluded from the calculation	1,209,277	1,123,954	1,351,442

Change in average number of outstanding shares (before the two-for-one stock split)

	H1 2007	FY 2006	H1 2006
Number of shares at January 1	**102,724,482**	**101,882,632**	**101,882,632**
Shares issued on exercise of stock options		53,193	0
Shares issued to the Essilor corporate mutual fund		97,041	0
Treasury shares allocated on conversion of OCEANE convertible bonds	632	2,854	72
Shares sold out of treasury on exercise of stock options	10,849	72,078	38,703
(Purchases) and sales of treasury stock, net	(14,725)	15,537	10,036
Average number of shares at period-end	**102,721,238**	**102,123,335**	**101,931,443**

NOTE 7. GOODWILL

€ thousands	At Jan. 1	Changes in consolidation scope and acquisitions	Other movements	Translation adjustment	Impairment losses recognized in the period	At period-end
H1 2007						
Gross	**489,008**	**95,000**	**3,696**	**(5,255)**		**582,449**
Impairment losses	14,237			(167)	2 302	16,372
Carrying amount	**474,771**	**95,000**	**3,696**	**(5,088)**	**(2,302)**	**566,077**
FY 2006						
Gross	**464,526**	**53,341**	**11,459**	**(40,318)**		**489,008**
Impairment losses	13,489	(2,224)		31	2,941	14,237
Carrying amount	**451,037**	**55,565**	**11,459**	**(40,349)**	**(2,941)**	**474,771**

The carrying amount of goodwill breaks down as follows by geographical segment:

€ thousands	**June 30, 2007**	**Dec. 31, 2006**
Europe	128,712	61,145
North America	403,013	379,416
Rest of world	34,352	34,210
	566,077	**474,771**

NOTE 8. NET DEBT

€ thousands	**June 30, 2007**	**Dec. 31, 2006**
OCEANE convertible bonds	256,816	252,794
Other long-term borrowings	266,669	10,203
Short-term borrowings	157,219	168,340
Short-term bank loans and overdrafts and accrued interest	32,640	18,671
Total borrowings	**713,344**	**450,008**
Marketable securities*	101,492	75,147
Cash equivalents	559,762	458,038
Cash	121,076	126,851
Total assets	**782,330**	**660,036**
Net debt	**(68,986)**	**(210,028)**

* Marketable securities not qualifying as cash equivalents, that the Company considers as qualifying for inclusion in the calculation of net debt.

At June 30, 2007 there were 5,247,421 OCEANEs outstanding.
As of July 16, 2007, following the two-for-one stock split (see above), OCEANE convertible bonds are convertible or exchangeable on the basis of one bond for two new shares with a par value of €0.18.

NOTE 9. OFF-BALANCE SHEET COMMITMENTS

There were no material changes in the amount or nature of off-sheet commitments between December 31, 2006 and June 30, 2007.

NOTE 10. PARENT COMPANY KEY FIGURES

€ millions	H1 2007	FY 2006	H1 2006
Revenue	379	696	361
Net profit	151	169	114

NOTE 11. SUBSEQUENT EVENTS

- **Two-for-one stock split**

  In July 2007, in accordance with the resolutions approved by shareholders at the Annual Meeting of May 11, 2007, the par value of the Company's shares was raised from €0.35 to €0.36 and then reduced to €0.18 in a two-for-one stock split.

STATEMENT BY THE PERSON RESPONSIBLE FOR THE 2007 INTERIM FINANCIAL REPORT

I declare that, to the best of my knowledge, (i) the financial statements included in the interim financial report have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and results of Essilor International and the consolidated companies, and (ii) the interim management report includes a fair review of significant events of the past six months, their impact on the interim financial statements and the main related party transactions for the period, as well as a description of the main risks and uncertainties in the second half of the year.

Charenton, August 30, 2007

Xavier Fontanet
Chairman and Chief Executive Officer

STATUTORY AUDITORS' REVIEW REPORT
ON THE FIRST HALF-YEAR FINANCIAL INFORMATION FOR 2007
(Period from January 1, 2007 to June 30, 2007)

PricewaterhouseCoopers Audit
Statutory Auditors
63, rue de Villiers
92208 Neuilly-sur-Seine Cedex

Mazars & Guérard
Statutory Auditors
61, rue Henri Regnault
92400 Courbevoie

This is a free translation into English of the Statutory Auditors' review report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

ESSILOR INTERNATIONAL
147, rue de Paris
94227 Charenton Cedex

In our capacity as statutory auditors and in accordance with the requirements of article L 232-7 of the French Commercial Law ("*Code de Commerce*"), we hereby report to you on:

- the limited review of the accompanying condensed half-year consolidated financial statements of ESSILOR INTERNATIONAL, for the period January 1 to June 30, 2007,
- the verification of information contained in the half-year management report.

These condensed half-year consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review of the accompanying half-year condensed financial statements, nothing has come to our attention that causes us to believe that the accompanying condensed half-year consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - standard of the IFRSs as adopted by the European Union applicable to interim financial information.

In accordance with professional standards applicable in France, we have also verified the information given in the half-year management report on the condensed half-year consolidated financial statements subject to our review.

Based on our review, we have no matters on the fairness of the information and its consistency with the condensed half-year consolidated financial statements.

Neuilly-sur-Seine and Courbevoie, August 30, 2007

The Statutory Auditors

French original signed by

Mazars & Guérard	**PricewaterhouseCoopers Audit**
Pierre Sardet	Jacques Denizeau