ESSILOR
SEEING THE WORLD BETTER

Strong Second Quarter
Delivering on the Growth Strategy

- On track with objectives: First-half like-for-like growth[1] of 4.0%, including 4.8% in Q2, and contribution from operations[2] at 18.4% of revenue
- Major brands and new products driving growth
- Gross margin expansion fueling continued investments in future growth

Charenton-le-Pont, France (July 26, 2018 – 6:30 am) – The Board of Directors of Essilor International (Compagnie Générale d'Optique) met yesterday to approve the financial statements for the six months ended June 30, 2018. The auditors have performed a limited review of the consolidated financial statements.

Financial Highlights

€ millions	**June 30, 2018** ***Adjusted***[6]	**June 30, 2017**[8] ***Adjusted***[6]	**Change %**		**June 30, 2018** ***Reported***
			At constant currencies	**At real currencies**	
Revenue	**3,726**	**3,859**	+4.4%	-3.5%	3,726
Contribution from operations[2] *(% of revenue)*	**684** **18.4%**	**718** **18.6%**	+2.4%	-4.8%	684 18.4%
Operating profit	**630**	**667**	+1.9%	-5.5%	583
Profit attributable to equity holders	**421**	**431**	+4.8%	-2.4%	349
Earnings per share (*in €*)	**1.93**	**1.99**	+4.5%	-3.0%	1.60

(6) The income statements as of June 30, 2018 and June 30, 2017 are adjusted for expenses accounted for in the financial statements due to the proposed combination with Luxottica.
(8) The group has applied IFRS 15 related to revenue recognition since January 1st, 2018. The H1 2017 statement of income has been restated accordingly, with an impact of -€50m on revenue and of -€3m on contribution from operations[2].
A reconciliation table comparing adjusted to reported results is available on page 11 of this document.

Commenting on these results, Hubert Sagnières, Chairman and Chief Executive Officer of Essilor, said: *"Essilor delivered solid results in all regions and divisions in the first half of 2018, while at the same time preparing for its proposed combination with Luxottica. This performance reflects the mobilization of our teams around a powerful and unique mission: "Improving lives by improving sight".* This *translates into a clear growth strategy with an aim to improve and protect the vision of more than 7 billion people around the world with solutions for consumers with any level of means. Our innovations are particularly appreciated in many countries where needs remain significant, from the United States and China to Brazil and elsewhere. This allows us to continue investing more in the future well-being of populations, and increases our confidence in the future."*

First-half operating highlights

Consolidated revenue reached €3,726 million in the first half of 2018, an increase of 4.4% at constant exchange rates including 4.0% in like-for-like[1] terms. Contribution from operations[2] amounted to 18.4% of revenue. Excluding currency effects, adjusted[6] earnings per share rose by 4.5%. Free cash flow[5] reached €263 million.

Other highlights of the first half were:

- ↗ Revenue growth of 4.1% in constant currency at the Lenses & Optical Instruments division, of which 3.6% like-for-like[1], including:
  - An improved product mix driven by the success of new branded lenses, notably Varilux® X series™ in the United States, Crizal® Sapphire™ 360° in the United States and in Europe and Eyezen™ around the world;
  - Close to 6% volume growth for Transitions® sales through the Company's own distribution networks. Concurrently, the decline in sales volumes to third-party lens makers slowed markedly;
  - Strong momentum in the US and in e-commerce;
  - Very promising trends in fast-growing markets[9], including a sales rebound in Brazil.
- ↗ Robust performance at the Sunglasses & Readers division, which delivered 8.1% like-for-like[1] growth;
- ↗ Delivering on the Company's ambition to eradicate poor vision by providing vision solutions to some 4 million new wearers, notably through the extension of inclusive business models in new countries;
- ↗ Good profitability after additional investments in the most attractive distribution channels and market segments;
- ↗ A gradual resumption of the acquisitions and partnerships strategy, leading to the acquisition of majority stakes in four companies representing combined full-year revenue of around €27 million.

Outlook

Encouraged by strong results for the first six months and the many sales initiatives planned for the second half, Essilor confirms its full-year 2018 targets, calling for like-for-like[1] revenue growth of around 4% and a contribution from operations[2] greater than or equal to 18.3%[7] of revenue.

Proposed combination of Essilor and Luxottica

Efforts continued in the first half of 2018 to complete the proposed combination of Essilor and Luxottica. On March 1st, the proposed combination was approved without conditions by the European Commission and the US Federal Trade Commission. On June 29, Essilor and Luxottica announced the extension to July 31, 2018 of the deadline of both the Combination Agreement and Contribution Agreement signed between Essilor and Delfin, Luxottica's majority shareholder. Essilor and Luxottica are finalizing discussions with the Chinese competition authority and are confident to obtain its approval by the end of July. In parallel, the two companies are progressing in their discussions with the Turkish antitrust authority and evaluating the timing for the closing of the transaction.

A conference call in English will be held today at 10:30 a.m. CEST.

The meeting will be available live and may also be heard later at:

http://hosting.3sens.com/Essilor/20180726-4A1FA8A7/en/webcast/startup.php

Regulatory filings

The interim financial report is available at www.essilor.com, by clicking on:

https://www.essilor.com/en/investors/publications-and-downloads/

NOTES

1. **Like-for-like growth**: Growth at constant scope and exchange rates. See definition provided in Note 2.4 to the consolidated financial statements in the 2017 Registration Document.
2. **Contribution from operations**: Revenue less cost of sales and operating expenses (research and development costs, selling and distribution costs and other operating expenses).
3. **Bolt-on acquisitions**: Local acquisitions or partnerships.
4. **Operating cash flow**: Net cash from operating activities before working capital requirement.
5. **Free cash flow**: Net cash from operating activities less purchases of property, plant and equipment and intangible assets, according to the IFRS consolidated cash flow statement.
6. **Adjusted** for expenses accounted for in the financial statements in the context of the proposed combination with Luxottica.
7. Excluding any new strategic acquisitions.
8. The group has applied **IFRS 15** related to revenue recognition since January 1st, 2018. The 2017 statement of income has been restated accordingly.
9. **Fast-growing countries** include China, India, ASEAN, South Korea, Hong Kong, Taiwan, Africa, the Middle East, Russia and Latin America.

About Essilor

Essilor International (Compagnie Générale d'Optique) ("Essilor") is the world's leading ophthalmic optics company. Essilor designs, manufactures and markets a wide range of lenses to improve and protect eyesight. Its mission is to improve lives by improving sight. To support this mission, Essilor allocates more than €200 million to research and innovation every year, in a commitment to continuously bring new, more effective products to market. Its flagship brands are Varilux®, Crizal®, Transitions®, Eyezen™, Xperio®, Foster Grant®, Bolon™ and Costa®. It also develops and markets equipment, instruments and services for eyecare professionals.

Essilor reported consolidated revenue of around €7.5 billion in 2017 and employs approximately 67,000 people worldwide. It has 34 plants, 481 prescription laboratories and edging facilities, as well as 4 research and development centers around the world. For more information, please visit www.essilor.com.

The Essilor share trades on the Euronext Paris market and is included in the Euro Stoxx 50 and CAC 40 indices.

Codes and symbols: ISIN: FR0000121667; Reuters: ESSI.PA; Bloomberg: EI:FP.

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MANAGEMENT REPORT

FIRST-HALF 2018 CONSOLIDATED REVENUE

€ millions	**June 30, 2018**	**June 30, 2017[8]**	**Change (reported)**	**Change (like-for-like[1])**	**Change in the scope of consolidation**	**Currency effect**
Lenses & Optical Instruments	**3,211**	3,333	-3.7%	+3.6%	+0.5%	-7.7%
North America	***1,386***	*1,472*	*-5.8%*	*+4.0%*	*+0.7%*	*-10.5%*
Europe	***1,004***	*1,011*	*-0.6%*	*+0.9%*	*+0.1%*	*-1.7%*
Asia/Pacific/Middle East/Africa	***596***	*603*	*-1.3%*	*+6.6%*	*+0.3%*	*-8.2%*
Latin America	***225***	*247*	*-8.7%*	*+5.1%*	*+1.0%*	*-14.8%*
Sunglasses & Readers	**413**	417	-1.1%	+8.1%	0%	-9.2%
Equipment	**102**	109	-6.8%	+0.9%	0%	-7.7%
TOTAL	**3,726**	**3,859**	**-3.5%**	**+4.0%**	**+0.4%**	**-7.9%**

(8) The group has applied IFRS 15 related to revenue recognition from January 1st, 2018. H1 2017 revenue has been restated accordingly, with a negative impact of €50m.

In the first six months of 2018, revenue amounted to €3,726 million, up 4.4% excluding currency effects.

- Like-for-like[1] growth reached 4.0%, reflecting:
  - Solid growth at the Lenses & Optical Instruments division (+3.6% like-for-like[1]) fueled by good overall results in fast-growing markets[9], the United States and the e-commerce businesses.
  - A strong performance at the Sunglasses & Readers division (+8.1% like-for-like[1]), where all brands contributed to the rebound.
  - Flat revenue at the Equipment division, which was working against a very demanding comparison base.
- Changes in the scope of consolidation (+0.4%) were driven by acquisitions completed in 2017.
- The currency effect (-7.9%) reflected the depreciation of several currencies against the euro, including the US dollar, the Brazilian real, the Indian rupee, the Canadian dollar, the Turkish lira and the Chinese yuan.

HIGHLIGHTS BY BUSINESS AND BY REGION

Lenses & Optical Instruments

The Lenses & Optical Instruments division posted like-for-like[1] revenue growth of 3.6% in the first-half 2018.

Revenue increased by 4.0% like-for-like[1] in **North America** during the first half. The core US lens business grew at a quicker pace than the overall region with regional performance further boosted by e-commerce, in particular online sales of prescription eyeglasses.
In the **United States**, growth in the first half was driven by Essilor's initiatives to support independent eyecare professionals. This was exemplified by the ongoing rollout of new products and robust demand for the Company's flagship lens brands, most notably the "Ultimate Lens Package" offer, a premium solution tailored to progressive and single-vision lens wearers. Growth was particularly strong with independent eyecare professionals affiliated with Essilor's alliance network and stronger among those alliance members leveraging the Essilor Experts program, which expanded significantly during the first half.
Essilor's key account business remained buoyant through exposure to faster-growing retail groups, key accounts utilizing integrated supply chain offerings and demand for higher value lens offerings in select accounts. Contact lens distribution activities also contributed to growth during the half.

In **Europe**, where the ophthalmic optics market was subdued, revenue growth (+0.9% like-for-like[1]) was driven primarily by new products and targeted marketing initiatives. Online sales, notably in the prescription eyeglasses segment, also contributed to growth.
In addition to the ongoing rollout of the Varilux® X series™ progressive lens, the launch of the new Crizal® Sapphire™ antireflective lens in the second quarter helped improve the product mix.
Though market conditions in **France** were unfavorable, revenue grew slightly thanks to good execution of the multi-network strategy, as evidenced by a sharp rise in sales of Nikon® lenses distributed by the BBGR network.
Strong growth in **Eastern Europe**, particularly Poland and Romania, reflected the gains recorded in the main value added categories of ophthalmic lenses, penetration of which remains low even today. Sales in **Scandinavian markets** benefited from an enhanced agreement with a key account to promote high-value vision correction solutions. Revenue was flat in the **German-speaking countries** and slightly declined in **Southern Europe**.

Strong momentum in most markets in the region drove revenue in **Asia-Pacific/Middle East/Africa** up by 6.6% on a like-for-like[1] basis, with fast-growing markets[9] delivering domestic growth of close to 10%. The rollout of the Varilux® X series™ lens during the first half was very well received. In **China**, domestic sales continued to power ahead thanks to a consumer-centric strategy, a number of innovative products (Varilux® X series™, EssiJunior™, myopia control and blue-light-filtering lenses) and active coverage of the mid-range segment. In **Korea**, sales continued to be buoyed by improved penetration of progressive and photochromic lenses. **Southeast Asian markets** showed outstanding results, with growth picking up between the first and second quarters. The Group expanded its footprint in Vietnam with a new partnership (see Acquisitions section). Solid gains in **Turkey** were fueled by low penetration of progressive and photochromic lenses in the country. Business trends in **India** were still mixed, but efforts to develop the market continued. The Company notably entered into a partnership with the government of Odisha to implement the Eye Mitra™ inclusive business model, a program through which 300 young entrepreneurs will be trained to provide affordable vision care to local communities. Within the developed countries in the region, a decline in sales in **Australia** was largely offset by a good performance in **Japan**.

In **Latin America**, revenue was up 5.1% like-for-like[1], driven by a strong rebound in **Brazil** (+6.6%).
Achieved in a market that remained sluggish and was disrupted by a truck drivers' strike late in the period, this performance was underpinned by successful launches during the first half of the Varilux® X series™ progressive lens and the Crizal® Sapphire™ antireflective lens. Double-digit volume growth for Varilux® lenses together with solid gains for Transitions® lenses helped to improve the product mix and the Company's positioning. Strong results from Kodak® lenses and the instruments business also supported growth.
Other countries in the region posted more modest gains. While momentum was once again robust in **Colombia** and **Argentina**, results were more mixed in **Mexico**, where the Company was nonetheless able to strengthen its presence via a new partnership with a distributor of ophthalmic and contact lenses targeting independent opticians and prescription laboratories. Lastly, the Company entered the **Honduran** market through a new partnership with an integrated optical chain (see Acquisitions section).

Sunglasses & Readers

The **Sunglasses & Readers** division delivered strong results in the first half, with revenue up by 8.1% like-for-like[1].
In North America, **FGX International** continued to see good sell-through demand for sunglasses and readers in stores. Results were boosted by a good season for sunglasses during the second quarter that also benefited **Costa®,** which delivered the best performance of the Sunwear brands in the American market. Costa® continued its expansion in optical stores, in the prescription frames and lenses category, and also geographically, with a newly established presence in California.
In China, **Xiamen Yarui Optical** (Bolon™) returned to solid growth in both sunglasses and optical frames, notably thanks to successful 2018 collections and a rapid increase in online sales. **MJS** continued to expand its store network and promote higher-end products.

Equipment

Revenue at the **Equipment** division rose 0.9% like-for-like[1] despite a demanding 2017 comparison base, particularly in Asia.

Growth in North America and Europe was driven by sales of VFT-Orbit 2™ digital generators, Multi-FLEX™ polishers and non-alloy ART blockers, addressing both needs for new capacity and upgrades to existing production lines. In Latin America, the conversion of smaller prescription laboratories to digital surfacing technology boosted sales of low- and medium-capacity digital generators such as the VFT-Orbit 2™ and VFT-Macro™. The division's order book remains strong.

MAIN HIGHLIGHTS ABOUT THE COMPANY'S MISSION

The Company's mission, "Improving lives by improving sight", drives the activity in all regions and divisions. During the first half, it provided vision solutions to some 4 million new wearers. In April, Essilor formed a partnership with the Vision Catalyst Fund, a $1 billion fund recently launched by the Queen Elizabeth Diamond Jubilee Trust that brings together actors from the public and private sectors to deliver eye health solutions to populations in Commonwealth countries and around the world. A commitment was made to put a sustainable infrastructure into place in order to provide ophthalmic lenses to 200 million people living below the poverty line by 2030. Essilor also continued to roll out its Eye Mitra™ inclusive business model in India (new partnership with the government of Odisha) and Bangladesh, and in new countries like Indonesia ("Mitra Mata") and Kenya ("Eye Rafiki"). Through a new program launched on five of the Company's main online stores, one pair of glasses will be donated to a person in need every time a pair is ordered through the sites. This program is being implemented in close cooperation with several social impact organizations: the Vision For Life™ fund, the Essilor Vision Foundation and Our Children's Vision. In France, the Company launched www.labonnevue.fr, an awareness website to better inform consumers about visual health. Various initiatives taken by the Sunglasses & Readers division also supported Essilor's mission. For instance, the Costa® brand launched the "Untangled" collection, a new line of sunglasses made from recycled fishing nets to help fight plastic pollution in the world's oceans.

SECOND-QUARTER 2018 CONSOLIDATED REVENUE

€ millions	**Q2 2018**	**Q2 2017[8]**	**Change (reported)**	**Change (like-for-like[1])**	**Change in the scope of consolidation**	**Currency effect**
Lenses & Optical Instruments	**1,619**	1,645	-1.6%	+4.2%	+0.3%	-6.1%
North America	***694***	*711*	*-2.4%*	*+4.5%*	*+0.5%*	*-7.4%*
Europe	***513***	*516*	*-0.5%*	*+1.1%*	*+0.1%*	*-1.7%*
Asia/Pacific/ Middle East/Africa	***299***	*297*	*+0.2%*	*+6.9%*	*0%*	*-6.8%*
Latin America	***113***	*121*	*-5.9%*	*+9.2%*	*0%*	*-15.1%*
Sunglasses & Readers	**223**	218	+2.5%	+9.5%	0%	-7.0%
Equipment	**59**	59	-2.1%	+4.2%	0%	-6.3%
TOTAL	**1,901**	**1,922**	**-1.1%**	**+4.8%**	**+0.2%**	**-6.1%**

(8) The group has applied IFRS 15 related to revenue recognition from January 1st, 2018. Q2 2017 revenue has been restated accordingly, with a negative impact of €25m.

Revenue reached €1,901 million in the second quarter of 2018, up 5.0% at constant exchange rates. Like-for-like[1] growth accelerated to 4.8%. Changes in the scope of consolidation added 0.2%, while currency translation had a negative impact of 6.1%, mostly linked to the depreciation of the US dollar and the Brazilian real against the euro.

Key highlights of the second quarter were:

- Robust like-for-like[1] growth in the United States (+5.0%), China (+9.6%) and Brazil (+12.4%) for the Lenses & Optical Instruments division;
- A strong contribution to the growth of the Sunglasses & Readers division from Xiamen Yarui Optical (Bolon™);
- Very solid business trends at the Equipment division, given that it was working against a demanding comparison base.

ACQUISITIONS AND PARTNERSHIPS

During the first half, Essilor gradually resumed its policy of targeted acquisitions and local partnerships, acquiring majority stakes in four companies representing combined full-year revenue of close to €27 million.

North America

- In the **United States,** the Company acquired a majority stake in **Cal Coast Ophthalmic Instruments, Inc.**, a distributor of optometry equipment covering the western part of the country. Cal Coast, which generates annual revenue of around USD12 million, will allow the Instruments business to expand its geographical coverage and accelerate the marketing of its products.

Asia/Pacific/Middle East/Africa

- In **Vietnam**, Essilor expanded its business footprint through **Hao Phat Group LLC.** and **Mat Viet Group LLC.***, a distributor of optical products and one of the country's leading optical retail chains, generating combined full-year revenue of around €4 million. Mat Viet Group operates some 25 stores primarily located in the capital, Ho Chi Minh City, and the provinces of Hanoi and Da Nang. This will contribute to the Company's growth in a country where getting access to vision care is a real challenge and only 20% of those who need it have proper vision correction. Vietnam has one of the lowest vision care access rates in the world with just one optical store per 90,000 residents.

Latin America

- In **Mexico**, Essilor acquired a majority stake in **Artículos Ópticos de Higiene y Seguridad, S.A. de C.V. (Aohssa)***, one of the country's leading distributors of ophthalmic and contact lenses targeting independent opticians and laboratories. Based in Mexico City, Aohssa generates annual revenue of close to €6 million.
- The Company moved into the **Honduran** market by acquiring a majority stake in **Optica Popular SRL***, an integrated prescription laboratory operating 14 optical stores. Optica Popular generates full-year revenue of around €7 million. This partnership will boost Essilor's presence in Central America, a region that holds considerable potential both for volume and value growth.

**These partnerships will be consolidated as of July 1st, 2018.*

CONDENSED STATEMENT OF INCOME

RECONCILIATION OF REPORTED TO ADJUSTED[6] ACCOUNTS

€ millions	**June 30, 2018 Adjusted[6]**	Items adjusted	**June 30, 2018 Reported**	**June 30, 2017[8] Adjusted[6]**
Revenue	3,726		3,726	3,859
Gross Profit	2,211		2,211	2,264
Contribution from operations[2]	684		684	718
Other income (expense)	(54)	(47)	(101)	(51)
Operating profit	630	(47)	583	667
Net profit	467	(71)	396	480
Attributable to equity holders of Essilor International	421	(72)	349	431
Earnings per share (*in €*)	1.93		1.60	1.99

(8) The group has applied IFRS 15 related to revenue recognition since January 1st, 2018. The H1 2017 statement of income has been restated accordingly, with an impact of €-50m on revenue and of on €-3m contribution from operations[2].

The 2018 results are adjusted[6] for items related to the combination with Luxottica. These adjustments amounted to €47m at the Other Income and Expense and Operating Profit level, representing €14m of transaction costs related to the proposed combination with Luxottica and €33m of additional costs related to share-based payments. After taking into account tax effects (€24 million), the adjusted Net profit attributable to equity holders of Essilor International amounts to € 421 million.

CONDENSED ADJUSTED[6] STATEMENT OF INCOME

€ millions	**June 30, 2018 Adjusted[6]**	**June 30, 2017[8] Adjusted[6]**	**Change %**	
			At real currencies	**At constant currencies**
Revenue	3,726	3,859	-3.5%	+4.4%
Gross profit	*2,211*	*2,264*	-2.4%	+5.0%
(% of revenue)	*59.3%*	*58.7%*		
Operating expenses	(1,527)	(1,546)	-1.2%	+6.2%
Contribution from operations[2]	*684*	*718*	-4.8%	+2.4%
(% of revenue)	*18.4%*	*18.6%*		
Other income (expense)	(54)	(51)		
Operating profit	*630*	*667*	-5.5%	+1.9%
(% of revenue)	*16.9%*	*17.3%*		
Financial income (expense), net	(30)	(32)		
Income tax	*(133)*	*(155)*		
Effective tax rate	*22.2%*	*24.4%*		
Net profit	*467*	*480*	-2.6%	+4.6%
Attributable to equity holders of Essilor International	*421*	*431*	-2.4%	+4.8%
(% of revenue)	*11.3%*	*11.2%*		
Earnings per share (*in €*)	1.93	1.99	-3.0%	+4.5%

(8) The group has applied IFRS 15 related to revenue recognition since January 1st, 2018. The H1 2017 statement of income has been restated accordingly, with an impact of €-50m on revenue and of on €-3m contribution from operations[2].

CONTRIBUTION FROM OPERATIONS[2]: 18.4% OF REVENUE

Gross profit: +5.0% excluding currency effects

Gross profit (revenue - cost of sales) ended the first half of 2018 at €2,211 million, representing 59.3% of revenue compared with 58.7% in 2017 in first-half 2017.

This increase was fueled by an improved product mix resulting from steady growth delivered by Group brands, both in prescription lenses and sunwear, and by ongoing industrial efficiency gains. Together, these effects more than offset dilution stemming from a channel mix headwind that includes fast-growing e-commerce activities.

Operating expenses: +6.2% excluding currency effects

Operating expenses amounted to €1,527 million, or 41.0% of revenue compared with 40.0% in the first half of 2017.

This trend mainly reflected:

- Selling and distribution costs rose to €941 million, representing 25.3% of revenue versus 24.5% in the first half of 2017. These expenses represent investments to strengthen Essilor's positions and drive growth in several areas including the myopia segment, digital activities including consumer engagement and e-commerce, brand development, and to support the development of programs for independent eyecare professionals;
- R&D and engineering costs, which totaled €106 million;
- Structure and support costs of €480 million, that grew at a slower rate than total operating expenses.

Contribution from operations[2]

Contribution from operations[2] thus ended the period at €684 million (+2.4% excluding currency effects). This represented 18.4% of revenue, compared with 18.6% in the first half of 2017.

"Other income and expenses from operations" represented a net adjusted[6] expense of €54 million versus €51 million in the first half of 2017. These items mainly included:

- Restructuring provisions totaling €14 million;
- Compensation costs for share-based payments amounting to €35 million.

Adjusted[6] operating income consequently ended the period at €630 million, which corresponded to an increase of 1.9% excluding currency effects and 16.9% of revenue.

Finance costs and other financial income and expenses, net

The Net Financial Results represented a net cost of €30 million versus €32 million in the first-half of 2017. This reflects a slightly favorable development of the Company's financing costs.

Adjusted[6] profit attributable to equity holders: +4.8% excluding currency effects

This item includes:

- €133 million in adjusted[6] income tax expense, for an effective tax rate of 22.2% (versus 24.5% at June 30, 2017).This improvement mainly reflects the cancellation of the tax on dividends in France as well as favorable tax rates elsewhere, including the US;
- €46 million in non-controlling interests, or €50m excluding currency effects, versus €49m in the first half of 2017.

Adjusted[6] earnings per share reached €1.93 for an increase of 4.5% excluding currency effects, in line with revenue growth at constant currency.

BALANCE SHEET AND CASH FLOW STATEMENT

FREE CASH FLOW[5] AT €263 MILLION

Operating cash flow[4]

Operating cash flow[4] stood at €659 million vs. €669 million in first-half 2017. This represents an increase of 10% excluding the currency impact.

Capital expenditure and investments

Purchases of property, plant and equipment and intangible assets amounted to €150 million over the six months to June 30, 2018, mostly linked to industrial investment, supporting the Company's growth as well as the expansion of the Mujosh and Aojo banners in China.

Change in working capital requirement

The working capital requirement rose by €246 million over the six months ending June 30, 2018, principally due to the usual seasonality of the Lenses & Optical Instruments division.

As a result, the **free cash flow**[5] amounted to €263 million in the first-half 2018.

Net debt

At June 30 2018, Essilor's net debt stood at €1,961 million, versus €2,244 million at the end of first-half 2017.

CASH FLOW STATEMENT

€ millions

Net cash from operations (before change in WCR[(a)])	659	Change in WCR[(a)]	246
Proceeds from share issues	1	Capital expenditure	150
Change in net debt	301	Dividends	386
		Acquisition of investments, net of disposals[(b)]	167
		Forex & others	12

(a) Working capital requirement.
(b) Financial investments net of cash acquired, plus debt of newly-consolidated companies.

PROPOSED COMBINATION OF ESSILOR AND LUXOTTICA

On January 16, 2017, Essilor International (Compagnie Générale d'Optique) ("**Essilor**") and Delfin S.à r.l. ("**Delfin**"), the majority shareholder of Luxottica Group S.p.A. ("**Luxottica**"), announced that they signed an agreement on January 15, 2017 (the "**Combination Agreement**") to create an integrated global player in the eyewear industry with the proposed combination of Essilor and Luxottica. The completion of the proposed transaction is subject to the satisfaction of several conditions precedent.

In March 2017, employee representative bodies at Essilor issued favorable opinions on the proposed combination.

On April 12, 2017, the French market authority (AMF) issued a waiver to Delfin's obligation to file a mandatory tender offer for Essilor's shares that would have resulted from the contemplated closing of the contribution to Essilor by Delfin of its entire stake in Luxottica pursuant to the terms of a contribution agreement entered into Essilor and Delfin on March 22, 2017 (the "**Contribution Agreement**").

On May 11, 2017, shareholders at the General Meeting approved the proposed combination and double voting rights holders at the Special Meeting approved the cancellation of the double voting rights.

On November 1, 2017, Essilor completed the contribution by Essilor of substantially all of its activities (subject to the *apport-scission* regime) into one of its wholly-owned subsidiary that was renamed "Essilor International" (hive-down of its activities). Essilor will be renamed "EssilorLuxottica" once the other conditions precedent to the completion of the contribution to Essilor by Delfin of its entire stake in Luxottica have been satisfied, and will become the holding company at the top of the combined group comprising Essilor International and Luxottica.

Concurrently, Essilor and Luxottica have also jointly filed notices with the antitrust authorities in several countries, notably in five jurisdictions (Brazil, Canada, China, the European Union and the United States) whose respective approval is a condition to complete the proposed combination. To date, the proposed transaction has been unconditionally approved in Brazil, Canada, the European Union and the United States as well as in fourteen other countries: Australia, Chile, Colombia, India, Israel, Japan, Mexico, Morocco, New Zealand, Russia, Singapore, South Africa, South Korea and Taiwan.

On June 29, 2018, Essilor and Luxottica announced the extension to July 31, 2018 of the deadline of both the Combination Agreement and Contribution Agreement signed between Essilor and Delfin, Luxottica's majority shareholder. Essilor and Luxottica are finalizing discussions with the Chinese competition authority and are confident to obtain its approval by the end of July. In parallel, the two companies are progressing in their discussions with the Turkish antitrust authority and evaluating the timing for the closing of the transaction.

SUBSEQUENT EVENTS

No significant events have occurred since the end of the first-half 2018.

APPOINTMENTS TO THE MANAGEMENT COMMITTEE

Innovation and the development of its consumer brands and product categories are cornerstones of Essilor's strategy. To boost their impact on the Company's growth, Research & Development and Marketing functions will be represented on the Management Committee by two new members as of August, 28: Norbert Gorny and Grita Loebsack.

Norbert Gorny (54, a German national) has been **Chief Research & Development Officer** since 2015. He joined Essilor in 2011 and has held positions of increasing responsibility within the Company. He brings close to 20 years of optical industry experience to the Management Committee.

Grita Loebsack (47, a German national) joined Essilor in July 2018 as **Chief Marketing Officer,** bringing extensive experience in marketing, brand and product category development built over several years with multinational firms spanning the consumer goods, cosmetic and luxury goods industries.

The Management Committee, which decides the Company's strategic direction, will comprise 12 members from seven nationalities.

APPENDIX 1

ESSILOR INTERNATIONAL REPORTED STATEMENT OF INCOME

€ millions	**June 30, 2018**	**June 30, 2017***	**Change**
Revenue	3,726	3,859	-3.5%
Gross profit *(% of revenue)*	*2,211* *59.3%*	*2,264* *58.7%*	-2.4%
Operating expenses	(1,527)	(1,547)	-1.3%
Contribution from operations[2] *(% of revenue)*	*684* *18.4%*	*717* *18.6%*	-4.6%
Other income (expense)	(101)	(109)	
Operating profit *(% of revenue)*	*583* *15.7%*	*608* *15.8%*	-4.0%
Financial income (expense), net	(30)	(32)	
Income tax *Effective tax rate*	*(157)* *28.4%*	*(138)* *24.0%*	
Net profit Attributable to equity holders of Essilor International *(% of revenue)*	*396* *349* *9.4%*	*438* *389* *10.1%*	-9.6% -10.0%
Earnings per share (*in €*)	1.60	1.80	-10.8%

**The group has applied IFRS 15 related to revenue recognition since January 1st, 2018. The H1 2017 statement of income has been restated accordingly, with an impact of €-50m on revenue and of on €-3m contribution from operations[2].*

APPENDIX 2

CONSOLIDATED REVENUE BY QUARTER

€ millions	2018	2017*
First Quarter		
Lenses & Optical Instruments	**1,592**	1,688
North America	***692***	*761*
Europe	***491***	*495*
Asia/Pacific/Middle East/Africa	***297***	*306*
Latin America	***112***	*126*
Sunglasses & Readers	**190**	199
Equipment	**43**	50
TOTAL First Quarter	**1,825**	**1,937**
Second Quarter		
Lenses & Optical Instruments	**1,619**	1,645
North America	***694***	*711*
Europe	***513***	*516*
Asia/Pacific/Middle East/Africa	***299***	*297*
Latin America	***113***	*121*
Sunglasses & Readers	**223**	218
Equipment	**59**	59
TOTAL Second Quarter	**1,901**	**1,922**
Third Quarter		
Lenses & Optical Instruments		1,541
North America		*655*
Europe		*476*
Asia/Pacific/Middle East/Africa		*289*
Latin America		*121*
Sunglasses & Readers		148
Equipment		45
TOTAL Third Quarter		**1,734**
Fourth Quarter		
Lenses & Optical Instruments		1,536
North America		*661*
Europe		*480*
Asia/Pacific/Middle East/Africa		*279*
Latin America		*116*
Sunglasses & Readers		202
Equipment		71
TOTAL Fourth Quarter		**1,809**

* *The group has applied IFRS 15 related to revenue recognition from January 1st, 2018. 2017 revenue on a quarterly basis has been restated accordingly.*

RISK FACTORS

Risk factors are similar to those presented in section 1.7 (pages 33 to 50) of the 2017 Registration Document and did not change significantly during the first half of 2018. Litigation risks are described in note 14 to the first-half condensed consolidated financial statements.

NOTES

1. **Like-for-like growth**: Growth at constant scope and exchange rates. See definition provided in Note 2.4 to the consolidated financial statements in the 2017 Registration Document.
2. **Contribution from operations**: Revenue less cost of sales and operating expenses (research and development costs, selling and distribution costs and other operating expenses).
3. **Bolt-on acquisitions**: Local acquisitions or partnerships.
4. **Operating cash flow**: Net cash from operating activities before working capital requirement.
5. **Free cash flow**: Net cash from operating activities less purchases of property, plant and equipment and intangible assets, according to the IFRS consolidated cash flow statement.
6. **Adjusted** for expenses accounted for in the financial statements in the context of the proposed combination with Luxottica.
7. Excluding any new strategic acquisitions.
8. The group has applied **IFRS 15** related to revenue recognition since January 1st, 2018. The 2017 statement of income has been restated accordingly.
9. **Fast-growing countries** include China, India, ASEAN, South Korea, Hong Kong, Taiwan, Africa, the Middle East, Russia and Latin America.