2011 INTERIM FINANCIAL REPORT

ESSILOR INTERNATIONAL

Contents

This is a free translation into English of the 2011 Interim Financial Report issued in French.

MANAGEMENT REPORT

REVENUE UP 9.0% EXCLUDING CURRENCY EFFECT

Revenue by business and region

(in € millions)	**First-Half 2011**	**First-Half 2010**	**% Change as reported**	**Like-for-like growth**	**Contribution from acquisitions**
Optical lenses and instruments	**1,864.5**	1,779.8[(1)]	+ 4.8%	+ 3.6%	+ 3.1%
Europe	*733.1*	*707.6*	*+ 3.6%*	*+ 1.4%*	*+ 1.8%*
North America	*757.8*	*769.3*[(1)]	*-1.5%*	*+ 2.7%*	*+ 1.7%*
Asia-Pacific & Africa	*260.0*	*214.3*	*+ 21.3%*	*+ 11.1%*	*+ 8.6%*
Latin America	*113.5*	*88.6*	*+ 28.1%*	*+ 11.1%*	*+ 13.7%*
Equipment	**89.4**	**67.3**[(1)]	+ 32.8%	+ 24.0%	+ 8.8%
Readers	**106.2**	**79.7**	+ 33.3%	+ 7.4%	+ 32.7%
TOTAL	**2,060.1**	**1,926.8**	**+ 6.9%**	**+ 4.5%**	**+ 4.5%**

(1) Following an operational reorganization, revenue from National Optronics was reclassified in the Equipment division in 2011 from the North America region in 2010. In first-half 2010, this represented an amount of €7.2 million.

Revenue amounted to €2,060.1 million in the first six months of 2011, an increase of 6.9% as reported and of 9.0% excluding the currency effect.

- On a like-for-like basis, revenue was up 4.5% for the period, with equivalent gains in each quarter. Interim growth included increases of 3.6% in Lenses, 24% in Equipment and 7.4% in Readers.
- The 4.5-point contribution to growth from acquisitions came from the bolt-on acquisitions[2] carried out in 2010 and first-half 2011 (2.5%) and from FGXI and Signet Armorlite, which have been consolidated since first-half 2010 (2.0%).
- The negative 2.1% currency effect primarily reflected the sharp fall in the US dollar against the euro.

[2] Local acquisitions or partnerships

Performance by Business

Optical Lenses and Instruments

Revenue growth was driven by an increase in sales volumes in every region.

- In **Europe**, where performance continued to vary from one country to another, revenue rose by an overall 1.4% like-for-like. Growth was led by operations in France, where sales were lifted by the success of Varilux® and Crizal® lenses among independent eyecare professionals, and by business in the Netherlands and Eastern Europe. On the other hand, conditions remain challenging in the United Kingdom and Southern Europe, despite a rebound in Italy.
- Growth gained momentum in **North America**, with a 2.7% like-for-like increase in revenue over the period. Sales in the United States were led by the solid performance of the Varilux®, high-index and variable-tint ranges, in particular with independent eyecare professionals. In addition, Essilor gained new market share with certain large optical chains.
- Revenue in the **Asia-Pacific & Africa** region rose by 11.1% like-for-like, led by demand in China – where sales were stimulated by the strategy of expanding in the mid-range – India and other fast-growing economies. Operations in Indonesia, Thailand and the Gulf countries all turned in a very good performance. Revenue in the developed countries was stable overall despite the natural disasters in Japan and New Zealand in the first quarter.
- Growth in the **Latin American** countries remained very dynamic, with revenue gaining 11.1% like-for-like despite high prior-year comparatives. It was impelled by the successful sales of value-added lenses, particularly anti-reflectives. Operations in Mexico and Argentina both reported very strong growth.

Equipment

- The Equipment division continued to enjoy a very strong momentum, with revenue rising 24% like-for-like excluding intragroup sales, supported by demand for digital surfacing machines and the consumables business. Growth was particularly vigorous in Asia, where Satisloh gained new market share.

Readers

- With revenue up 7.4% like-for-like, the Readers division had a good first half in both the readers and sunglasses segments in the United States. In other markets, FGX benefited from an increase in the number of in-store displays, particularly in the United Kingdom.

Second quarter: continued recovery in growth

Revenue *(in € millions)*	**Second Quarter 2011**	Second Quarter 2010	% Change as reported	Like-for-like growth	Contribution from acquisitions
Optical lenses and instruments	**920.8**	**919.3**	+ 0.2%	+ 3.5%	+ 2.3%
Europe	*367.8*	*362.3*	*+ 1.5%*	*+ 1.1%*	*+ 0.5%*
North America	*363.2*	*397.1*(1)	*-8.5%*	*+ 2.5%*	*+ 0.8%*
Asia-Pacific & Africa	*129.0*	*111.2*	*+ 16.0%*	*+ 11.6%*	*+ 8.2%*
Latin America	*60.7*	*48.8*	*+ 24.5%*	*+ 11.9%*	*+ 14.6%*
Equipment	**49.0**	**40.2**(1)	+ 21.7%	+ 22.5%	-0.8%
Readers	**62.7**	**61.4**	+ 2.3%	+ 7.6%	+ 3.4%
TOTAL	**1,032.5**	**1,020.9**	**+ 1.1%**	**+ 4.5%**	**+ 2.2%**

(1) *Following an operational reorganization, revenue from National Optronics was reclassified in the Equipment division in 2011 from the North America region in 2010. In second-quarter 2010, this represented an amount of €3.7 million.*

Consolidated revenue for the second quarter alone stood at €1,032.5 million, up 1.1% from the prior-year period and 4.5% like-for-like. Acquisitions added 2.2 points to growth, while the currency effect was a sharply negative 5.6% due to the steep fall in the US dollar against the euro over the period.

In a tougher economic environment, second quarter performance was in line with first-quarter trends. Analyzed by region and division, the period saw:

- A slight fall-off in business in Europe caused by the slowdown in instrument sales.
- Firm demand in the United States
- Sustained strong growth in fast growing economies and an upturn in business in Japan.
- Further dynamic growth in Latin America.
- Strong growth in the Equipment division.
- A solid performance by the Readers division.

13 transactions in the first half

During the first half of 2011, Essilor acquired holdings in 13 companies, representing additional revenue of around €55 million on an annualized basis. These transactions were carried out in every region and division:

- In **Brazil**, majority stakes were acquired in **Orgalent**, a prescription laboratory based in the State of Porto Allegre with revenue of €12.7 million, and in **Repro**, a Santa Catarina-based company with €11.9 million in revenue. In addition, the Company raised to 51% its interest in **Unilab**, a prescription laboratory based in Northwest Brazil, with €6.3 million in revenue.
- In **India**, a majority interest was acquired in **Enterprise Ophthalmics Private Ltd** as part of a joint-venture with Enterprise Trading Company, one of the country's leading lens distributors.
- In **Taiwan**, Essilor purchased a majority interest in **Trend Optical**, a prescription laboratory and distributor with around €1.3 million in revenue.

- In **Australia**, the Company raised its stake from 30 to 60% in **Precision Optics**, a prescription laboratory with €1.3 million in revenue.
- In **Morocco**, a majority interest was acquired in **L'N Optic**, one of the Company's current distributors, with revenue of €2 million.
- In **Thailand**, a majority interest was purchased in **JWL Phuket Lab**.
- In **China**, Essilor invested in **Shandong Wholesaler**, an ophthalmic lens distributor.
- In the **United States**, Essilor of America acquired a stake in **Caveo Optical**, a prescription laboratory with $1.5 million in revenue.
- In **Italy**, FGX Europe acquired the entire capital of **Polinelli,** Italy's leading reading glasses distributor, with annual revenue of €10 million.
- In the **United Kingdom**, FGX Europe acquired all outstanding shares of **Framed Vision Limited**, the country's second largest reading glasses distributor, with revenue of around €2.5 million.
- In the **Equipment** division, Essilor acquired a majority stake in **Bazell Technologies**, a California-based manufacturer of equipment for processing water used in lens production, with around $4 million in revenue.

CONTRIBUTION FROM OPERATIONS: 18.0%

Contribution from operations up 6.9% to €371.6 million, or 18.0% of revenue

(in € millions)	2011	2010
Gross margin	1,144.8	1,068.8
As a % of revenue	55.6%	55.5%
Operating expenses	773.1	721.2
Contribution from operations (1)	371.6	347.5
As a % of revenue	18.0%	18.0%

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

Gross profit up 7.1% to €1,144.8 million

In first-half 2011, gross margin (revenue less cost of sales, expressed as a percentage of revenue) stood at 55.6%, compared with 55.5% in first-half 2010. The stability reflects the benefits delivered by product innovation and the gains in operating efficiency, which offset the dilutive impact of acquisitions.

Operating expenses up 7.2% to €773.1 million

Operating expenses amounted to 37.5% of revenue, compared with 37.4% in first-half 2010.
They comprised:

- Research, development and engineering expenses, in an amount of €75.3 million.
- Selling and distribution costs of €465.4 million, versus €421.7 million in the prior-year period. The 10.4% increase primarily reflected the marketing initiatives designed to spur faster penetration of value-added products, such as the advertising campaigns for the Crizal® brand.
- Other operating expenses totaling €232.4 million, up a contained 5.1%.

In all, the contribution from operations stood at €371.6 million for the period, up 6.9%. Its stability at 18.0% of revenue reflects the Company's ability to integrate acquisitions, continue to drive productivity gains and finance a large number of growth initiatives, all while keeping operating expenses under control.

Adjusted EPS up 9.3% to €1.25

Operating profit up 22.2% to €343.7 million (up 6.5% excluding the BKA provision in H1-2010)

“Other income and expenses from operations” and “Gains and losses on asset disposals” together represented a net expense of €27.9 million (compared with a net expense of €24.8 million in first-half 2010, excluding the BKA provision). The increase primarily reflected:

- Virtually unchanged compensation costs on stock options and performance share grants, at €10.2 million, versus €10.1 million in first-half 2010.
- Lower restructuring costs, at €8.2 million versus €12.5 million in the prior-year period.
- Higher strategic acquisition costs of €6.5 million, primarily linked to the purchase of a 50% holding in Shamir Optical transaction.

Operating profit represented 16.7% of consolidated revenue, unchanged from first-half 2010.

Finance costs and other financial income and expenses: net expense of €3.9 million

Finance costs and other financial income and expenses represented a net expense of €3.9 million compared with €6.2 million in first-half 2010. The improvement reflected the decline in interest expense and the increase in the interest income earned on the Company’s cash investments.

Profit attributable to equity holders of Essilor International up 30.7% to €258.2 million (up 8.1% excluding the BKA provision in H1-2010)

Net profit totaled €258.2 million, versus €197.5 million in first-half 2010. It comprised:

- Income tax expense of €91.4 million, representing a 26.9% effective tax rate, down from first-half 2010.
- The share of profit from associates, VisionWeb and Transitions, which amounted to €15.4 million, versus €16.7 million in the prior-year period, reflecting the increase in profit from Transitions despite the decline in the US dollar against the euro. Note that in August 2010, Essilor sold its stake in Sperian, which contributed €2.5 million to interim 2010 share of profit from associates.
- Non-controlling interests in an amount of €5.6 million, versus €5.3 million in first-half 2010.

Earnings per share rose by 32.1% to €1.25. Excluding the BKA provision, profit attributable to equity holders of Essilor International increased by 8.1% over the period, while earnings per share climbed 9.3%

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CASH FLOW UP 8.5%

At 8.5%, growth in operating cash flow slightly outpaced the increase in the contribution from operations. The Company's high profitability enabled it to finance the growth in capital expenditure, an ambitious financial investment program and a 17% increase in the dividend.

Investments

Capital expenditure net of disposals stood at €77 million for the period, or 3.8% of consolidated revenue, compared with 2.8% in first-half 2010. The increase primarily reflected the higher outlays to add capacity in both mass production and prescription facilities.

Financial investments net of disposals amounted to €65 million, while share buybacks came to €148 million for the purchase of three million shares.

Working capital requirement

The change in working capital requirement amounted to €102 million, unchanged from first-half 2010 and reflecting the seasonal impact of annual discount payments to customers, which are generally concentrated in the first half.

Inventories were stable as reported, at €644.4 million at June 30, 2011 compared with €645.4 million at year-end 2010, but were up 4.0% at comparable scope of consolidation and exchange rates.

Free cash flow and change in net debt

In all, free cash flow[1] rose by 4.7% year-on-year to €173 million.

Net debt rose by €149 million over the period, to €445 million at June 30, 2011 from €296 million at December 31, 2010, thereby raising the gearing ratio to 15.3%.

Cash Flow Statement

(in € millions)			
Net cash from operations (before WCR)	**357**	Purchases of property, plant and equipment	**82**
Proceeds from employee share issue	**35**	Change in WCR	**102**
Other	**28**	Dividends	**172**
Reported change in net debt	**149**	Financial investments net of disposals	**65**
		Share buybacks	**148**

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

SIGNIFICANT EVENTS SINCE THE END OF THE FIRST HALF

Acquisitions

In line with the announcement on October 15, 2010, Kibbutz Shamir and Essilor have completed the sale of a 50% interest in Shamir Optical to Essilor, which has consolidated all of the company's revenue since July 1, 2011. In 2010, Shamir Optical reported revenue of $158 million.

Essilor has also purchased a majority interest in Cientifica, one of the leading independent prescription laboratories in Brazil. Based in the State of São Paulo, Cientifica has revenue of BRL 68 million (around €30 million). The new partner will enable Essilor to extend its multi-network coverage of the region and speed up the distribution of its products and services.

Share buybacks

Since June 30, Essilor has carried out a small number of discrete share buybacks, purchasing close to 227,000 of its own shares on the market for an aggregate €11.3 million.

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<u>Related party transactions / Risks and contingencies</u>

In first-half 2011, the nature of transactions with companies consolidated by the proportionate or equity method was not significantly different from the description in the 2010 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.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 2011

CONSOLIDATED INCOME STATEMENT

€ thousands, except for per share data	Notes	First-half 2011	First-half 2010	Year 2010
Revenue	3	2,060,057	1,926,750	3,891,559
Cost of sales		(915,303)	(857,971)	(1,732,007)
GROSS PROFIT		**1,144,754**	**1,068,779**	**2,159,552**
Research and development costs		(75,344)	(78,372)	(150,879)
Selling and distribution costs		(465,449)	(421,684)	(859,708)
Other operating expenses		(232,350)	(221,184)	(444,126)
CONTRIBUTION FROM OPERATIONS		**371,611**	**347,539**	**704,839**
Other income and expenses from operations, net	4	(27,150)	(66,288)	(112,332)
Gains and losses on asset disposals, net		(753)	(8)	(25,965)
OPERATING PROFIT	3	**343,708**	**281,243**	**618,472**
Finance costs		(5,535)	(6,723)	(11,956)
Income from cash and cash equivalents		4,685	3,762	9,289
Foreign exchange gains and losses - net		1,807	(2,130)	(3,793)
Other financial income and expenses, net	5	(4 888)	(1,125)	(4,327)
Share of profit of associates	3	15, 442	16,654	31,746
PROFIT BEFORE TAX		**355,219**	**291,681**	**639,431**
Income tax expense		(91,407)	(88,805)	(167,404)
PROFIT FOR THE PERIOD		**263,812**	**202,876**	**472,027**
Attributable to equity holders of Essilor International		**258,242**	**197,540**	**461,969**
Attributable to minority interests		5,570	5,336	10,058

Earnings per share				
Basic earnings per share (€)		1.25	0.94	2,20
Weighted average number of shares (thousands)	6	207,321	209,744	209,574
Diluted earnings per share (€)		1.23	0.93	2.18
Diluted weighted average number of shares (thousands)		210,470	213,628	212,652

CONSOLIDATED STATEMENT OF TOTAL RECOGNIZED INCOME AND EXPENSES

(€ thousands)	First-half 2010 (6 months)			First-half 2010 (6 months)			2010		
	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
Profit for the period (A)	**258,242**	**5,570**	**263,812**	**197,540**	**5,336**	**202,876**	**461,969**	**10,058**	**472,027**
Valuation gains and losses on derivative financial instruments, net of tax									
Cash flow hedges, effective portion	(3,990)		(3,990)	35		35	(3,120)		(3,120)
Tax	2,082		2,082	447		447	133		133
	(1,908)		*(1,908)*	*482*		*482*	*(2,987)*		*(2,987)*
Hedges of net investments in foreign operations, effective portion	1,189		1,189	(4,717)		(4,717)	(4,356)		(4,356)
Tax	(409)		(409)	1,624		1,624	1,501		1,501
	780		*780*	*(3,093)*		*(3,093)*	*(2,855)*		*(2,855)*
Transfers to profit for the period, net of tax: Cash flow hedges, effective portion	2,256		2,256	2,170		2,170	2,986		2,986
Tax	(659)		(659)	(715)		(715)	(1,008)		(1,008)
	1,597		*1,597*	*1,455*		*1,455*	*1,978*		*1,978*
Hedges of net investments in foreign operations, effective portion	265		265	1,584		1,584	3,806		3,806
Tax	(91)		(91)	(545)		(545)	(1,310)		(1,310)
	174		*174*	*1,039*		*1,039*	*2,496*		*2,496*
Valuation gains and losses on non-current financial assets, net of tax	78		78	(70)		(70)	(279)		(279)
Tax	(27)		(27)	23		23	(2)		(2)
	51		*51*	*(47)*		*(47)*	*(281)*		*(281)*
Actuarial gains and losses on defined benefit obligations, net of tax	1,715		1,715	(19,660)		(19,660)	(21,383)		(21,383)
Tax	*(459)*		*(459)*	*6,417*		6,417	*6,559*		*6,559*
	1,256		*1,256*	*(13,243)*		*(13,243)*	*(14,824)*		*(14,824)*
Translation adjustments to hedging and revaluation reserves	429		429	(223)		(223)	(1,486)		(1,486)
Translation adjustments to other reserves and profit for the period	(129,763)	(3,183)	(132,946))	263,567	6,312	269,879	171,661	3,493	175,154
Total income and expense for the period recognized directly in equity, net of tax (B)	**(127,384)**	**(3,183**	**(130,567)**	**249,937**	**6,312**	**256,249**	**153,702**	**3,493**	**157,195**
Total recognized income and expense, net of tax (A) + (B)	**130,858**	**2,387**	**133,245**	**447,477**	**11,648**	**459,125**	**615,671**	**13,551**	**629,222**

CONSOLIDATED BALANCE SHEET

ASSETS

€ thousands	Notes	First-half 2011	December 31, 2010
Goodwill	7	1,507,652	1,521,951
Other intangible assets		472,686	501,400
Property, plant and equipment		840,113	876,227
INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT, NET	**3**	**2,820,451**	**2,899,578**
Investments in associates		120,609	104,047
Other long-term financial investments		69,061	65,488
Deferred tax assets		102,712	93,205
Long-term receivables		6,801	7,849
Other non-current assets		1,209	1,214
OTHER NON-CURRENT ASSETS, NET		**300,392**	**271,803**
TOTAL NON-CURRENT ASSETS, NET		**3,120,843**	**3,171,381**
Inventories		644,433	645,453
Prepayments to suppliers		20,122	12,865
Short-term receivables		963,270	915,868
Current income tax assets		23,154	25,720
Other receivables		15,914	17,636
Derivative financial instruments		42,081	26,993
Prepaid expenses		35,059	26,068
Cash and cash equivalents	9	394,944	371,055
CURRENT ASSETS		**2,138,977**	**2,041,658**
TOTAL ASSETS		**5,259,820**	**5,213,039**

CONSOLIDATED BALANCE SHEET

EQUITY AND LIABILITIES

€ thousands	Notes	June 30, 2011	December 31, 2010
Share capital		38,311	38,098
Retained earnings		259,942	224,697
Treasury stock		2,633,476	2,331,494
Oceane conversion option		(283,759)	(136,258)
Revaluation and other reserves		(38,459)	(40,872)
Translation reserve		(8,124)	121,865
Profit attributable to equity holders of Essilor International		258,242	461,969
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF ESSILOR INTERNATIONAL		**2,859,629**	**3,000,993**
Minority interests		48,507	43,186
TOTAL EQUITY		**2,908,136**	**3,044,179**
Provisions for pensions and other post-employment benefit obligations		162,145	162,897
Long-term borrowings	**9**	282,319	285,558
Deferred tax liabilities		120,900	124,406
Other long-term payables		119,257	117,914
NON-CURRENT LIABILITIES		**684,621**	**690,775**
Provisions	**8**	135,710	144,155
Short-term borrowings	**9**	592,930	402,832
Customer prepayments		13,493	12,506
Short-term payables		746,364	759,613
Taxes payable		48,948	38,331
Other liabilities		106,907	97,939
Derivative financial instruments		12,888	12,644
Deferred income		9,823	10,065
CURRENT LIABILITIES		**1,667,063**	**1,478,085**
TOTAL EQUITY AND LIABILITIES		**5,259,820**	**5,213,039**

CONSOLIDATED CASH FLOW STATEMENT

€ thousands	First-half 2011 (6 months)	First-half 2010 (6 months)	2010 (12 months)
PROFIT FOR THE PERIOD	**263,812**	**202,876**	**472,027**
Share of profit of associates, net of dividends received	(2,793)	(3,245)	24,096
Depreciation, amortization and other non-cash items	87,685	86,882	179,712
Profit before non-cash items and share of profit of associates, net of dividends received	**348,704**	**286,513**	**675,835**
Provision charges (reversals)	(3,659)	47,926	67,327
(Gains) losses on asset disposals, net	800	9	(25,955)
Cash flow after income tax and finance costs, net	**345,845**	**334,448**	**717,207**
Finance costs, net	3,461	4,789	5,948
Income tax expense (current and deferred taxes)	91,409	88,800	167,404
Cash flow before income tax and finance costs, net	**440,715**	**428,037**	**890,559**
Income taxes paid	(83,020)	(95,052)	(210,711)
Interest (paid) and received, net	(844)	(3,452)	(3,546)
Change in working capital	(102,035)	(106,483)	(56,849)
NET CASH FROM OPERATING ACTIVITIES	**254,816**	**223,050**	**619,453**
Purchases of property, plant and equipment and intangible assets	(81,834)	(57,866)	(139,971)
Acquisitions of subsidiaries, net of the cash acquired	(54,568)	(447,836)	(531,455)
Purchases of available-for-sale financial assets	(3,309)	(7,160)	(7,726)
Purchases of other long-term financial investments	(6,277)	(690)	(5,341)
Proceeds from the sale of subsidiaries, net of the cash sold			132,523
Proceeds from the sale of other non-current assets	4,356	4,010	15,791
NET CASH USED IN INVESTING ACTIVITIES	**(141,632)**	**(509,542)**	**(536,179)**
Proceeds from the issue of share capital	35,458	40,221	76,834
(Purchases) sales of treasury stock, net	(148,359)	(182,289)	(348,861)
Dividends paid to:			
- Equity holders of Essilor International	(171,543)	(145,984)	(146,471)
- Minority shareholders of subsidiaries	(243)	(657)	(2,044)
Repayments of borrowings other than finance lease liabilities	177,801	463,470	276,108
Purchases of marketable securities*		33,965	33,965
Repayment of finance lease liabilities	(1,328)	(1,213)	(2,306)
Other movements	(1,181)	1,915	(987)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**(109,395)**	**209,428**	**(113,762)**
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**3,789**	**(77,064)**	**(30,488)**
Cash and cash equivalents at January 1	345,888	363,902	363,902
Effect of changes in exchange rates	5,525	23,118	12,474
CASH AND CASH EQUIVALENTS AT PERIOD-END	**355,202**	**309,956**	**345,888**
Cash and cash equivalents reported in the balance sheet	394,944	353,365	371,055
Short-term bank loans and overdrafts	(39,743)	(43,408)	(25,167)

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

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

♦ First-half 2011

(€ thousands)	Share capital	Additional paid-in capital	Revaluation reserves	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, 2010	**38,098**	**224,697**	**(40,872)**	**2,331,494**	**121,865**	**(136,258)**	**461,969**	**3,000,993**	**43,186**	**3,044,179**
Issue of share capital										
- To the corporate mutual funds										
- On exercise of stock options	213	35,245						35,458		35,458
- Paid up by capitalizing reserves										
Cancellation of treasury stock										
Shares transferred out of treasury stock in exchange for Oceane bonds										
Share-based payments				10,105				10,105		10,105
Purchases and sales of treasury stock, net				(858)		(147,501)		(148,359)		(148, 359)
Appropriation of profit				461 969			(461,969)			
Effect of changes in scope of consolidation				2,115				2,115	3,177	5,292
Dividends				(171,541)				(171, 541)	(243)	(171,784)
Transactions with shareholders	**213**	**35,245**	**0**	**301,790**	**0**	**(147,501)**	**(461,969)**	**(272,222)**	**2,934**	**(269,288)**
Total income and expense for the period recognized directly in equity			1,984					1,984		1,984
Profit for the period							258,242	258,242	5,570	263,812
Exchange differences on translating foreign operations			429	192	(129,989)			(129,368)	(3,183)	(132,551)
Total recognized income and expense	**0**	**0**	**2,413**	**192**	**(129,989)**	**0**	**258,242**	**130,858**	**2,387**	**133,245**
Equity at June 30, 2011	**38,311**	**259,942**	**(38,459)**	**2,633,476**	**(8,124)**	**(283,759)**	**258,242**	**2,859,629**	**48,507**	**2,908,136**

♦ First-half 2010

(€ 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**
Equity at January 1, 2010	**38,792**	**415,321**	**(21,654)**	**6,854**	**2,107,572**	**(50,238)**	**(174,580)**	**390,685**	**2,712,752**	**21,786**	**2,734,538**
Issue of share capital											
- To the corporate mutual funds	61	12,459							12,520		12,520
- On exercise of stock options	179	27,522							27,701		27,701
- On conversion of Oceane bonds	1	97		(13)	13				98		98
- Paid up by capitalizing reserves											
Cancellation of treasury stock	(720)	(157,592)					158,312				
Shares transferred out of treasury stock in exchange for Oceane bonds				(2,614)	2,555		23,111		23,052		23,052
Share-based payments					10,089				10,089		10,089
Purchases and sales of treasury stock, net					(17,278)		(165,011)		(182,289)		(182,289)
Appropriation of profit					390,685			(390,685)			
Effect of changes in scope of consolidation on minority interests										7,995	7,995
Impact of changes in scope of consolidation not resulting in a loss of control					(680)				(680)		(680)
Dividends					(145,984)				(145,984)	(657)	(146,641)
Transactions with shareholders	**(479)**	**(117,514)**	**0**	**(2,627)**	**239,400**	**0**	**16,412**	**(390,685)**	**(255,493)**	**7,338**	**(248,155)**
Total income and expense for the period recognized directly in equity			(13,407)						(13,407)		(13,407)
Profit for the period								197,540	197,540	5,336	202,876
Exchange differences on translating foreign operations			(223)		397	263,170			263,344	6,312	269,656
Total recognized income and expense	**0**	**0**	**(13,630)**	**0**	**397**	**263,170**	**0**	**197,540**	**447,477**	**11,648**	**459,125**
Equity at June 30, 2010	**38,313**	**297,807**	**(35,284)**	**4,227**	**2,347,369**	**212,932**	**(158,168)**	**197,540**	**2,904,736**	**40,772**	**2,945,508**

(*) In July 2003, Essilor International issued bonds convertible into new shares and/or exchangeable for existing shares (OCEANEs), which fell due on July 2, 2010.

A total of 626,218 OCEANEs were outstanding as of June 30, 2010, representing €33.9 million for the debt component and €4.2 million for the embedded options recognized in equity.

Of these, 533,156 were tendered for conversion by the July 2 maturity date and the remaining 93,062 were redeemed at maturity.

Essilor has not issued any new bonds since that date.

♦ Full-year 2010

(€ 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**
Equity at January 1, 2010	**38,792**	**415,321**	**(21,654)**	**6,854**	**2 107 572**	**(50,238)**	**-174 580**	**390 685**	**2 712 752**	**21,786**	**2,734,538**
Issue of share capital											
- To the corporate mutual funds	98	20,192							20,290		20,290
- On exercise of stock options	344	56,201							56,545		56,545
- On conversion of Oceane bonds	1	98							99		99
- Paid up by capitalizing reserves											
Cancellation of treasury stock	(1,137)	(267,115)		(13)	12		268,253				
Shares transferred out of treasury stock in exchange for Oceane bonds				(6,841)	6,841		71,398		71,398		71,398
Share-based payments					20,527				20,527		20,527
Purchases and sales of treasury stock, net					(47,532)		(301,329)		(348,861)		(348,861)
Appropriation of profit					390,685			(390,685)			
Effect of changes in scope of consolidation on minority interests			(1,259)		(341)	643			(957)	9,893	8,936
Dividends					(146,471)				(146,471)	(2,044)	(148,515)
Transactions with shareholders	**(694)**	**(190,624)**	**(1,259)**	**(6,854)**	**223,721**	**643**	**38,322**	**(390,685)**	**(327,430)**	**7,849**	**(319,581)**
Total income and expense for the period recognized directly in equity			(16,473)						(16,473)		(16,473)
Profit for the period								461,969	461,969	10,058	472,027
Exchange differences on translating foreign operations and other			(1,486)		201	171,460			(170,175)	3,493	173,668
Total recognized income and expense	**0**	**0**	**(17,959)**	**0**	**201**	**171,460**	**0**	**461,969**	**615,671**	**13,551**	**629,222**
Equity at December 31, 2010	**38,098**	**224,697**	**(40,872)**	**0**	**2,331,494**	**121,865**	**(136,258)**	**461,969**	**3,000,993**	**43,186**	**3,044,179**

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[1].

The consolidated financial statements for the six months ended June 30, 2011 have been prepared in accordance with IAS 34 – Interim Financial Reporting. They were approved by the Board of Directors on August 25, 2011.

The accounting policies used to prepare the interim consolidated financial statements are unchanged compared with those applied in the 2010 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, 2011**

- **Amendment to IAS 32 – Classification of Rights Issues**
- **IAS 24 (revised) – Related Party Disclosures**
- **Amendment to IFRIC 14 - Limit on a Defined Benefit Asset**
- **Amendment to IFRS 1 - Limited Exemption From Comparative IFRS 7 Disclosures**

Adoption of these revised and amended standards did not have any material impact on the consolidated financial statements.

- **IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments**

The Company is not concerned by this interpretation.

♦ **IFRSs, amendments to IFRSs and interpretations applicable in future periods**

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

- **Amendments to IFRS 7 and IFRS 1 – Disclosures: Transfers of Financial Assets**
- **IFRS 9 – Financial Instruments: Classification and Measurement**

The Company is in the process of assessing the impact of these standards on the consolidated financial statements.

[1] http://ec.europa.eu/internal_market/accounting/ias/index_en.htm

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.

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.

1.2. OPERATING SEGMENTS

Since the adoption of IFRS 8 with effect from January 1, 2009, the Company's information by operating segment is presented in accordance with the information provided internally to management for the purpose of managing operations, making decisions and analyzing operational performance.
The information provided to management for internal management purposes is prepared in accordance with the IFRSs used by the Company in its consolidated financial statements.

The Group has three operating segments: Lenses & Optical Instruments, Equipment, and Readers.

The Lenses & Optical Instruments business segment comprises the Company's lens business (production, finishing, distribution and trading) and the instruments business (small equipment used by opticians and related to the sale of lenses). The end customers for this business are eyecare professionals (opticians and optometrists).
The business is managed by region. The regions are as follows:

- Europe
- North America
- Rest of world

The Equipment business segment encompasses the production, distribution and sale of large equipment, such as digital surfacing machines and lens polishing machines, used in manufacturing plants and prescription laboratories for finishing operations on semi-finished lenses. The end customers for this business segment are optical lens manufacturers.

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

1.3. CONSOLIDATED STATEMENT OF CASH FLOWS

The statement of cash flows has been prepared by the indirect method, whereby profit is adjusted for the effects of non-cash transactions, 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.

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, share grants and employee stock ownership plans), plus dividends received from associates.

Working capital comprises inventories, receivables and payables, current tax assets, taxes payable, other receivables and payables, deferred income and prepaid expenses. Changes in working capital 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.

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, make up the bulk of the Group's cash investments and are qualified as cash equivalents when the fund's management objectives fulfill the criteria specified in IAS 7.
- 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 OPERATING INCOME AND EXPENSES

Other income and expenses from operations mainly comprise:

- Restructuring costs
- Costs of claims and litigation
- Strategic acquisition costs
- Fair value adjustments to assets and liabilities acquired in business combinations recorded after the one-year purchase price allocation period
- Impairment losses on goodwill, 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.

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, 2011	**Dec. 31, 2010**	**June 30, 2010**	**June 30, 2011**	**Dec. 31, 2010**	**June 30, 2010**
Canadian dollar	1.40	1.33	1.29	1.37	1.37	1.37
Pound sterling	0.90	0.86	0.82	0.87	0.86	0.86
Yen	116.25	108.65	108.79	114.97	115.26	120.04
U.S. dollar	1.45	1.34	1.23	1.40	1.32	1.32
Swiss franc	1.21	1.25	1.33	1.27	1.37	1.42

2.2. CHANGES IN THE SCOPE OF CONSOLIDATION

- **Newly-consolidated companies**

The following companies were consolidated for the first time in first-half 2011:

Name	Country	Consolidated from	Consolidation method	% interest	% consolidated
Neckarsee Gmbh*	Germany	January 1, 2011	Full	100.00	100.00
Precision Optics PTY LTD	Australia	February 13, 2011	Full	60.00	100.00
Orgalent	Brazil	May 1, 2011	Full	51.00	100.00
Repro	Brazil	April 1, 2011	Full	70.00	100.00
Unilab*	Brazil	January 1, 2011	Full	51.00	100.00
Bazell	United States	January 1, 2011	Full	70.00	100.00
FGX Holding SASU	France	January 1, 2011	Full	100.00	100.00
Framed Vision	United Kingdom	March 1, 2011	Full	100.00	100.00
Polinelli SRL	Italy	February 28, 2011	Full	100.00	100.00
Trend Optical Singapore	Singapore	April 1, 2011	Full	70.00	100.00
Essilor Slovakia*	Slovakia	January 1, 2011	Full	100.00	100.00
Trend Optical Taiwan Branch	Taiwan	April 1, 2011	Full	70.00	100.00

(*) Companies acquired or set up in prior years, consolidated for the first time in 2011.

The first-half 2011 income statement also includes the contribution over the full six months of the following companies that were consolidated for the first time in 2010:

Name	Country	Consolidated from	Consolidated from	% interest	% consolidated
Eyebiz	Australia	February 1, 2010	Full	70.00	100.00
Ceditop	Brazil	April 1, 2010	Full	76.00	100.00
Embrapol Sul	Brazil	October 1,2010	Full	73.00	100.00
Farol	Brazil	December 1,2010	Full	70.00	100.00
Tecnolens	Brazil	November 1,2010	Full	70.00	100.00
Cascade	Canada	April 1,2010	Full	60.00	100.00
Econo Optics	Canada	June 1, 2010	Full	60.00	100.00
Danyang	China	January 15, 2010	Full	80.00	100.00
Essilor China Holding Co Ltd	China	September 17, 2010	Full	100.00	100.00
Wanxin	China	November 9, 2010	Full	50.00	100.00
Custom Optical	United States	April 1, 2010	Full	100.00	100.00
DAC Vision INC	United States	April 1, 2010	Full	60.00	100.00
Encore Optics LLC	United States	March 1, 2010	Porportionate	40.00	50.00
Epics Labs Inc	United States	June 1, 2010	Full	80.00	100.00
Groupe FGX	United States	March 12, 2010	Full	100.00	100.00
Gulfstates Optical Laboratories Inc	United States	August 2, 2010	Full	80.00	100.00
Hawkins Optical Laboratories Inc	United States	April 1, 2010	Full	100.00	100.00
Optical Venture Inc,	United States	September 1, 2010	Full	80.00	100.00
NEA Optical LLC	United States	December 1, 2010	Full	80.00	100.00
Pasch Optical Laboratories Inc,	United States	August 1, 2010	roportionate	40.00	50.00
Reliable Optics	United States	September 1, 2010	Full	100.00	100.00
Groupe Signet Armorlite	United States	April 1, 2010	Full	100.00	100.00
Winchester Optical Company	United States	November 1, 2010	Full	80.00	100.00
DAC Vision SAS	France	April 1, 2010	Full	60.00	100.00
Domlens	France	October 1, 2010	Full	65.00	100.00
Essor	France	October 1, 2010	Full	65.00	100.00
GKB Optic Tech Private Ltd	India	September 1, 2010	Full	51.00	100.00
ILT To Latin America Pte Ltd	Singapore	September 1, 2010	Full	51.00	100.00
OSA Investments Holding Pte Ltd	Singapore	February 1, 2010	Full	100.00	100.00
Signet Armolite Asia (ex Visitech)	Singapore	June 1, 2010	Full	100.00	100.00
SMJ Holding Pte Ltd	Singapore	April 21, 2010	Full	70.00	100.00
SMJ Holding Pte Ltd Taiwan Branch	Taiwan	April 1,2010	Full	70.00	100.00
Eyebiz Laboratory Co Ltd	Thailand	November 1, 2010	Full	70.00	100.00

- **Other movements**

The Company’s interest in WLC increased from 70.00% to 100.00% on March 31, 2011.
The Company’s interest in NIKA increased from 74.90% to 100.00% on June 30, 2011.
The Company’s interest in FGX Mexico Joske increased from 50.00% to 100.00% on April 29, 2011.

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:

In € million	Companies consolidated for the first time in first-half 2011
Intangible assets	7,806
Property, plant and equipment	5,548
Investments in associates	0
Non-current financial assets	10,753
Other non-current assets	275
Current assets	22,464
Cash and cash equivalents	4,667
Total assets acquired at fair value	**51,512**
Minority interests in equity	387
Non-current financial assets	604
Other non-current assets	1,515
Current assets	3,078
Cash and cash equivalents	13,319
Total assets acquired at fair value	**18,903**
NET ASSETS ACQUIRED	**32,610**
Acquisition cost	50,692
Fair value of net assets acquired	32,610
Liabilities arising from put options granted to minority shareholders	(14,456)
Post acquisition retained earnings	1,093
Recognize Goodwill	**33,631**

(*) or consolidated for the first time during the period

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.

♦ **Income Statement**

The overall effect of changes in scope of consolidation and exchange rates on first-half 2011 revenue, contribution from operations and operating profit was as follows:

In %	**Reported growth**	Impact of changes in exchange rates	Impact of changes consolidation scope: Bolt-on acquisitions	Impact of changes consolidation scope: Strategic acquisitions	**Like-for-like growth**
Revenue	**6.9**	(2.1)	2.5	2.0	**4.5**
Contribution from operations	**6.9**	(2.4)	1.2	(0.1)	**8.2**
Operating profit	**22.2**	(2.9)	1.9	(0.1)	**23.3**

(*) The sharp rise in operating profit in first-half 2011 compared with the year earlier period is due to the significant provisions set aside in first-half 2010 in relation to the dispute with Germany's competition authorities, BundesKartellAmt (see Note 10 – Litigation). Excluding this provision expense, like-for-like growth in operating profit was 7.5%.

NOTE 3. INFORMATION BY OPERATING SEGMENT

Revenue is attributed by origin (invoicing country).

Sign convention: income (expense)

JUNE 2011	**Lenses Europe**	**Lenses North America**	**Lenses Rest of World**	**Equipment**	**Readers**	**Elimination of inter-segment revenue**	**Group total**
External revenue	733	758	374	89	106		**2,060**
Inter-segment revenue	51	34	146	18		(249)	**0**
Total revenue	784	792	520	107	106	(249)	**2,060**
Operating profit	82	122	112	12	16		**344**
Non-cash income and expenses	(10)	0	0	0	0		**(10)**
Interest income	1	1	3	0	0		**5**
Interest expense	(3)	(7)	(2)	0	0		**(12)**
Income tax expense	(25)	(35)	(21)	(4)	(6)		**(91)**
Share of profit of associates	4	7	4	0	0		**15**
Impairment, depreciation and amortization of property, plant and equipment and intangible asets	(34)	(26)	(25)	(4)	-6		**(95)**
Purchases of property, plant and equipment and intangible assets	19	20	34	2	5		**80**
Non-current assets							
Total assets	598	884	543	336	459		**2,820**
Provisions	1,625	1,360	1,281	449	545		**5,260**
Borrowings and payables	224	34	13	19	8		**298**
	1,085	489	326	47	107		**2,054**

JUNE 2010	**Lenses Europe**	**Lenses North America**	**Lenses Rest of World**	**Equipment**	**Readers**	**Elimination of inter-segment revenue**	**Group total**
External revenue	708	769	303	67	80		**1,927**
Inter-segment revenue	44	32	104	15		(195)	**0**
Total revenue	752	801	407	82	80	(195)	**1,927**
Operating profit	63	110	85	6	17		**281**
Non-cash income and expenses	(10)	0	0	0	0		**(10)**
Interest income	1	1	2	0	0		**4**
Interest expense		(7)	(2)	0	0		**(9)**
Income tax expense	(28)	(34)	(18)	(3)	(6)		**(89)**
Share of profit of associates	7	7	3	0	0		**17**
Impairment, depreciation and amortization of property, plant and equipment and intangible asets	(32)	(34)	(21)	(4)	(2)		**(93)**
Purchases of property, plant and equipment and intangible assets	20	15	24	1	0		**60**
Non-current assets							
Total assets	634	1,039	417	341	537		**2,968**
Provisions	1,653	1,606	1,085	438	647		**5,429**
Borrowings and payables	215	34	12	18	10		**289**
	1,154	633	204	45	159		**2,195**

DECEMBER 2010	**Lenses Europe**	**Lenses North America**	**Lenses Rest of World**	**Equipment**	**Readers**	**Elimination of inter-segment revenue**	**Group total**
External revenue	1,402	1,505	644	154	187		**3,892**
Inter-segment revenue	83	62	228	29		(402)	**0**
Total revenue	1,485	1,567	872	183	187	(402)	**3,892**
Operating profit	154	206	197	19	43		**618**
Non-cash income and expenses							
	(22)	0	0	0	0		**(22)**
Interest income	2	2	5	0	0		**9**
Interest expense	1	(13)	(4)	0	0		**(15)**
Income tax expense	(48)	(56)	(41)	(6)	(17)		**(167)**
Share of profit of associates	12	13	7	0	0		**32**
Impairment, depreciation and amortization of property, plant and equipment and intangible asets	(63)	(71)	(44)	(8)	(9)		**(195)**
Purchases of property, plant and equipment and intangible assets							
	44	31	54	5	6		**140**
Non-current assets							
Total assets	615	946	515	338	487		**2,900**
Provisions	1,575	1,409	1,218	443	568		**5,213**
Borrowings and payables	231	36	14	19	8		**307**
	903	504	285	52	118		**1,862**

Following an operational reorganization, National Optronics' revenue has been reclassified from the North America region to the Equipment Division.

The Company's top 20 customers accounted for 20.7% of revenue in first-half 2011 (2010: 22.1%).

No single customer accounts for more than 10% of the Company's revenue.

NOTE 4. OTHER OPERATING INCOME (EXPENSE), NET

€ thousands	First-half 2011 (6 months)	First-half 2010 (6 months)	Full-year 2010 (12 months)
By nature			
Impairment losses	(1,091)	0	(434)
Compensation costs of stock options	(2,955)	(3,910)	(8,002)
Compensation costs of employee share issues	0	(1,067)	(1,633)
Compensation costs of performance share grants	(7,150)	(5,112)	(12,082)
Restructuring costs, net	(8,190)	(12,509)	(37,869)
Strategic acquisition costs*	(6,518)	(2,023)	(6,524)
Other	(1,246)	(41,667)	(45,788)
Total	**(27,150)**	**(66,288)**	**(112,332)**

(*) See Note 10 – Litigation

NOTE 5. OTHER FINANCIAL INCOME AND EXPENSES

€ thousands	First-half 2011 (6 months)	First-half 2010 (6 months)	Full-year 2010 (12 months)
By nature			
(Charges to)/reversals of provisions for impairment of available-for-sale financial assets, net	(324)	22	(981)
Exchange gains and losses, net	(2,454)	(46)	(1,173)
Changes in fair value of derivative financial instruments	275	380	896
Dividends	(2,385)	(1,481)	(3,069)
Other	**(4,888)**	**(1,125)**	**(4,327)**

Other financial income and expenses mainly include discounting adjustments to financial expenses related to put options granted to minority shareholders, which amounted to €2,610 thousand in first-half 2011 (versus €1,828 thousand in first-half 2010).

NOTE 6. CHANGE IN NUMBER OF SHARES

Change in outstanding shares, net of treasury shares

	First-half 2011	First-half 2010	Full-year 2010
Number of shares at January 1	**208,761,230**	**210,879,319**	**210,879,319**
Shares issued on exercise of stock options	1,183,300	994,238	1,912,549
Shares issued to the Essilor corporate mutual fund	0	339,482	51, 767
Treasury shares allocated on conversion of Oceane bonds	0	757,006	1,823,318
Shares sold out of treasury on exercise of stock options	50,863	34,097	53,332
Delivery of performance shares	1,230	539,683	1,084,992
Shares issued on conversion of Oceane bonds	0	3,690	3,690
(Purchases) and sales of treasury stock, net	(2,959,000)	(4,136,583)	(7,537,737)
Number of shares at the period-end	**207,037,623**	**209,410,932**	**208,761,230**
Number of treasury shares excluded from the calculation	5,801,019	3,436,450	2,894,112

Average number of shares, net of treasury shares

	First-half 2011	First-half 2010	Full-year 2010
Number of shares at January 1	**208,761,230**	**210,879,319**	**210,879,319**
Shares issued on exercise of stock options	426,560	376,552	817,353
Shares issued to the Essilor corporate mutual fund	0	3,751	176,875
Treasury shares allocated on conversion of Oceane bonds	0	171,174	998,192
Shares sold out of treasury on exercise of stock options	25,248	13,440	27,684
Treasury shares used to make performance share grants	419	92,892	361,176
Shares issued on conversion of Oceane bonds	0	3,054	3,375
(Purchases) and sales of treasury stock, net	(1,892,034)	(1,796,636)	(3,689,639)
Number of shares at the period-end	**207,321,423**	**209,743,546**	**209,574,335**

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
First-half 2010						
Gross	**1,535,140**	**33,631**	**19,955**	**(68,253)**		**1,520,473**
Impairment losses	13,189			(429)	61	12,821
Carrying amount	**1,521,951**	**33,631**	**19,955**	**(67,824)**	**(61)**	**1,507,652**
Full-year 2009						
Gross	**1,072,121**	**408,944**	**(10,252)**	**64 327**	**(0)**	**1 535 140**
Impairment losses	12,180	0	8	836	165	13 189
Carrying amount	**1,059,941**	**408,944**	**(10,260)**	**63,491**	**(165)**	**1 521 951**

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

€ thousands	June 30, 2011	December 31, 2010
Lenses – Europe	248,373	245,666
Lenses – North America	552,548	588,811
Lenses – Rest of World	226, 818	202,381
Equipment	259,625	256,789
Readers	220,288	228,304
	1,507,652	**1,521,951**

Goodwill for companies acquired in the second half of 2010 and the first half of 2011 is based on the provisional accounting for the business combination and may be adjusted during the 12-month period from the acquisition date.

NOTE 8. PROVISIONS FOR CONTINGENCIES AND CHARGES

€ thousands	At January 1	Charges	Utilizations	Releases	Impact of changes in exchange rates	Impact of changes in scope of consolidation	Other movements	At period end
2011								
Provisions for losses in subsidiaries and affiliates	300							300
Restructuring provisions	19,323	506	(6,039)	(2,559)	(476)		(764)	9,991
Warranty provisions	22,740	2,964	(1,170)	(1,215)	(1,142)	11	81	22,269
Other	101,792	2,859	(2,211)	(143)	(851)	64	(1,641)	103,151
Total	**144,156**	**6,329**	**(9,420)**	**(3,917)**	**(2,469)**	**75**	**958**	**135,710**
2010								
Provisions for losses in subsidiaries and affiliates	300							300
Restructuring provisions	1,987	19,899	(3,334)		100	2,738	(2,067)	19,323
Warranty provisions	20,307	3,646	(2,678)	(1,088)	1,344	421	788	22,740
Other	46,294	53,277	(7,069)	(1,023)	799	9,648	(134)	101,792
Total	**68,888**	**76,822**	**(13,081)**	**(2,111)**	**2,243**	**12,807**	**(1,412)**	**144,155**

“Other provisions” at June 30, 2011 include provisions for tax audits and disputes in the amount of €32.9 million and a €50.7 million provision set aside for the potential consequences of alleged breaches of German competition law (see Note 10 - Litigation). There were no material changes in these provisions compared with December 31, 2010.

Note 9. NET DEBT

€ thousands	June 2011	Dec. 2010
Other long-term borrowings	282,319	285,558
Short-term borrowings	552,062	376,550
Short-term bank loans and overdrafts	39,743	25,167
Accrued interest	1,125	1,115
Total borrowings	**875,249**	**688,390**
Cash equivalents	(166 ,513)	(155,432)
Cash	(228,431)	(215,623)
Total assets	**(394,944)**	**(371,055)**
Cross currency swaps	(35,513)	(21,542)
Net debt	**444,792**	**295,793**

Short-term borrowings increased by around €170 million in first-half 2011. They include commercial paper for €83 million and €464 million in drawdowns on confirmed lines of credit.

NOTE 10. LITIGATION

The accounting policies applied to determine provisions for contingencies are presented in chapter 20.3.1.5 of the 2010 Registration Document (Note 1.32). Details of other operating income and expense are provided in Note 4 to these consolidated financial statements for the six months ended June 30, 2011 and provision movements for the period are presented in Note 8.

Germany

At the end of 2008, the German competition authorities, the BundesKartellAmt (BKA), launched an investigation into possible breaches of German competition law by major players in the ophthalmic optics market, including two Essilor subsidiaries, Essilor GmbH and Rupp & Hubrach Optik GmbH.

On June 10, 2010, following the investigation, the BKA notified the companies investigated that it intended levying fines on them, with the fine applicable to Essilor's two subsidiaries representing an aggregate amount of around €50 million.
Essilor GmbH and Rupp & Hubrach Optik GmbH contested both the grounds for the BKA's findings and the amount of the fine which they deemed to be disproportionate. As a result, two appeals were lodged against the BKA's decisions on June 15 and 16, 2010. None of the fines will be paid while these appeals are pending. The Company does not currently know when the appeals will be heard and is not in a position to forecast their outcome.

The related provisions carried in the consolidated balance sheet at December 31, 2010 amounted to €50.7 million.

There were no developments in the case during the first half of 2011 and in the absence of any new information, the provisions at December 31, 2010 were maintained in the consolidated balance sheet at June 30, 2011.

United States and Canada

Following the settlement of charges brought by the Federal Trade Commission after an investigation in 2009 into Transitions Optical Inc.'s business practices, around twenty motions for authorization to bring class actions have been filed since late March 2010 against Transitions Optical Inc., Essilor International, Essilor of America and Essilor Laboratories of America before US and Canadian courts. The plaintiffs in these motions are alleging that the companies concerned endeavored to jointly monopolize the market for the development, manufacture and sale of photochromic lenses between 1999 and March 2010.

The Group has not recorded any provisions in relation to the above at this stage. At the end of 2010, it was decided that the class action motions would be consolidated and heard by a US federal court. Of the four companies initially cited, Essilor International is now no longer involved and the remaining Essilor companies filed an application on June 1, 2011 seeking to have the class action authorization overturned. In addition, no information is available yet on the quantum of the damages claimed.

Other litigation

To the best of the Company's knowledge, it is not currently involved and has not recently been involved in any claims, litigation or arbitration proceedings that would be likely to have a material adverse effect on its financial position, results of operations, profitability, business or assets and liabilities.

NOTE 11. OFF-BALANCE SHEET COMMITMENTS

Reviews by all subsidiaries of their off-balance sheet commitments carried out in 2010 led to a significant reduction in consolidated off-balance sheet commitments to €134 million at June 30, 2011, corresponding to guarantees given.

NOTE 12. ESSILOR INTERNATIONAL FINANCIAL STATEMENTS

€ milions	First-half 2010 (6 months)	First-half 2010 (6 months)	Full-year 2010
Revenue	357	670	341
Net profit	163	215	141

NOTE 13. EVENTS AFTER THE BALANCE SHEET DATE

- **Acquisition of the Shamir Group**

On July 1, Shamir Optical Industry Ltd., Kibbutz Shamir and Essilor International announced the successful acquisition of 50% of Shamir Optical Industry Ltd by Essilor. The closing followed the approval of the transaction by Shamir Optical's shareholders at a special meeting held on April 26 in accordance with Israeli law and the satisfaction of all closing conditions, including the approval of the Nazareth District Court in Israel and required regulatory approvals.

Shamir Optical's shares were immediately delisted from the Nasdaq Global Market and the Tel Aviv Stock Exchange.

Statement by the Person Responsible for the 2011 Interim Financial Report

I declare that, to the best of my knowledge, (i) the financial statements for the first six months of 2011 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, France, August 26, 2011

Hubert Sagnières
Chief Executive Officer

IAS 34 condensed consolidated financial statements - statutory auditors report on the interim financial statements

This is a free translation into English of the statutory auditors' review report on the 2011 half-year financial statements issued in the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction and construed in accordance with French law and professional auditing standards applicable in France.

To the shareholders,

In accordance with our appointment as statutory auditors by the General Shareholders' Meeting, and in application of article L.451-1-2 III of the French monetary and financial code, we hereby report to you on:

- the limited review of the accompanying half-year condensed consolidated financial statements of ESSILOR INTERNATIONAL SA, for the period from January 1, 2011 to June 30, 2011;
- the verification of the information contained in the half-year management report.

These condensed half-year consolidated financial statements were prepared under the responsibility of your Board of Directors. Our role is to express our conclusion on these financial statements, based on our limited review.

1. Conclusion on the financial statements

We have conducted our limited review in accordance with professional standards applicable in France.

A limited review mainly consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. These procedures are less in scope that those required for an audit conducted in accordance with French auditing standards. Accordingly, a limited review 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 limited review, we did not identify any material misstatements that would cause us to believe that the half-year condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34, the IFRS standard relating to interim financial reporting adopted by the European Union.

2. Specific verification

We have also verified the information presented in the half-year management report commenting on the half-year condensed consolidated financial statements that were the subject of our limited review.

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

Neuilly-Sur-Seine and Courbevoie, August 26th, 2011

The statutory auditors

French original signed by

PRICEWATERHOUSECOOPERS AUDIT

Christine BOUVRY

MAZARS

Pierre SARDET