



# 2008 INTERIM FINANCIAL REPORT

## ESSILOR INTERNATIONAL

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*This is a free translation into English of the 2008 Interim Financial Report issued in French.*



## Management Report

### First-Half 2008

<i>€ millions</i>	<b>First-half 2008</b>	First-half 2007	% change
Revenue	<b>1,520.2</b>	<b>1,476.9</b>	+2.9%
Contribution from operations <sup>(1)</sup>	<b>276.3</b>	<b>267.3</b>	+3.4%
<i>% of revenue</i>	<b>18.2%</b>	<b>18.1%</b>	
Operating profit	<b>261.7</b>	<b>253.2</b>	+3.4%
Profit attributable to equity holders of Essilor International	<b>198.3</b>	<b>181.9</b>	+9.0%
<i>% of revenue</i>	<b>13.0%</b>	<b>12.3%</b>	
Basic earnings per share (in €)	<b>0.96</b>	<b>0.88<sup>(2)</sup></b>	+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<sup>®</sup> variable-tint lenses as well as the Crizal Avancé<sup>™</sup> anti-reflective lenses with Scotchgard<sup>™</sup> Protector.
- A sharp increase in sales of medium and high-index lenses, especially in 1.6 high-index material.



## Revenue by region

<i>€ millions</i>	<b>First-half 2008</b>	First-half 2007	% change (reported)	% change (like-for-like)
<i>Europe</i>	<b>697.1</b>	675.7	+3.2%	+2.7%
<i>North America</i>	<b>625.4</b>	622.4	+0.5%	+7.0%
<i>Asia-Pacific</i>	<b>137.1</b>	128.7	+6.5%	+6.9%
<i>Latin America</i>	<b>60.6</b>	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 €867 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 €590.7 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	<b>275</b>	Capital expenditure net of the proceeds from asset sales	<b>95</b>
Proceeds from employee share issue	<b>22</b>	Change in WCR and provisions	<b>92</b>
Net decrease in cash and cash equivalents	<b>150</b>	Dividends	<b>129</b>
Effect of changes in exchange rates and in the scope of consolidation	<b>9</b>	Financial investments net of the proceeds from disposals	<b>140</b>



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.

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**INTERIM CONSOLIDATED FINANCIAL  
STATEMENTS  
SIX MONTHS ENDED JUNE 30, 2008**

## CONSOLIDATED STATEMENT OF INCOME

€ thousands, except for per share data	Notes	First half 2008 (6 months)	First half 2007 (6 months) (a)	2007 (12 months)
Revenue	3	1,520,194	1,476,870	2,908,116
Cost of sales		(653,165)	(622,026)	(1,233,977)
<b>GROSS MARGIN</b>		<b>867,029</b>	<b>854,844</b>	<b>1,674,139</b>
Research and development costs		(71,258)	(69,086)	(137,672)
Selling and distribution costs		(329,169)	(326,925)	(642,634)
Other operating expenses		(190,284)	(191,528)	(366,417)
<b>CONTRIBUTION FROM OPERATIONS</b>		<b>276,318</b>	<b>267,305</b>	<b>527,416</b>
Other income and expenses from operations, net	4	(14,723)	(13,944)	(24,384)
Gains and losses on asset disposals, net		117	(147)	1,557
<b>OPERATING PROFIT</b>	<b>3</b>	<b>261,712</b>	<b>253,214</b>	<b>504,589</b>
Finance costs		(12,382)	(17,697)	(35,759)
Income from cash and cash equivalents		14,370	14,809	32,934
Other financial income and expenses, net	5	958	(2,637)	(3,688)
<b>PROFIT BEFORE TAX</b>		<b>264,658</b>	<b>247,689</b>	<b>498,076</b>
Income tax expense		(77,907)	(79,181)	(155,949)
<b>NET PROFIT OF FULLY-CONSOLIDATED COMPANIES</b>		<b>186,751</b>	<b>168,508</b>	<b>342,127</b>
Share of profits of associates	3	14,671	15,305	28,743
<b>PROFIT FOR THE PERIOD</b>		<b>201,422</b>	<b>183,813</b>	<b>370,870</b>
<b>Attributable to equity holders of Essilor International</b>		<b>198,313</b>	<b>181,883</b>	<b>366,740</b>
Attributable to minority interests		3,109	1,930	4,130
<b>Earnings per share</b>				
Basic earnings per share (€)		0.96	0.88	1.78
Weighted average number of shares (thousands)		207,225	205,442	205,727
Diluted earnings per share (€)		0.94	0.85	1.74
Diluted weighted average number of shares (thousands)		214,537	218,369	214,647



## CONSOLIDATED BALANCE SHEET

### ASSETS

€ thousands	Notes	June 30, 2008	December 31, 2007
Goodwill	7	621,020	591,147
Other intangible assets		123,335	121,636
Property, plant and equipment		745,853	740,601
<b>INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT, NET</b>	<b>3</b>	<b>1,490,208</b>	<b>1,453,384</b>
Investments in associates		160,573	157,496
Other long-term financial investments		49,226	39,174
Deferred tax assets		45,806	37,645
Long-term receivables		11,492	14,314
Other non-current assets		991	1,024
<b>OTHER NON-CURRENT ASSETS, NET</b>		<b>268,088</b>	<b>249,653</b>
<b>TOTAL NON-CURRENT ASSETS, NET</b>		<b>1,758,296</b>	<b>1,703,037</b>
Inventories		399,761	393,597
Prepayments to suppliers		10,900	9,849
Short-term receivables		652,524	605,356
Current income tax assets		13,053	12,072
Other receivables		9,946	10,423
Derivative financial instruments		39,962	32,777
Prepaid expenses		23,724	19,307
Marketable securities		31,855	31,179
Cash and cash equivalents	8	536,066	696,002
<b>CURRENT ASSETS</b>		<b>1,717,791</b>	<b>1,810,562</b>
<b>TOTAL ASSETS</b>	<b>3</b>	<b>3,476,087</b>	<b>3,513,599</b>

## CONSOLIDATED BALANCE SHEET

### EQUITY AND LIABILITIES

€ thousands	Notes	June 30, 2008	December 31, 2007
Share capital		38,168	38,030
Additional paid-in capital		351,417	329,880
Retained earnings		1,815,730	1,565,991
Treasury stock		(165,962)	(101,910)
Oceane conversion option		22,843	23,408
Hedging and revaluation reserves		(3,358)	(4,717)
Translation reserve		(119,965)	(61,247)
Profit attributable to equity holders of Essilor International		198,313	366,740
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF ESSILOR INTERNATIONAL</b>		<b>2,137,186</b>	<b>2,156,175</b>
Minority interests		12,628	12,090
<b>TOTAL EQUITY</b>		<b>2,149,814</b>	<b>2,168,265</b>
Provisions for pensions and other post-employment benefit obligations		105,149	106,890
Long-term borrowings	<b>8</b>	434,310	435,583
Deferred tax liabilities		6,361	2,042
Long-term payables		1,021	1,750
<b>NON-CURRENT LIABILITIES</b>		<b>546,841</b>	<b>546,265</b>
Provisions		22,536	24,552
Short-term borrowings	<b>8</b>	24,199	31,990
Customer prepayments		5,145	4,363
Short-term payables		563,450	598,434
Taxes payable		47,683	31,349
Other liabilities		105,194	94,243
Derivative financial instruments		3,460	5,457
Deferred income		7,765	8,681
<b>CURRENT LIABILITIES</b>		<b>779,432</b>	<b>799,069</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,476,087</b>	<b>3,513,599</b>

## CONSOLIDATED CASH FLOW STATEMENT

€ thousands	First-half 2008 (6 months)	First-half 2007 (6 months) (a)	2007 (12 months)
<b>PROFIT FOR THE PERIOD</b>	<b>201,422</b>	<b>183,813</b>	<b>370,870</b>
Share of profits of associates, net of dividends received	6,695	(14,045)	14,667
Depreciation, amortization and other non-cash items	68,780	64,815	139,306
<b>Profit before non-cash items and share of profits of associates, net of dividends received</b>	<b>276,897</b>	<b>234,583</b>	<b>524,843</b>
Provision charges (reversals)	357	2,807	5,127
Gains and losses on asset disposals, net	(88)	143	(1,557)
Government grants recognised in profit			
<b>Cash flow after income tax expense and finance costs, net</b>	<b>277,166</b>	<b>237,533</b>	<b>528,413</b>
Finance costs, net	(1,801)	3,058	3,008
Income tax expense (current and deferred taxes)	77,908	79,181	155,949
<b>Cash flow before income tax expense and finance costs, net</b>	<b>353,273</b>	<b>319,772</b>	<b>687,370</b>
Income taxes paid	(66,362)	(68,961)	(157,034)
Interest (paid) and received, net	7,205	4,183	6,364
Change in working capital	(106,748)	(85,539)	(44,796)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>187,368</b>	<b>169,455</b>	<b>491,904</b>
Purchases of property, plant and equipment	(96,304)	(108,713)	(227,701)
Acquisitions of subsidiaries, net of the cash acquired	(55,271)	(87,552)	(136,435)
Purchases of available-for-sale financial assets	(5,763)	(9,088)	(2,375)
Purchases of other long-term financial investments	(12,333)	(495)	(5,488)
Proceeds from the sale of subsidiaries, net of the cash sold		0	0
Proceeds from the sale of other non-current assets	1,735	1,644	6,937
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(167,936)</b>	<b>(204,204)</b>	<b>(365,062)</b>
Issue of share capital	21,675	19,573	40,200
(Purchases) and sales of treasury stock, net	(64,534)	(8,728)	(49,415)
Dividends paid to:			
- Equity holders of Essilor International	(128,393)	(113,066)	(113,043)
- Minority shareholders of subsidiaries	(120)	(103)	(239)
Repayments of borrowings other than finance lease liabilities	635	247,877	57,752
Purchases of marketable securities	(676)	(26,345)	43,968
Repayments of finance lease liabilities	(1,389)	(727)	(2,769)
Other movements	(81)	365	1,152
<b>NET CASH (USED IN) FROM FINANCING ACTIVITIES</b>	<b>(172,883)</b>	<b>118,846</b>	<b>(22,394)</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(153,451)</b>	<b>84,097</b>	<b>104,448</b>
<b>Cash and cash equivalents at January 1</b>	<b>677,164</b>	<b>569,873</b>	<b>569,873</b>
IAS 39 adjustment to opening cash and cash equivalents		0	
Effect of changes in exchange rates	(1,182)	(84)	2,843
<b>CASH AND CASH EQUIVALENTS AT PERIOD-END</b>	<b>522,531</b>	<b>653,886</b>	<b>677,164</b>
Cash and cash equivalents reported in the balance sheet			696,002
Cash equivalents	387,455	559,762	
Cash	148,611	121,076	
Bank overdrafts	(13,535)	(26,952)	(18,838)

\* Units in money market funds not qualified as cash equivalents under IAS 37.

(a) Restated to reflect the Company's election to recognize actuarial gains and losses in equity (see Note 1.1)

## STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

### ◆ First-half 2008

(€ thousands)	Share capital	Additional paid-in capital	Revaluation 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
<b>Equity at January 1, 2008</b>	<b>38,030</b>	<b>329,880</b>	<b>(4,717)</b>	<b>23,408</b>	<b>1,565,991</b>	<b>(61,247)</b>	<b>(101,910)</b>	<b>366,740</b>	<b>2,156,175</b>	<b>12,090</b>	<b>2,168,265</b>
Issue of share capital											
- To the corporate mutual funds	78	13,545							13,623		13,623
- On exercise of stock options	30	3,562							3,592		3,592
- On conversion of Oceane bonds	30	4,430		(565)	276				4,171		4,171
Cancellation of treasury stock							(64,052)		(64,052)		(64,052)
Oceane buybacks											
Share-based payments					12,175				12,175		12,175
Purchases and sales of treasury stock, net					(482)				(482)		(482)
Appropriation of profit					366,740			(366,740)			
Effect of changes in scope of consolidation on minority interests										(1,527)	(1,527)
Dividends					(128,393)				(128,393)	(120)	(128,513)
<b>Transactions with shareholders</b>	<b>138</b>	<b>21,537</b>	<b>0</b>	<b>(565)</b>	<b>250,316</b>	<b>0</b>	<b>(64,052)</b>	<b>(366,740)</b>	<b>(159,366)</b>	<b>(1,647)</b>	<b>(161,013)</b>
Total income and expense for the period recognized directly in equity			1,168						1,168		1,168
Profit for the period								198,313	198,313	3,109	201,422
Exchange differences on translating foreign operations			191		(577)	(58,718)			(59,104)	(924)	(60,028)
<b>Total recognized income and expenses</b>	<b>0</b>	<b>0</b>	<b>1,359</b>	<b>0</b>	<b>(577)</b>	<b>(58,718)</b>	<b>0</b>	<b>198,313</b>	<b>140,377</b>	<b>2,185</b>	<b>142,562</b>
<b>Equity at June 30, 2008</b>	<b>38,168</b>	<b>351,417</b>	<b>(3,358)</b>	<b>22,843</b>	<b>1,815,730</b>	<b>(119,965)</b>	<b>(165,962)</b>	<b>198,313</b>	<b>2,137,186</b>	<b>12,628</b>	<b>2,149,814</b>

◆ Fiscal 2007

(€ thousands)	Share capital	Additional paid-in capital	Revaluation 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
<b>Equity at January 1, 2007</b>	<b>36,347</b>	<b>236,858</b>	<b>(13,357)</b>	<b>35,489</b>	<b>1,332,544</b>	<b>(4,399)</b>	<b>(71,502)</b>	<b>328,733</b>	<b>1,880,713</b>	<b>11,032</b>	<b>1,891,745</b>
Issue of share capital											
- To the corporate mutual funds	102	20,304							20,406		20,406
- On exercise of stock options	166	19,627							19,793		19,793
- On conversion of Oceane bonds	499	73,272		(9,382)	5,310				69,699		69,699
- Paid up by capitalizing reserves	1,042	(1,042)									
Cancellation of treasury stock	(126)	(19,139)					19,265				
Oceane buybacks				(2,699)	(7,991)				(10,690)		(10,690)
Share-based payments					20,185				20,185		20,185
Purchases and sales of treasury stock, net					258		(49,673)		(49,415)		(49,415)
Appropriation of profit					328,733			(328,733)		(1,868)	(1,868)
Effect of changes in scope of consolidation on minority interests											
Dividends					(113,048)				(113,048)	(239)	(113,287)
<b>Transactions with shareholders</b>	<b>1,683</b>	<b>93,022</b>	<b>0</b>	<b>(12,081)</b>	<b>233,447</b>	<b>0</b>	<b>(30,408)</b>	<b>(328,733)</b>	<b>(43,070)</b>	<b>(2,107)</b>	<b>(45,177)</b>
Total income and expense for the period recognized directly in equity			8,309						8,309		8,309
Profit for the period								366,740	366,740	4,130	370,870
Exchange differences on translating foreign operations			331				(56,848)		(56,517)	(965)	(57,482)
<b>Total recognized income and expenses</b>	<b>0</b>	<b>0</b>	<b>8,640</b>	<b>0</b>	<b>0</b>	<b>(56,848)</b>	<b>0</b>	<b>366,740</b>	<b>318,532</b>	<b>3,165</b>	<b>321,697</b>
<b>Equity at December 31, 2007</b>	<b>38,030</b>	<b>329,880</b>	<b>(4,717)</b>	<b>23,408</b>	<b>1,565,991</b>	<b>(61,247)</b>	<b>(101,910)</b>	<b>366,740</b>	<b>2,156,175</b>	<b>12,090</b>	<b>2,168,265</b>

◆ First-half 2007

(€ thousands) (a)	Share capital	Additional paid-in capital	Revaluation 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
<b>Equity at January 1, 2007</b>	<b>36,347</b>	<b>236,858</b>	<b>1,935</b>	<b>35,489</b>	<b>1,331,761</b>	<b>(4,399)</b>	<b>(71,502)</b>	<b>328,284</b>	<b>1,894,773</b>	<b>11,032</b>	<b>1,905,805</b>
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 on minority interests										23	23
Dividends					(113,051)				(113,051)	(103)	(113,154)
<b>Transactions with shareholders</b>	<b>119</b>	<b>19,454</b>	<b>0</b>	<b>0</b>	<b>225,920</b>	<b>0</b>	<b>(8,752)</b>	<b>(328,284)</b>	<b>(91,543)</b>	<b>(80)</b>	<b>(91,623)</b>
Total income and expense for the period recognized directly in equity			5,824						5,824	0	5,824
Profit for the period								181,883	181,883	1,930	183,813
Exchange differences on translating foreign operations			(7)		(80)	12,447			12,360	5	12,365
<b>Total recognized income and expenses</b>	<b>0</b>	<b>0</b>	<b>5,817</b>	<b>0</b>	<b>(80)</b>	<b>12,447</b>	<b>0</b>	<b>181,883</b>	<b>200,067</b>	<b>1,935</b>	<b>202,002</b>
<b>Equity at June 30, 2007</b>	<b>36,466</b>	<b>256,312</b>	<b>7,752</b>	<b>35,489</b>	<b>1,557,601</b>	<b>8,048</b>	<b>(80,254)</b>	<b>181,883</b>	<b>2,003,297</b>	<b>12,887</b>	<b>2,016,184</b>

(a) Restated to reflect the Company's election to recognize actuarial gains and losses in equity (see Note 1.1)

**CONSOLIDATED STATEMENT OF TOTAL RECOGNIZED INCOME AND EXPENSES**

(€ thousands)	First-half 2008 (6 months)			2007 (12 months)			First-half 2007 (6 months) <sup>(a)</sup>		
	Attributable to equity holders of Essilor International	Attributable to minority interests	Total	Attributable to equity holders of Essilor International	Attributable to minority interests	Total	Attributable to equity holders of Essilor International	Attributable to minority interests	Total
Valuation gains and losses on derivative financial instruments, net of tax									
Cash flow hedges, effective portion	2,834		2,834	77		77	(1,210)		(1,210)
Hedges of net investments in foreign operations, effective portion	904		904	1,841		1,841	787		787
Transfers to profit for the period, net of tax:									
Cash flow hedges, effective portion	(2,692)		(2,692)	(183)		(183)	527		527
Hedges of net investments in foreign operations, effective portion	(1,808)		(1,808)	(1,163)		(1,163)	(1,102)		(1,102)
Valuation gains and losses on non-current financial assets, net of tax	(184)		(184)	48		48	(137)		(137)
Actuarial gains and losses on defined benefit obligations, net of tax	2,114		2,114	7,689		7,689	6,959		6,959
Translation adjustments to valuation gains and losses taken to equity	191		191	331		331	(7)		(7)
Translation adjustments to other reserves and profit for the period	(59,295)	(924)	(60,219)	(56,848)	(965)	(57,813)	12,367	5	12,372
<b>Total income and expense for the period recognized directly in equity (a)</b>	<b>(57,936)</b>	<b>(924)</b>	<b>(58,860)</b>	<b>(48,208)</b>	<b>(965)</b>	<b>(49,173)</b>	<b>18,184</b>	<b>5</b>	<b>18,189</b>
Profit for the period (b)	198,313	3,109	201,422	366,740	4,130	370,870	181,883	1,930	183,813
<b>Total recognized income and expense (a) + (b)</b>	<b>140,377</b>	<b>2,185</b>	<b>142,562</b>	<b>318,532</b>	<b>3,165</b>	<b>321,697</b>	<b>200,067</b>	<b>1,935</b>	<b>202,002</b>

(a) Restated to reflect the Company's election to recognize actuarial gains and losses in equity (see Note 1.1)

## Notes to the interim consolidated financial statements

### NOTE 1. 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, and which are posted on the European Commission website<sup>1</sup>.

The consolidated financial statements for the six months ended June 30, 2008 have been prepared in accordance with IAS 34 – Interim Financial Reporting. They were approved by the Board of Directors on August 27, 2008.

The accounting policies used to prepare the interim consolidated financial statements are unchanged compared with those applied in the 2007 consolidated financial statements.

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

#### ◆ IFRSs, amendments to IFRSs and interpretations applicable from January 1, 2008

- **IFRIC 11 – IFRS 2: Group and Treasury Share Transactions**  
IFRIC 11 clarifies the accounting treatment of certain share-based payment transactions and the accounting principles to be applied in the separate financial statements. The Company is not concerned by this interpretation.
- **IFRIC 12 – Service Concession Arrangements**  
The Company is not concerned by this interpretation, which had not yet been adopted by the European Commission at the end of the period.
- **IFRIC 14 – IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction**  
This interpretation, which is applicable for annual periods beginning on or after January 1, 2008 but had not yet been adopted by the European Commission at the end of the period, describes the limits on the recognition of a defined benefit asset for plans with a minimum funding requirement. Its application will have no impact on the consolidated financial statements.

#### ◆ IFRSs, amendments to IFRSs and interpretations applicable in future periods

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

- **Amendment to IAS 23 – Borrowing Costs**  
Under the amended version of IAS 23, which is applicable for annual periods beginning on or after January 1, 2009, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset must be capitalized as part of the cost of that asset. Previously, the benchmark treatment consisted of recognizing these costs as an expense.
- **IFRS 8 – Operating Segments**  
Under IFRS 8, which is applicable for annual periods beginning on or after January 1, 2009, segment information must be reported based on the operating segments used by the Company for internal management purposes. The impact of this new standard on the consolidated financial statements is currently being assessed.
- **Revised IFRS 3 (revised) – Business Combinations**  
IFRS 3 (revised), which is applicable for annual periods beginning on or after July 1, 2009 and has not yet been adopted by the European Union, describes the accounting treatment of business combinations based on the purchase method. The revised standard will be applicable prospectively from the date of transition and will therefore have no impact on the financial statements of earlier periods.  
The impact of this revised standard on the consolidated financial statements is currently being assessed.

<sup>1</sup> [http://ec.europa.eu/internal\\_market/accounting/ias\\_fr.htm#adopted-commission](http://ec.europa.eu/internal_market/accounting/ias_fr.htm#adopted-commission)



- **IAS 27 (revised) – Consolidated Financial Statements and Accounting for Investments in Subsidiaries**  
IAS 27 (revised), which is applicable for annual periods beginning on or after July 1, 2009 and has not yet been adopted by the European Union, sets standards for the preparation and presentation of individual and consolidated financial statements. In particular, it deals with consolidation procedures and the partial disposal of an investment in a subsidiary that results in loss of control. The revised standard will be applicable prospectively from the date of transition and will therefore have no impact on the financial statements of earlier periods.  
The impact of this revised standard on the consolidated financial statements is currently being assessed.
- **Amendment to IFRS 2 – Vesting Conditions and Cancellations**  
The amendments to IFRS 2 – Share-Based Payment, applicable for annual periods beginning on or after January 1, 2009, clarify the definition of vesting conditions. The impact of this amendment on the consolidated financial statements is currently being assessed.
- **Amendment to IAS 32 – Puttable Financial Instruments and Obligations Arising on Liquidation**  
The amendment to IAS 32 allows certain puttable financial instruments that are similar to ordinary shares to be classified as equity. It is applicable for annual periods beginning on or after January 1, 2009 and has not yet been adopted by the European Union.  
The Company does not expect to be concerned by this amendment.
- **IFRIC 13 – Customer Loyalty Programs**  
This interpretation, which is applicable for annual periods beginning on or after July 1, 2008, describes the accounting treatment of customer loyalty programs. The impact of this interpretation on the consolidated financial statements is currently being assessed.

## 1.1. CHANGES OF METHOD

### Recognition of actuarial gains and losses in equity as from 2007

As allowed under the amendment to IAS 19 – Employee Benefits, effective from 2007 the Company has elected to recognize directly in equity actuarial gains and losses on defined benefit pension plans, net of deferred taxes. The 2007 financial statements and the 2006 and 2005 financial statements restated to reflect this change of method are presented in the 2007 Registration Document that was filed with the French securities regulator (Autorité des Marchés Financiers) on March 28, 2008 under no. D.08-0161.

In prior periods, actuarial gains and losses were recognized by the corridor method, which consists of amortizing over the expected average remaining service lives of plan participants only the portion of the net cumulative gain or loss that exceeds the greater of 10% of either the projected benefit obligation or the fair value of the plan assets.

To permit meaningful year-on-year comparisons, comparative financial information for first-half 2007 has been restated on the same basis, in accordance with IAS 8. The first-half 2007 consolidated financial statements and notes prepared by applying the corridor method to account for actuarial gains and losses are not included in this interim report. They are included in the notes to the first-half 2007 interim consolidated financial statements as published last year.

The effects of the change of method on the first-half 2007 consolidated financial statements were as follows:

€ thousands	June 30, 2007
<b>ASSETS</b>	
Other non-current assets (plan surpluses)	0
Deferred tax assets	(3,530)
<b>LIABILITIES</b>	
Equity attributable to equity holders of Essilor International	6,959
Provisions for pensions and other post-employment benefit obligations	(10,649)
<b>INCOME STATEMENT</b>	
Contribution from operations	274
Income tax expense	(114)
Net profit	160
Profit attributable to equity holders of Essilor International	160

## 1.2. 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.

First-half income tax expense recognized in the consolidated income statement is determined based on an estimate of the effective tax rate that will be paid by the Company on annual profit, in accordance with IAS 34 – Interim Financial Reporting.

## 1.3. 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 nearly 95% of revenue is derived from ophthalmic lens sales, information analyzed 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.

## 1.4. CONSOLIDATED CASH FLOW STATEMENT

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

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 (i) changes in exchange rates between the beginning and end of the period and (ii) 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 bank 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.

## 1.5. OTHER INCOME AND EXPENSES FROM OPERATIONS

Other income and expenses from operations mainly comprise:

- Restructuring costs
- Costs of claims and litigation
- Impairment losses on goodwill, intangible assets and property, plant and equipment
- Compensation costs on share-based payments

## 1.6. 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 Oceans, 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			Average rate		
	June 30, 2008	Dec. 31, 2007	June 30, 2007	First-half 2008	Fiscal 2007	First-half 2007
Canadian dollar	1.59	1.44	1.43	1.55	1.47	1.50
Pound sterling	0.79	0.73	0.67	0.78	0.69	0.68
Yen	166.44	164.93	165.61	161.02	162.00	160.46
U.S. dollar	1.58	1.47	1.35	1.54	1.38	1.33

### 2.2. CHANGES IN THE SCOPE OF CONSOLIDATION

- Newly-consolidated companies**

The following companies were consolidated for the first time in first-half 2008:

Name	Country	Consolidated from	Consolidation method	% interest	% consolidated
West Lab	Canada	January 1, 2008	Full	85.00	100.00
Interstate Optical	United States	January 1, 2008	Full	80.00	100.00
Advance Optical	United States	March 1, 2008	Full	100.00	100.00
Empire	United States	April 1, 2008	Full	85.00	100.00
Future Optics	United States	April 1, 2008	Full	80.00	100.00
Deschutes	United States	May 1, 2008	Full	80.00	100.00
Transitions Optical India	India	January 1, 2008	Equity	49.00	49.00
20-20 Optics	India	March 1, 2008	Full	70.00	100.00
Oftalmika Galileo Spa	Italy	April 1, 2008	Full	100.00	100.00
Transitions Optical Japan	Japan	January 1, 2008	Equity	49.00	49.00
O'Max	Netherlands	March 1, 2008	Full	51.00	100.00
Epodi	Philippines	March 1, 2008	Full	100.00	100.00
Rainbow Optical	Puerto Rico	February 1, 2008	Full	100.00	100.00
OOO Essilor Optika	Russia	January 1, 2008	Full	100.00	100.00
Transitions Optical Singapore	Singapore	January 1, 2008	Equity	49.00	49.00
Essilor Optical Laboratory	Thailand	January 1, 2008	Full	100.00	100.00

The first-half 2008 income statement also includes the contribution over the full six months of the following companies that were consolidated for the first time in 2007:

Name	Country	Consolidated from	Consolidation method	% interest	% consolidated
Optique Cristal	Canada	July 1, 2007	Full	70.00	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
KCO Inc	United States	October 1, 2007		Business acquisition	
Premier Optics	United States	November 1, 2007		Business acquisition	
Gold Optical	United States	November 1, 2007		Business acquisition	
GK Optical	United States	December 1, 2007		Business acquisition	
Athlone	Ireland	December 1, 2007	Full	80.00	100.00
Nikon Beijing Co Ltd	Japan	April 1, 2007	Proportionate	50.00	50.00
ILT Malaysia	Malaysia	May 1, 2007	Full	40.06	100.00
Sentralslip	Norway	October 1, 2007	Full	80.00	100.00
Sinclair Optical Services	United Kingdom	December 1, 2007	Full	100.00	100.00
United Laboratories Ltd	United Kingdom	December 1, 2007	Full	80.00	100.00
Integrated Lens Technology	Singapore	May 1, 2007	Full	51.00	100.00
ILT Singapore	Singapore	May 1, 2007	Full	51.00	100.00
Lenscom Optics	Singapore	May 1, 2007	Full	51.00	100.00

- Other changes**

Wholly-owned subsidiary Direct Optical Supplies New Zealand Ltd was merged into Essilor New Zealand Ltd (also wholly-owned) effective January 1, 2008.

- **Agreement for the acquisition of SatisLoh**

On June 16, 2008, Essilor International and Switzerland-based Schweiter signed an agreement for the acquisition by Essilor of the entire capital of SatisLoh AG, a subsidiary of Schweiter Technologies AG. The agreement is subject to certain conditions precedent, including approval by competition authorities in SatisLoh's main host countries. The acquisition may be completed in the second half of the year.

Created through the 2004 merger of Satis and Loh, the company is the world's leading supplier of prescription laboratory equipment with a global distribution network. With operations in Europe (Switzerland, UK, Germany, France, Italy and Spain), Asia (China and India), and the United States, the company manufactures and markets antireflective coating units and surfacing machines, as well as consumables. It reported revenue of €161 million in 2007 and has more than 400 employees.

### 2.3. IMPACT OF CHANGES IN EXCHANGE RATES AND SCOPE OF CONSOLIDATION

- ◆ **Balance Sheet**

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

€ thousands	Companies consolidated for the first time in first-half 2008
Intangible assets	1,486
Property, plant and equipment	6,472
Non-current financial assets	213
Other non-current assets	(239)
Current assets	13,621
Cash and cash equivalents	4,440
<b>Total assets acquired</b>	<b>25,993</b>
Minority interests in equity	304
Long-term borrowings	1,067
Other non-current liabilities	729
Short-term borrowings	3,053
Other current liabilities	13,996
<b>Total liabilities assumed</b>	<b>19,149</b>
<b>NET ASSETS ACQUIRED</b>	<b>6,844</b>

Acquisition cost	61,014
- Acquisitions for the period (paid in cash)	55,681
- Prior period acquisitions	5,334
- Fair value of net assets acquired	6,844
- Put options granted to minority shareholders	(7,663)
+ Post-acquisition retained earnings	(1,985)
<b>Recognized goodwill</b>	<b>59,848</b>

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 acquired assets and assumed liabilities are based on the provisional accounting for the business combination and may be adjusted once the valuation process has been completed or additional analyses have been performed. Any such adjustments will be treated as a retrospective adjustment of goodwill if they are made within twelve months of the acquisition date. Any adjustments made more than twelve months after the acquisition date will be recognized directly in profit, unless they correspond to corrections of errors.

## ◆ Income Statement

The overall effect of changes in scope of consolidation and exchange rates on first-half 2008 revenue, contribution from operations and operating profit was as follows:

In %	First-half 2008 vs. first-half 2007			
	Reported growth	Impact of changes in exchange rates	Impact of changes in consolidation scope	Like-for-like growth
Revenue	2.9%	-6.6%	4.2%	5.4%
Contribution from operations	3.4%	-7.2%	2.9%	7.7%
Operating profit	3.4%	-7.6%	2.2%	8.7%

## NOTE 3. SEGMENT INFORMATION

### REVENUE

€ millions	First-half 2008 (6 months)			First-half 2007 (6 months)			2007 (12 months)		
	Total revenue	Elimination of inter-segment revenue	External revenue	Total revenue	Elimination of inter-segment revenue	External revenue	Total revenue	Elimination of inter-segment revenue	External revenue
<b>By geographical segment</b>									
Europe	747	50	697	723	47	676	1,408	91	1,317
North America	649	24	625	645	23	622	1,259	45	1,214
Rest of world	267	69	198	246	67	179	503	126	377
	<b>1,663</b>	<b>143</b>	<b>1,520</b>	<b>1,614</b>	<b>137</b>	<b>1,477</b>	<b>3,170</b>	<b>262</b>	<b>2,908</b>
<b>By business segment</b>									
Corrective lenses			1,415			1,379			2,706
Other			105			98			202
			<b>1,520</b>			<b>1,477</b>			<b>2,908</b>

### ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

€ millions	H1 2008	H1 2007	2007
<b>By geographical segment</b>			
Europe	44	47	105
North America	29	35	82
Rest of world	22	27	42
	<b>96</b>	<b>109</b>	<b>229</b>

### DEPRECIATION AND AMORTIZATION

€ millions	H1 2008	H1 2007	2007
<b>By geographical segment</b>			
Europe	30	28	60
North America	19	21	42
Rest of world	16	16	32
	<b>65</b>	<b>65</b>	<b>134</b>

### CONTRIBUTION TO OPERATING PROFIT

€ millions	H1 2008	H1 2007	2007
<b>By geographical segment</b>			
Europe	93	108	199
North America	116	102	207
Rest of world	53	43	99
	<b>262</b>	<b>253</b>	<b>505</b>

### SHARE OF PROFITS OF ASSOCIATES

€ millions	H1 2008	H1 2007	2007
<b>By geographical segment</b>			
Europe	8	9	17
North America	5	5	10
Rest of world	2	1	2
	<b>15</b>	<b>15</b>	<b>29</b>

**NON-CURRENT ASSETS AND TOTAL ASSETS**

€ millions	June 30, 2008		December 31, 2007	
	Non-current assets*	Total assets	Non-current assets*	Total assets
<b>By geographical segment</b>				
Europe	551	1 782	521	1 874
North America	694	1 064	685	1 032
Rest of world	245	630	247	608
	<b>1,490</b>	<b>3,476</b>	<b>1,453</b>	<b>3,514</b>

\* Excluding non-current financial assets

**PROVISIONS AND CURRENT LIABILITIES**

€ millions	June 30, 2008		December 31, 2007	
	Provisions	Short-term borrowings and operating liabilities	Provisions	Short-term borrowings and operating liabilities
<b>By geographical segment</b>				
Europe	103	621	106	653
North America	20	440	20	435
Rest of world	5	138	5	126
	<b>128</b>	<b>1,199</b>	<b>131</b>	<b>1,214</b>

**NOTE 4. OTHER INCOME AND EXPENSES FROM OPERATIONS, NET**

€ thousands	First-half 2008 (6 months)	First-half 2007 (6 months)	2007 (12 months)
<b>By nature</b>			
Impairment losses	0	(2,302)	(2,293)
Compensation costs of stock options	(4,703)	(4,484)	(9,377)
Compensation costs of employee share issues	(1,368)	(3,092)	(3,951)
Compensation costs of performance share grants	(6,104)	(3,087)	(6,857)
Restructuring costs, net	(247)		(958)
Other income and expenses from operations	(2,301)	(979)	(948)
<b>Total</b>	<b>(14,723)</b>	<b>(13,944)</b>	<b>(24,384)</b>

**NOTE 5. OTHER FINANCIAL INCOME AND EXPENSES, NET**

€ thousands	First-half 2008 (6 months)	First-half 2007 (6 months)	2007 (12 months)
<b>By nature</b>			
(Charges to)/reversals of provisions for impairment of available-for-sale financial assets, net	(1,811)	31	(1,865)
Oceane buybacks			(54)
Exchange gains and losses, net	1,473	(2,028)	(6,546)
Changes in fair value of derivative financial instruments	1,229	(840)	3,684
Dividends	67	212	1,093
Other financial income and expenses	0	(12)	0
<b>Total</b>	<b>958</b>	<b>(2,637)</b>	<b>(3,688)</b>

## NOTE 6. CHANGE IN OUTSTANDING SHARES

In July 2007, the Company carried out a two-for-one stock-split in line with the decision of the Annual Shareholders' Meeting of May 11, 2007. The operation was carried out by increasing the shares' par value from €0.35 to €0.36 and then reducing it to €0.18.

	First-half 2008	Fiscal 2007	First-half 2007
<b>Number of shares at January 1</b>	<b>208,619,505</b>	<b>205,448,964</b>	<b>205,448,964</b>
Shares issued on exercise of stock options	165,448	931,122	331,574
Shares issued to the Essilor corporate mutual fund	433,429	578,917	348,764
Treasury shares allocated on conversion of Oceane bonds		8,820	4,506
Shares sold out of treasury on exercise of stock options	52,928	109,460	53,030
Delivery of performance shares	72		
Shares issued on conversion of Oceane bonds	167,486	2,772,404	
(Purchases) and sales of treasury stock, net	(1,700,000)	(1,230,182)	(228,182)
<b>Number of shares at the period-end</b>	<b>207,738,868</b>	<b>208,619,505</b>	<b>205,958,656</b>
Number of treasury shares excluded from the calculation	4,306,810	2,659,810	2,418,554

### Average number of shares (adjusted for the two-for-one stock-split)

	First-half 2008	Fiscal 2007	First-half 2007
<b>Number of shares at January 1</b>	<b>208,619,505</b>	<b>205,448,964</b>	<b>205,448,964</b>
Shares issued on exercise of stock options	6,363	173,409	
Shares issued to the Essilor corporate mutual fund	7,144	175,815	
Treasury shares allocated on conversion of Oceane convertible bonds		4,224	1,264
Shares sold out of treasury on exercise of stock options	27,119	47,355	21,698
Treasury shares used to make performance share grants	60		
Shares issued on conversion of Oceane bonds	6,442	116,570	
(Purchases) and sales of treasury stock, net	(1,441,978)	(239,140)	(29,450)
<b>Number of shares at the period-end</b>	<b>207,224,655</b>	<b>205,727,197</b>	<b>205,442,476</b>

## NOTE 7. GOODWILL

€ thousands	At January 1	Changes in consolidation scope and acquisitions	Other movements	Translation adjustment	Impairment losses recognized in the period	At period-end
<b>First-half 2008</b>						
<b>Gross</b>	<b>607,770</b>	<b>59,848</b>	<b>(1,000)</b>	<b>(29,142)</b>		<b>637,476</b>
Impairment losses	16,623			(174)	7	16,456
<b>Carrying amount</b>	<b>591,147</b>	<b>59,848</b>	<b>(1,000)</b>	<b>(28,968)</b>	<b>(7)</b>	<b>621,020</b>
<b>Fiscal 2007</b>						
<b>Gross</b>	<b>489,008</b>	<b>152,624</b>	<b>4,551</b>	<b>(38,413)</b>		<b>607,770</b>
Impairment losses	14,237	210		(117)	2,293	16,623
<b>Carrying amount</b>	<b>474,771</b>	<b>152,414</b>	<b>4,551</b>	<b>(38,296)</b>	<b>(2,293)</b>	<b>591,147</b>



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

€ thousands	June 30, 2008	December 31, 2007
Europe	156,755	140,646
North America	412,126	395,617
Rest of world	52,139	54,884
	<b>621,020</b>	<b>591,147</b>

#### NOTE 8. NET DEBT

€ thousands	June 30, 2008	December 31, 2007
Oceane convertible bonds	170,785	172,111
Other long-term borrowings	263,525	263,472
Short-term borrowings	7,325	10,751
Bank overdrafts	13,535	18,838
Accrued interest	3,339	2,401
<b>Total borrowings</b>	<b>458,509</b>	<b>467,573</b>
Marketable securities*	31,855	31,179
Cash equivalents	387,455	550,281
Cash	148,611	145,721
<b>Total assets</b>	<b>567,921</b>	<b>727,181</b>
<b>Net debt</b>	<b>(109,412)</b>	<b>(259,608)</b>

At June 30, 2008, a total of 3,375,319 Oceanes were outstanding.

Following the July 16, 2007 two-for-one stock-split (see below), outstanding Oceanes 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-balance sheet commitments during first-half 2008 compared with December 31, 2007.

#### NOTE 10. ESSILOR INTERNATIONAL FINANCIAL STATEMENTS

€ millions	First-half 2008 (6 months)	2007 (12 months)	First-half 2007 (6 months)
Revenue	378	720	379
Net profit	182	205	151

**NOTE 11. SUBSEQUENT EVENTS**

On July 1, 2008, the Company acquired a majority interest in Nika GmbH, a German lens wholesaler that is the country's exclusive distributor of Nikon products. Based in Winningen (Rhineland-Palatinate), the company has revenues of roughly €9 million. Its purchase is designed to strengthen the close fit between Essilor's German distributor networks.

In the United States, Essilor of America further strengthened its prescription laboratory network by acquiring Optimatrix. This Alabama-based company with annual revenues of \$4.6 million will be consolidated from July 1, 2008.

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**STATEMENT BY THE PERSON RESPONSIBLE FOR THE  
2008 INTERIM FINANCIAL REPORT**

I declare that, to the best of my knowledge, (i) the financial statements for the first six months of 2008 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 accompanying 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 le Pont, August 28, 2008

Xavier Fontanet  
Chairman and Chief Executive Officer

**PricewaterhouseCoopers Audit**

63 rue de Villiers  
92208 Neuilly-sur-Seine cedex

**Mazars & Guérard**

61, rue Henri Regnault  
92400 Courbevoie

**STATUTORY AUDITORS' REVIEW REPORT ON THE 2008  
HALF-YEAR FINANCIAL INFORMATION**

To the Shareholders

**ESSILOR INTERNATIONAL SA**

147, rue de Paris  
94227 CHARENTON CEDEX

*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.*

In compliance with the assignment entrusted to us by your Annual General Meeting and in accordance with the requirements of articles L. 232-7 of the French Commercial Code and L. 451-1-2 III of the French Monetary and Financial Code , we hereby report to you on:

- the review of the accompanying condensed half-year consolidated financial statements of ESSILOR INTERNATIONAL, for the six months ended June 30, 2008 ;
- the verification of the 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.

**1. Conclusion on the financial statements**

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, 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 - the standard of IFRSs as adopted by the European Union applicable to interim financial information.

## 2. Specific verification

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. We have no matters to report as to its fair presentation and consistency with the condensed half-year consolidated financial statements.

Neuilly-sur-Seine and Courbevoie, August 28, 2008

The Statutory Auditors

<b>PricewaterhouseCoopers Audit</b>	<b>Mazars &amp; Guérard</b>
Jacques Denizeau	Pierre Sardet