ESSILOR

SEEING THE WORLD BETTER

2017 INTERIM FINANCIAL REPORT

ESSILOR INTERNATIONAL

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This is a free translation into English of the 2017 Interim Financial Report issued in French.

July 28, 2017

Resilient First Half

- ↗ Revenue growth of 9.1% and 6.9% in constant currency
- ↗ Improving momentum in North America, good performance in Europe
- ↗ Fast-Growing Markets impacted by a decline in Brazil
- ↗ Mixed performance in Sunglasses & Readers division
- ↗ Healthy Free Cash Flow[3] generation

Charenton-le-Pont, France (July 28, 2017 – 6:30 am) – The Board of Directors of Essilor International met yesterday to approve the financial statements for the six months ended June 30, 2017. The auditors have performed a limited review of the consolidated financial statements.

Financial Highlights

€ millions	**June 30, 2017** ***Adjusted[4]***	**June 30, 2016**	**Change %**	**June 30, 2017** ***Reported***
Revenue	**3,909**	**3,583**	+9.1%	3,909
Contribution from operations[2] *(% of revenue)*	**721** ***18.4%***	**677** ***18.9%***	+6.6%	720 *18.4%*
Operating profit	**670**	**646**	+3.7%	611
Profit attributable to equity holders	**433**	**416**	+4.0%	391
Earnings per share (*in €*)	**2.00**	**1.95**	+2.7%	1.81

The income statement as of June 30, 2017 is adjusted for expenses accounted for in the financial statements due to the proposed combination with Luxottica in the amount of €59m on operating profit and €42m on group net profit.

Commenting on these results, Hubert Sagnières, Chairman and Chief Executive Officer of Essilor, said: *"The first half of the year marks another step forward in our mission to eradicate poor vision around the globe. Worldwide demand for better vision continues to grow and the strength of our business model, based on innovation, acquisitions and partnerships was demonstrated through continued progression in our results. The vast unmet need for vision correction and protection translate to exciting mid to long term opportunities, despite a more challenging near term market environment linked to the announcement of Essilor's pending combination with Luxottica. We are in progress to finalize the agreement and are more confident and enthusiastic than ever about the opportunities ahead as we build the foundation for future growth."*

First-half operating highlights

Consolidated revenue amounted to €3,909 million in the first six months of 2017, an increase of 6.9% at constant exchange rates and 2.5% in like-for-like[1] terms. In line with previously announced expectations, adjusted[4] contribution from operations[2] amounted to 18.4% of revenue. Adjusted[4] earnings per share grew by 2.7%. Free cash flow[3] advanced 34% as reported and 13% excluding exceptional charges.

Performance for the first half was characterized by:

- ↗ Revenue growth in the Lenses & Optical Instruments division of 5.8% in constant currency, of which 2.7% like-for-like[1] growth, including:
  - Gains in North America where like-for-like sales growth accelerated from 2.3% in Q1 to 3.1% in Q2;
  - Resilient performance in Europe supported by the recent Eye Protect System™ and Varilux® X series™ launches;
  - An expansion of sales in fast growing markets dampened by a decline in Brazil;
  - A 14% increase in online sales;
- ↗ A decrease in like-for-like[1] sales for the Sunglasses & Readers division (-1.5%) alongside a 16.7% contribution from the perimeter effect mainly linked to the consolidation of Photosynthesis Group in China;
- ↗ A strong dynamic in the Equipment division;
- ↗ A more challenging market environment following the announcement of the proposed combination with Luxottica.

Outlook

For the rest of the year, Essilor expects sales growth to be driven by the deployment of innovation along with continuous development across its businesses. Nevertheless, in light of first-half dynamics, the Company now anticipates full-year revenue growth of between 6% and 7% in constant currency terms including around 3% on a like-for-like[1] basis. The adjusted[4] contribution from operations[2] is expected to be close to 18.5% of revenue.

Combination of Essilor and Luxottica

Essilor and Delfin, the majority shareholder of Luxottica Group, announced on January 16, 2017 the signing of an agreement designed to create an integrated global player in the eyewear industry with the combination of Essilor and Luxottica. The transaction is subject to satisfaction of several conditions precedent. In March, the transaction obtained the favorable opinions of Essilor's employee representative bodies. On April 12, the AMF (*Autorité des Marché Financiers*) decided to waive Delfin's obligation to file a mandatory tender offer for Essilor's shares. On May 11, Essilor shareholders convened for a general meeting and holders of double voting rights convened for a special meeting, approved the combination. Lastly, to date, Essilor and Luxottica have jointly filed with the antitrust authorities in several jurisdictions. The two companies' shared objective in cooperation with the relevant authorities is to close the antitrust process around the end of the year (please refer to the news release issued on July 24, 2017).

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/20170728-31B87208/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/

Forthcoming investor event

October 24, 2017: Third-quarter 2017 revenue.

Notes

1. **Like-for-like growth**: Growth at constant scope and exchange rates. See definition provided in Note 2.3 to the consolidated financial statements of the 2016 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. **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.
4. **Adjusted** in 2017 for expenses accounted for in the financial statements as a result of the proposed combination with Luxottica.

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MANAGEMENT REPORT

FIRST-HALF 2017 CONSOLIDATED REVENUE

€ millions	H1 2017	H1 2016	Change (reported)	Change (like-for-like)	Change in the scope of consolidation	Currency effect
Lenses & Optical Instruments	3,382	3,129	+8.1%	+2.7%	+3.1%	+2.3%
North America	***1,482***	***1,378***	*+7.5%*	*+2.7%*	*+1.7%*	*+3.1%*
Europe	***1,037***	***965***	*+7.5%*	*+2.1%*	*+5.8%*	*-0.4%*
Asia/Pacific/Middle East/Africa	***615***	***564***	*+9.0%*	*+5.0%*	*+1.9%*	*+2.1%*
Latin America	***248***	***222***	*+11.8%*	*-1.5%*	*+3.1%*	*+10.2%*
Sunglasses & Readers	417	360	+15.8%	-1.5%	+16.7%	+0.6%
Equipment	110	94	+17.1%	+11.7%	+3.0%	+2.5%
TOTAL	**3,909**	**3,583**	**+9.1%**	**+2.5%**	**+4.4%**	**+2.2%**

First-half 2017 revenue stood at €3,909 million, up 9.1% and 6.9% excluding currency effects.

- Like-for-like[1] growth reached 2.5%, reflecting a slight improvement between the first and second quarters as well as the following factors:
  - Revenue growth of 2.7% for the Lenses & Optical Instruments division, reflecting improved momentum in the United States, resilience in Europe, a solid trend in e-commerce and results in fast-growing countries impacted by a difficult environment in Brazil;
  - A modest revenue decline (-1.5%) for the Sunglasses & Readers division which delivered a mixed performance across regions and brands;
  - A solid performance from the Equipment division (+11.7%).
- Changes in the scope of consolidation (+4.4%) mainly comprised the impact of acquisitions made in 2016, with revenue from Photosynthesis Group in China and MyOptique Group in Europe representing the bulk.
- The currency effect (+2.2%) mainly reflected the appreciation in the US dollar, the Brazilian real and the Russian ruble as well as the sharp decline in the British pound relative to the euro, versus the first half 2016.

REVENUE BY BUSINESS AND BY REGION

Lenses & Optical Instruments

The Lenses & Optical Instruments division posted like-for-like[1] revenue growth of 2.7% in the first-half 2017.

Revenue rose by 2.7% like-for-like[1] in **North America**, reflecting an uptick in activity over the course of the first half.

The **US** Lenses business grew steadily over the period despite a lackluster sector environment. It benefited from the introduction of key strategic initiatives and the ongoing deployment of new offers for members of the alliance service platforms, Vision Source, PERC/IVA and Optiport, across independent eyecare professionals.

In its key account business, Essilor enjoyed sustained demand growth at accounts utilizing its integrated supply chain offerings and from increased exposure to faster-growing retail groups. Sales were also boosted by strong demand for higher value lens offerings in select accounts.

Sales of Transitions® lenses through the Group's distribution networks rose during the first half. However, they were unable to fully offset the ongoing decline in sales to other lens manufacturers which continued to weigh on overall results for North America.

Contact lens distribution activities performed well during the first half.

Lastly, first-half revenue in **Canada** was slightly up.

Revenue in **Europe** rose 2.1% like-for-like[1]. Despite a challenging start to the year, sales gradually gathered pace across all segments: prescription lenses, e-commerce and sales of instruments to opticians.

The Lenses business was buoyed by strong growth in Varilux®, Crizal® and Transitions® lens sales, and began to benefit from the progressive launches of Eye Protect System™ and Varilux® X series™ lenses during the first half. Sales to large optical chains saw modest growth. Results were better in some countries than others: **Scandinavia**, **Italy, Russia** and **Eastern Europe** all delivered solid gains while sales were down slightly in **France** and **Germany.**

Revenue in **Asia/Pacific/Middle East/Africa** rose 5.0% like-for-like[1] thanks to strong domestic trends in most fast-growing markets. Growth was hindered by economic difficulties in developed countries in the region and by weak exports.

In **China**, domestic sales rose further on the back of mid-range product lines, blue-light filtering lenses and Eyezen™, Crizal® and Varilux® brand lenses. On the other hand, business in **Hong Kong** and **Taiwan** was affected by economic sluggishness in those countries. Domestic sales in **India** returned to solid growth as Transitions® and Varilux® lenses, as well as entry-level products, gathered steam. **South Korea** delivered strong results thanks to progressive and photochromic lenses, while **Southeast Asia** benefited from the popularity of branded anti-reflective lenses. Momentum remained strong in **the Middle East, Turkey and Africa** in spite of declining sales in **Saudi Arabia**.

In **Latin America**, where first-half revenue declined 1.5% like-for-like[1], growth was strong in the Spanish-speaking countries, but this was not enough to offset a decline in Brazilian sales that accelerated in the second quarter due to a significant economic and political crisis.

Reduced consumer spending and a significant drop in household purchasing power affected the optical industry in **Brazil**. The Company's business was impacted by lower sales of high-end products, particularly Varilux® progressive lenses, though the decrease was partly offset by strong results from Transitions® photochromic lenses in the single-vision lens segment.

As for other countries, which now contribute more than half of revenues from the region, **Mexico**, **Columbia** and **Argentina** were the main drivers of a near-double-digit increase. The Kodak® lenses range also maintained its strong momentum across all these countries.

The e-commerce businesses delivered like-for-like[1] revenue growth of close to 14% in the first half, with momentum picking up between the first and second quarters. This strong growth was fuelled by robust sales of prescription glasses and contact lenses, and by the success of the Vision Direct™ business model in Europe and EyeBuyDirect™ in the United States. Clearly™ (United States and Canada) sales stabilized over the first half.

Sunglasses & Readers

At June 30, 2017, **Sunglasses & Readers** division revenue was down 1.5% like-for-like[1] after an improved second quarter. In North America, a positive sunwear season enabled FGX to return to satisfactory growth in the second quarter, making up for some of the shortfall in the first quarter. **Costa**® sales maintained robust momentum underpinned by geographic expansion as well as the diversification and development of its distribution networks. In Turkey, all the **Merve** brands delivered strong sales growth. In China, **Xiamen Yarui Optical** (Bolon™/Molsion™/Prosun™) posted disappointing results due to sharply lower revenue from the distributor and independent optician channels during the second quarter. This was mainly linked to very high inventories of Molsion™ brand products at distributors, and the emergence of new mono-brand-type distribution formats which, actually, favored **Photosynthesis Group** and its MJS and Aojo brands, acquired last year. Moreover, online sales, exports and the Bolon™ brand stores continued to see very rapid growth, a testament to the brand's strength.

Equipment

The **Equipment** division delivered like-for-like[1] revenue growth of 11.7%, fueled by robust new machine sales combined with slower growth in after-sales. Demand was particularly strong for the high-capacity equipment introduced late last year, especially the new VFT-Orbit 2™ digital generator and Multi-FLEX™ polisher. These machines were behind the surge in sales in Asia, continued momentum in Europe and the top-line re-acceleration in North America. Conversely, business in Latin America was depressed by Brazil's economic troubles.

SECOND-QUARTER 2017 CONSOLIDATED REVENUE

€ millions	Q2 2017	Q2 2016	Change (reported)	Change (like-for-like)	Change in the scope of consolidation	Currency effect
Lenses & Optical Instruments	**1,669**	**1,562**	+6.9%	+2.5%	+3.0%	+1.3%
North America	***715***	***668***	*+7.1%*	*+3.1%*	*+1.8%*	*+2.2%*
Europe	***529***	***495***	*+6.8%*	*+2.3%*	*+5.3%*	*-0.7%*
Asia/Pacific/ Middle East/Africa	***304***	***282***	*+8.0%*	*+4.7%*	*+2.0%*	*+1.3%*
Latin America	***121***	***117***	*+3.4%*	*-5.1%*	*+3.0%*	*+5.5%*
Sunglasses & Readers	**218**	**187**	+16.1%	-0.8%	+16.3%	+0.7%
Equipment	**60**	**50**	+19.4%	+15.5%	+1.7%	+2.2%
TOTAL	**1,947**	**1,799**	**+8.2%**	**+2.5%**	**+4.4%**	**+1.3%**

Second-quarter 2017 revenue stood at €1,947 million, up 8.2%. Despite a tougher industry environment linked to the reaction of some players to the announcement of the proposed combination with Luxottica, like-for-like[1] growth improved to 2.5% while changes in consolidation scope added 4.4%. The currency effect (+1.3%) mainly reflected US dollar appreciation, with variations in other currencies against the euro offsetting one other.

Second-quarter highlights were as follows:

- Lenses & Optical Instruments enjoyed a further uptick in North American growth and an improvement in Europe driven by new products launches;
- Results in fast-growing markets were dampened by the deteriorating situation in Brazil;
- Strong sales across all the portfolio brands for the Sunglasses & Readers division, except for the Xiamen Yarui Optical (Bolon™ and Molsion™/ Prosun™) brands;
- An outstanding performance in Equipment sales.

ACQUISITIONS AND PARTNERSHIPS

During the first half, Essilor pursued its strategy of forging local partnerships by acquiring majority stakes in **eight** companies representing aggregate full-year revenue of around **€85 million**.

North America

- In the **United States**, Essilor formed a partnership with **Partners In Vision, Inc.** and **Vision Associates, Inc.**, two service platforms for eye care professionals.

Europe

- In the **Netherlands**, the Company acquired a majority stake in **Optitrade Logistics Center** (OLC), the distribution platform of Optitrade, a purchasing alliance of around 650 optical stores in this country.

Asia/Pacific/Middle East/Africa

- In **India**, Essilor acquired a majority stake in **Mangalsons Optics PTE Ltd**, a distributor of plastic and glass lenses, sunglasses and prescription frames.
- Essilor increased its equity investment in the joint venture **Topcon Visioncare Japan** (TVJ) to 51%. TVJ is the distributor of Topcon's optometry line and Essilor's lens finishing line to opticians in **Japan**.
- In **Ethiopia**, a majority stake was purchased in **Sun Optical Technologies**, a prescription laboratory.
- In addition, **Creasky Optical**, the acquisition of which was announced in November 2016, was consolidated at the beginning of the year.

Latin America

- In **Brazil**, the Company acquired a majority stake in **Visolab Produtos Opticos Ltda**, a prescription laboratory located in the State of Sergipe.
- In **Guatemala**, the Company acquired a majority stake in **Opticas Exclusivas**, an integrated prescription laboratory operating around 50 optical stores.

CONDENSED STATEMENT OF INCOME

Reconciliation of adjusted[6] to reported accounts

€ millions	**H1 2017 Adjusted[6]**	Items adjusted	**H1 2017 Reported**	**H1 2016**
Revenue	3,909		3,909	3,583
Gross Profit	2,275		2,275	2,135
Contribution from operations[2]	721	(1)	720	677
Other income (expense)	(51)	(58)	(109)	(31)
Operating profit	670	(59)	611	646
Net profit	482	(42)	440	450
Attributable to equity holders of Essilor International	433	(42)	391	416
Earnings per share (*in €*)	2.00		1.81	1.95

The 2017 accounts are adjusted[6] for items related to the Company's combination with Luxottica including: (i) €1 million at the Contribution from operations[2] level; (ii) €58 million at the Other income (expense) level, leading to an adjusted Operating profit that is €59 million higher. After taking into account tax effects (€17 million), the adjusted Net profit attributable to equity holders of Essilor International amounts to €433 million.

Condensed adjusted[6] statement of income

€ millions	**H1 2017 Adjusted[6]**	**H1 2016**	**Change**
Revenue	3,909	3,583	+9.1%
Gross profit *(% of revenue)*	2,275 *58.2%*	2,135 *59.6%*	+6.6% --
Operating expenses	(1,554)	(1,458)	+6.6%
Contribution from operations[2] *(% of revenue)*	721 *18.4%*	677 *18.9%*	+6.6% --
Other income (expense)	(51)	(31)	--
Operating profit *(% of revenue)*	670 *17.1%*	646 *18.0%*	+3.7%
Financial income (expense), net	(32)	(37)	--
Income tax *Effective tax rate*	(156) *24.5%*	(159) *26.1%*	--
Net profit Attributable to equity holders of Essilor International *(% of revenue)*	482 433 *11.1%*	450 416 *11.6%*	+7.0% +4.0% --
Earnings per share (*in €*)	2.00	1.95	+2.7%

ADJUSTED[6] CONTRIBUTION FROM OPERATIONS: 18.4% OF REVENUE

Gross profit: up 6.6%

In the first half of 2017, gross profit (revenue less cost of sales) stood at €2,275 million, representing 58.2% of revenue, versus 59.6% in first-half 2016.

Despite an improved operating cost base, the decrease reflected an evolution in the channel mix which included fast-growing e-commerce activities and the increased weight of acquisitions integrated over the period.

Adjusted[6] operating expenses: up 6.6%

Adjusted[6] operating expenses amounted to €1,554 million for the period or 39.8% of revenue versus 40.7% in first-half 2016.

They primarily comprised:

- €110 million in R&D and engineering costs, versus €108 million in first-half 2016.
- €956 million in selling and distribution costs, versus €892 million in first-half 2016.

Adjusted[6] contribution from operations[2]

Adjusted[6] contribution from operations[2] rose by 6.6% to €721 million in the first half. However, adjusted[6] contribution from operations[2] as a percentage of revenue narrowed from 18.9% in first-half 2016 to 18.4%, which was nonetheless higher than in the second half of 2016 (18.3% of revenue).

"Other income and expenses from operations" together represented a net adjusted[6] expense of €51 million versus €31 million in first-half 2016 which had benefited from an €8 million gain linked to the sale of a real estate asset. These items mainly covered:

- Charges to restructuring provisions totaling €14 million, including the closure of the Transitions Optical site in Florida in the United States
- Compensation costs for share-based payments totaling €30 million
- The costs associated with the final settlement of the litigation between Transitions Optical and the previous owner of the Vision Ease lens caster.

As a result, adjusted operating income[6] amounted to €670 million, an increase of 3.7% and representing 17.1% of revenue.

Finance costs and other financial income and expenses, net

This item came out at a net cost of €32 million, down from a net cost of €37 million in first-half 2016. This decrease reflects a slight reduction in the cost of debt and a modest gain on currency hedging transactions.

Adjusted[6] profit attributable to equity holders up 4.0% to €433 million

Adjusted[6] profit attributable to equity holders of Essilor International is stated after:

- €156 million in adjusted[6] income tax expense, representing an effective tax rate of 24.5% compared with 26.1% in the year ended June 30, 2016. The decrease in the tax rate was mainly attributable to the application of the APA agreement on royalties signed in 2016 between the French and US tax authorities.
- €49 million in non-controlling interests. This €15 million increase versus first-half 2016 is linked notably to Photosynthesis Group, a company consolidated in late 2016 in which the group holds a 50% stake, and good performance from the Company’s partners in the United States.

Due to the increase in the number of shares, linked notably to the payment of a substantial portion of the 2015 dividend in shares, adjusted[6] earnings per share showed slower growth than adjusted[6] net profit (+2.7%), ending the period at €2.00.

BALANCE SHEET AND CASH FLOW STATEMENT

FREE CASH FLOW[5] UP 34%

Free cash flow[5] increased by 34% to €331 million. Excluding certain non-recurring items, i.e. the payment of a fine to the German competition authority in 2016 and the settlement of the litigation between the Company and Vision Ease during the first half of 2017, free cash flow[5] increased by 13%.

Capital expenditure and investments

Purchases of property, plant and equipment and intangible assets amounted to €125 million over the six months to June 30, 2017 and mainly involved industrial investment to support the Company's growth.

Change in working capital requirement

The working capital requirement rose by €259 million over the six months to end June 2017, principally due to the usual seasonality effects in the Lenses & Optical Instruments business.

Operating cash flow[4]

Operating cash flow[4] stood at €715 million compared with €625 million at June 30, 2016. This included the settlement of the Company's litigation with Vision Ease.

Net debt

At June 30, Essilor's net debt stood at €2,244 million, i.e. 1.3 times the Company's 12-month EBITDA.

Cash flow statement

€ millions

Net cash from operations (before change in WCR[(a)])	715	Change in WCR[(a)]	259
Proceeds from share issues	4	Capital expenditure	125
Change in net debt	182	Dividends	350
Other[(b)]	109	Acquisition of investments, net of disposals[(c)]	276

(a) Working capital requirement.
(b) Other items include the positive €97 million currency effect.
(c) Financial investments net of cash acquired, plus debt of newly-consolidated companies.

OTHER SIGNIFICANT EVENTS DURING THE FIRST HALF

Combination of Essilor and Luxottica

Essilor and Delfin, the majority shareholder of Luxottica Group, announced on January 16, 2017 the signing of an agreement designed to create an integrated global player in the eyewear industry with the combination of Essilor and Luxottica. The transaction is subject to satisfaction of several conditions precedent.

In March, the transaction obtained the favorable opinions of the employee representative bodies. On April 12, the AMF (*Autorité des Marchés Financiers*) decided to waive Delfin's obligation to file a mandatory tender offer for Essilor's shares. On May 11, Essilor shareholders convened for a general meeting and holders of double voting rights convened for a special meeting approved the combination. Lastly, to date, Essilor and Luxottica have jointly filed with the antitrust authorities in several jurisdictions. The two companies' shared objective in cooperation with the relevant authorities is to close the antitrust process around the end of the year (please refer to the news release issued on July 24, 2017).

APPENDIX 1

ESSILOR INTERNATIONAL REPORTED STATEMENT OF INCOME

€ millions	**H1 2017 Reported**	**H1 2016 Reported**	**Change**
Revenue	3,909	3,583	+9.1%
Gross profit *(% of revenue)*	2,275 *58.2%*	2,135 *59.6%*	+6.6% --
Operating expenses	(1,555)	(1,458)	+6.7%
Contribution from operations *(% of revenue)*	720 *18.4%*	677 *18.9%*	+6.4% --
Other income (expense)	(109)	(31)	--
Operating profit *(% of revenue)*	611 *15.6%*	646 *18.0%*	-5.5%
Financial income (expense), net	(32)	(37)	--
Income tax *Effective tax rate*	(139) *24.0%*	(159) *26.1%*	--
Net profit Attributable to equity holders of Essilor International *(% of revenue)*	440 391 *10.0%*	450 416 *11.6%*	-2.3% -6.1% --
Earnings per share (*in €*)	1.81	1.95	-7.2%

APPENDIX 2

CONSOLIDATED REVENUE BY QUARTER

€ millions	2017	2016
First Quarter		
Lenses & Optical Instruments	**1,713**	1,567
North America	***767***	*710*
Europe	***508***	*470*
Asia/Pacific/Middle East/Africa	***311***	*283*
Latin America	***127***	*104*
Sunglasses & Readers	**199**	173
Equipment	**50**	44
TOTAL First Quarter	**1,962**	**1,784**
Second Quarter		
Lenses & Optical Instruments	**1,669**	1,562
North America	***715***	*668*
Europe	***529***	*495*
Asia/Pacific/Middle East/Africa	***304***	*282*
Latin America	***121***	*117*
Sunglasses & Readers	**218**	187
Equipment	**60**	50
TOTAL Second Quarter	**1,947**	**1,799**
Third Quarter		
Lenses & Optical Instruments		1,541
North America		*671*
Europe		*461*
Asia/Pacific/Middle East/Africa		*288*
Latin America		*121*
Sunglasses & Readers		132
Equipment		50
TOTAL Third Quarter		**1,723**
Fourth Quarter		
Lenses & Optical Instruments		1,549
North America		*657*
Europe		*480*
Asia/Pacific/Middle East/Africa		*286*
Latin America		*126*
Sunglasses & Readers		192
Equipment		68
TOTAL Fourth Quarter		**1,809**

RISK FACTORS

Risk factors are similar to those presented in section 1.6 (pages 27 to 33) of the 2016 Registration Document and section 3.3 (pages 81 to 90) of the Document E (information document relating to the issuance of ordinary share in consideration for the contribution in kind of Luxottica shares) and did not change significantly during the first half of 2017. Litigation risks are described in note 13 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 2.3 to the consolidated financial statements in the 2016 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** in 2017 for expenses accounted for in the financial statements in the context of the proposed combination with Luxottica.

FIRST-HALF 2017 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

€ millions, excluding per share data	Notes	First semester 2017	First semester 2016	Year 2016
Revenue	3	3,909	3,583	7,115
Cost of sales		(1,634)	(1,448)	(2,934)
GROSS MARGIN		**2,275**	**2,135**	**4,181**
Research and development costs		(110)	(108)	(214)
Selling and distribution costs		(956)	(892)	(1,750)
Other operating expenses		(489)	(458)	(896)
CONTRIBUTION FROM OPERATIONS (*)		**720**	**677**	**1,321**
Other income from operations	4	1	9	18
Other expenses from operations	4	(110)	(40)	(109)
OPERATING PROFIT	3	**611**	**646**	**1,230**
Cost of gross debt		(35)	(36)	(71)
Income from cash and cash equivalents		8	8	17
Other financial income	5	2	-	-
Other financial expenses	5	(7)	(9)	(12)
Share of profits of associates		-	-	1
PROFIT BEFORE TAX		**579**	**609**	**1,165**
Income tax expense	6	(139)	(159)	(285)
NET PROFIT		**440**	**450**	**880**
Attributable to Group equity holders		**391**	**416**	**813**
Attributable to minority interests		49	34	67
Net profit attributable to Group equity holders per share (€)		1.81	1.95	3.79
Average number of shares (thousands)	7	216,490	213,817	214,614
Diluted net profit attributable to Group equity holders per share		1.76	1.91	3.71
Diluted average number of shares (thousands)		222,110	218,112	219,203

(*) The contribution from operations corresponds to revenue less the cost of sales and operating expenses (research and development costs, selling and distribution costs, and other operating expenses).

The accompanying notes are an integral part of the consolidated financial statements.

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

€ millions	First semester 2017 Attributable to Group equity holders	First semester 2017 Attributable to minority interests	First semester 2017 Total	First semester 2016 Attributable to Group equity holders	First semester 2016 Attributable to minority interests	First semester 2016 Total	Year 2016 Attributable to Group equity holders	Year 2016 Attributable to minority interests	Year 2016 Total
Net profit for the period (a)	**391**	**49**	**440**	**416**	**34**	**450**	**813**	**67**	**880**
Items of comprehensive income that will not be reclassified subsequently to profit or loss									
Actuarial gains and losses on pension and other post-employment benefit obligations	6	-	6	(48)	-	(48)	(31)	-	(31)
Tax on items that will not be reclassified subsequently	(1)	-	(1)	7	-	7	1	-	1
Items of comprehensive income that may be reclassified subsequently to profit or loss									
Cash flow hedges, effective portion	1	-	1	(5)	-	(5)	2	-	2
Translation reserves	(469)	(21)	(490)	(7)	(6)	(13)	212	(3)	209
Tax on items that may be reclassified subsequently	-	-	-	1	-	1	-	-	-
Total income (expenses) for the period recognized directly in equity, net of tax (b)	**(463)**	**(21)**	**(484)**	**(52)**	**(6)**	**(58)**	**184**	**(3)**	**181**
				-	-	-	-	-	-
Total recognized income and expenses, net of tax (a) + (b)	**(72)**	**28**	**(44)**	**364**	**28**	**392**	**997**	**64**	**1,061**

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET (ASSETS)

The accompanying notes are an integral part of the consolidated financial statements.

€ millions	Notes	June 30, 2017	December 31, 2016
Goodwill	**8**	5,833	6,191
Other intangible assets		1,747	1,825
Property, plant and equipment		1,135	1,214
Investments in associates		7	8
Non-current financial assets		121	136
Deferred tax assets		205	187
Long-term receivables		35	37
Other non-current assets		60	56
TOTAL NON-CURRENT ASSETS		**9,143**	**9,654**
Inventories		1,128	1,125
Prepayments to suppliers		33	31
Short-term receivables		1,742	1,618
Tax receivables		85	81
Other receivables		10	25
Derivative financial instruments recognized in assets		34	45
Prepaid expenses		91	67
Cash and cash equivalents	**11**	594	517
CURRENT ASSETS		**3,717**	**3,509**
TOTAL ASSETS		**12,860**	**13,163**

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET (LIABILITIES)

€ millions	Notes	June 30, 2017	December 31, 2016
Share capital		39	39
Issue premiums		595	591
Consolidated reserves		5,443	4,936
Own shares		(168)	(168)
Hedging and revaluation reserves		(153)	(159)
Translation differences		167	636
Net profit attributable to Group equity holders		391	813
EQUITY ATTRIBUTABLE TO PARENT COMPANY OWNERS		**6,314**	**6,688**
Equity attributable to non-controlling interests		406	366
TOTAL CONSOLIDATED EQUITY		**6,720**	**7,054**
Provisions for pensions	**9**	339	344
Long-term borrowings	**11**	1,842	1,364
Deferred tax liabilities		359	383
Other non-current liabilities		196	300
NON-CURRENT LIABILITIES		**2,736**	**2,391**
Provisions	**10**	399	393
Short-term borrowings	**11**	1,023	1,246
Customer prepayments		31	33
Short-term payables		1,460	1,431
Tax payables		89	73
Other current liabilities		378	509
Derivative financial instruments recognized in liabilities		9	22
Deferred income		15	11
CURRENT LIABILITIES		**3,404**	**3,718**
TOTAL LIABILITIES		**12,860**	**13,163**

The accompanying notes are an integral part of the consolidated financial statements.

STATEMENT OF CHANGES IN EQUITY

♦ First-half 2017

€ millions	Share capital	Issue premiums	Revaluation reserves	Reserves	Translation difference	Treasury stock	Profit attributable to Group equity holders	**Equity attributable to parent company owners**	Equity attributable to non-controlling interests	**Total equity**
Equity at January 1, 2017	**39**	**591**	**(159)**	**4,936**	**636**	**(168)**	**813**	**6,688**	**366**	**7,054**
Stock subscription options		4						4		4
Share-based payments				38				38		38
Allocation of profit				813			(813)			
Effect of changes in the scope of consolidation and other				(19)				(19)	37	18
Dividends paid				(325)				(325)	(25)	(350)
Transactions with shareholders		**4**		**507**			**(813)**	**(302)**	**12**	**(290)**
Income (expense) for the period recognized directly in equity			6					6		6
Net profit for the fiscal year							391	391	49	440
Translation differences					(469)			(469)	(21)	(490)
Total recognized income and expenses			**6**		**(469)**		**391**	**(72)**	**28**	**(44)**
Equity at June 30, 2017	**39**	**595**	**(153)**	**5,443**	**167**	**(168)**	**391**	**6,314**	**406**	**6,720**

♦ First-half 2016

€ millions	Share capital	Issue premiums	Revaluation reserves	Reserves	Translation difference	Treasury stock	Profit attributable to Group equity holders	**Equity attributable to parent company owners**	Equity attributable to non-controlling interests	**Total equity**
Equity at January 1, 2016	**39**	**400**	**(131)**	**4,441**	**424**	**(223)**	**757**	**5,707**	**385**	**6,092**
Capital increases (*)		158						158		158
Stock subscription options		3						3		3
Share-based payments				25				25		25
Allocation of profit				757			(757)			
Effect of changes in the scope of consolidation and other				(18)				(18)	(15)	(33)
Dividends paid				(237)				(237)	(24)	(261)
Transactions with shareholders		**161**		**527**			**(757)**	**(69)**	**(39)**	**(108)**
Income (expense) for the period recognized directly in equity			(45)					(45)		(45)
Net profit for the fiscal year							416	416	34	450
Translation differences					(7)			(7)	(6)	(13)
Total recognized income and expenses			**(45)**		**(7)**		**416**	**364**	**28**	**392**
Equity at June 30, 2016	**39**	**561**	**(176)**	**4,968**	**417**	**(223)**	**416**	**6,002**	**374**	**6,376**

(*)The Group has proposed a payment of the 2015 dividend to shareholders either in cash or in shares. If exercised, this option would allow shareholders to obtain new Essilor shares, in consideration for the amount due in respect of the dividend, at a preferential subscription price corresponding to 90% of the average of the opening prices quoted for Essilor's shares on the Euronext regulated market in Paris over the 20 trading days preceding the Shareholders' Meeting of May 11, 2016. This average is reduced by the amount of the dividend per share of €1.11. The Group has also created 1,578,804 new shares.

♦ Fiscal year 2016

€ millions	Share capital	Issue premiums	Revaluation reserves	Reserves	Translation difference	Treasury stock	Profit attributable to Group equity holders	**Equity attributable to parent company owners**	Equity attributable to non-controlling interests	**Total equity**
Equity at January 1, 2016	**39**	**400**	**(131)**	**4,441**	**424**	**(223)**	**757**	**5,707**	**385**	**6,092**
Capital increases (*)		158						158		158
Employee share issues		26						26		26
Stock subscription options		7						7		7
Capital increases subscribed by minority interests									7	7
Share-based payments				54				54		54
Net sale/(Net purchase) of treasury shares				(86)		55		(31)		(31)
Allocation of profit				757			(757)			
Effect of changes in the scope of consolidation and other				7				7	(50)	(43)
Dividends paid				(237)				(237)	(40)	(277)
Transactions with shareholders		**191**		**495**		**55**	**(757)**	**(16)**	**(83)**	**(99)**
Income (expense) for the period recognized directly in equity			(28)					(28)		(28)
Net profit for the fiscal year							813	813	67	880
Translation differences					212			212	(3)	209
Total recognized income and expenses			**(28)**		**212**		**813**	**997**	**64**	**1,061**
Equity at December 31, 2016	**39**	**591**	**(159)**	**4,936**	**636**	**(168)**	**813**	**6,688**	**366**	**7,054**

(*)The Group has proposed a payment of the 2015 dividend to shareholders either in cash or in shares. If exercised, this option would allow shareholders to obtain new Essilor shares, in consideration for the amount due in respect of the dividend, at a preferential subscription price corresponding to 90% of the average of the opening prices quoted for Essilor's shares on the Euronext regulated market in Paris over the 20 trading days preceding the Shareholders' Meeting of May 11, 2016. This average is reduced by the amount of the dividend per share of €1.11. The Group has also created 1,578,804 new shares.

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

€ millions		First semester 2017	First semester 2016	Year 2016
CONSOLIDATED NET PROFIT	**(a)**	**440**	**450**	**880**
Adjustments to reconcile net income (loss) to funds generated from operations				
Depreciation, amortization and other non-cash items		297	205	360
Provision charges (reversals)		(25)	(49)	(50)
Gains and losses on asset disposals, net		-	(8)	(6)
Finance costs, net	**(b)**	27	29	54
Tax expenses (including deferred taxes)	**(a)**	139	159	285
Other net cash out				
Share of profits of associates, net of dividends received		-	-	(1)
Taxes paid		(129)	(124)	(264)
Interest (paid) and received, net		(34)	(37)	(56)
Change in working capital requirement		(259)	(233)	(8)
NET CASH FROM OPERATING ACTIVITIES		**456**	**392**	**1,194**
Purchases of property, plant and equipment and intangible assets		(125)	(145)	(294)
Acquisitions of subsidiaries, net of the cash acquired		(279)	(289)	(706)
Change in other non-financial assets		4	(2)	(43)
Proceeds from the sale of other financial assets, property, plant and equipment and intangible assets		4	17	21
NET CASH USED IN INVESTING ACTIVITIES		**(396)**	**(419)**	**(1,022)**
Capital increase	**(c)**	4	3	41
Net sale (net buyback) of treasury shares	**(c)**	-	-	(31)
Dividends paid:				
- to ESSILOR shareholders	**(c)**	(325)	(79)	(79)
- to minority shareholders of the consolidated subsidiaries	**(c)**	(25)	(24)	(40)
Bond issues	**11**	263	-	-
Increase/(Decrease) in borrowings other than finance lease liabilities	**11**	134	135	(31)
Repayment of finance lease liabilities		(1)	(1)	(3)
NET CASH USED IN FINANCING ACTIVITIES		**50**	**34**	**(143)**
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**110**	**7**	**29**
Net cash and cash equivalents at January 1		460	431	431
Effect of changes in exchange rates		(20)	(2)	-
NET CASH AND CASH EQUIVALENTS AT PERIOD-END		**550**	**436**	**460**
Cash and cash equivalents	**11**	594	461	517
Bank credit facilities	**11**	(44)	(25)	(57)

[a] See income statement

[b] Finance costs net is defined as the cost of gross debt minus the income of cash and cash equivalents

[c] See statement of changes in equity

The accompanying notes are an integral part of the consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 1. ACCOUNTING PRINCIPLES

1.1 GENERAL

Essilor International (Compagnie Générale d'Optique) is a *société anonyme* (public limited company) with a Board of Directors and is governed by the laws of France. Its registered office is located at 147, rue de Paris, 94220 Charenton-le-Pont. The Company's main business activities consist in designing, manufacturing and selling ophthalmic lenses and ophthalmic optical instruments.

The condensed consolidated financial statements for the six months ended June 30, 2017 have been prepared in accordance with IAS34-Interim Financial Reporting. They do not include all the information required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31 December 2016. They were approved by the Board of Directors on July 27, 2017.

The financial statements are prepared on a going concern basis. All amounts are expressed in millions of euros, unless otherwise specified.

1.2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

In accordance with European Regulation No 1606/2002 of July 19, 2002, the Essilor Group has applied, since January 1st, 2005, all international accounting standards including IFRS (International Financial Reporting Standards), IAS (International Accounting Standards), and their interpretations since January 1st, 2005, as approved in the European Union, with mandatory application as at June 30, 2017. These international accounting standards can be accessed on the European Commission website [1].

[1] http://ec.europa.eu/internal_market/accounting/IAS_fr.htm#adopted-commission

1.3 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

The accounting methods applied are the same as those used in the annual financial statements as at December 31, 2016, except for the adoption of new standards, amendments and interpretations effective as of 1 January 2017 described below:

- IAS 7 Amendments – Disclosure initiative, application mandatory as at January 1st 2017 according to IASB;
- IAS 12 Amendments – Recognition of Deferred Tax Assets for Unrealised Losses, application mandatory as at January 1st 2017 according to IASB.

Furthermore, the Group has not opted for early application of the standards, amendments or interpretations whose application is not mandatory on or after January 1st, 2017:

- IFRS 9 – Financial Instruments with mandatory application as at January 1st, 2018;

- IFRS 15 – Revenues from Contracts with Customers, application will be mandatory as at January 1st, 2018 according to IASB. The group is currently reviewing the most significant customer contracts in the various business units so as to be able to assess the potential impact of this standard on the revenue recognition. In view of the review that has been conducted, the Group expects that the standard's application will lead to postpone revenue recognition of particular operations, a reclassification between the revenue and some lines from the operating result regarding some provision of services received or performed by the Group and some expenses, in particular, marketing expenses;

- IFRS 16 – Contract leases, application mandatory as at January 1st, 2019 according to IASB;
- IFRS 17 – Insurance contracts; application mandatory as at January 1st, 2021 according to IASB;

- IAS 40 Amendments – Transfers to and from investment property, application mandatory as at January 1st, 2018 according to IASB;
- IFRS 2 Amendments – Classification and measurement of share-based payment transactions application mandatory as at January 1st, 2018 according to IASB;
- IFRS 10 and IAS 28 Amendments – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- IFRIC 22 Foreign currency transaction-advance consideration application mandatory as at January 1st,2018 according to IASB;
- IFRIC 23 Uncertainty over income tax treatments application mandatory as at January 1st, 2019 according to IASB.

The impact of these standards on the consolidated financial statements is currently being assessed by the Group.

1.4 USE OF ESTIMATES

The preparation of financial statements requires Management's 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. The most significant estimates and assumptions concern, in particular:

- the recoverable amount of goodwill;
- fair values in relation to business combinations and put options granted to minority shareholders;
- risk assessment to determine the amount of provisions;
- measurement of pension and other post-employment benefit obligations;

The final amounts may differ from these estimates.

The Group is subject to taxation on earnings in many countries under various tax regulations. Calculation of taxes on a global scale requires the use of estimates and assumptions based on the information available at the balance sheet date.

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.

1.5 FINANCIAL STATEMENTS PRESENTATION

Some reclassifications related to the presentation of comparative figures could have been realized in order to be compliant with the presentation of the current period or to IFRS standards.

1.6 SEGMENT INFORMATION

The Group's segment information is presented in accordance with the information provided internally to management for the purpose of managing operations, taking decisions and analyzing operational performance.

Such information is prepared in accordance with the IFRS used by the Group in its consolidated financial statements.

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

The Lenses & Optical Instruments business segment comprises the Group's Lens business (production, prescription, distribution and trading) and the Instruments business (small equipment used by opticians and relating to the sale of lenses). The end customers for this business segment are eye-care professionals (opticians and optometrists).

The Lenses & Optical Instruments business chain is designed as a complete network with multiple interactions. The segment has a global network of plants, prescription laboratories, edging facilities and distribution centers serving eye care professionals throughout the world. This network is centrally managed, along with the Group's research and development, marketing, intellectual property and engineering functions.

The Equipment business segment comprises the production, distribution and sale of high capacity equipment, such as digital surfacing machines and lens coating 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 Sunglasses & Readers business segment comprises the production, distribution and sale of both non-prescription sunglasses and non-prescription reading glasses. The end customers for this segment are retailers that sell these products to consumers.

NOTE 2. MAIN EVENTS DURING THE FIRST HALF

2.1 EXCHANGE RATES OF THE MAIN FUNCTIONAL CURRENCIES

	Closing rate			Average rate		
For €1	June 2017	June 2016	December 2016	June 2017	June 2016	December 2016
Canadian dollar	1.48	1.44	1.42	1.45	1.48	1.47
British pound	0.88	0.83	0.86	0.86	0.78	0.82
Yuan	7.74	7.38	7.32	7.44	7.30	7.35
Yen	127.75	114.05	123.40	121.78	124.41	120.20
Indian rupee	73.74	74.96	71.59	71.18	75.00	74.37
Brazilian real	3.76	3.59	3.43	3.44	4.13	3.86
US dollar	1.14	1.11	1.05	1.08	1.12	1.11

2.2 COMBINATION OF ESSILOR AND LUXOTTICA

Essilor and Delfin, the majority shareholder of Luxottica Group, announced on January 16, 2017 the signing of an agreement designed to create an integrated global player in the eyewear industry with the combination of Essilor and Luxottica. The transaction is subject to satisfaction of several conditions precedent.

In March, the transaction obtained the favorable opinions of the employee representative bodies. On April 12, the AMF decided to waive Delfin's obligation to file a mandatory tender offer for Essilor's shares. On May 11, Essilor shareholders convened for a general meeting and holders of double voting rights convened for a special meeting approved the transaction. Lastly, to date, Essilor and Luxottica have jointly filed with the antitrust authorities in several jurisdictions. The two companies' shared objective in cooperation with the relevant authorities is to close the antitrust process around the end of the year (please refer to the news release issued on July 24, 2017)

2.3 CHANGES IN THE SCOPE OF CONSOLIDATION

The consolidated financial statements include the financial statements of holding companies and entities meeting one of the following two criteria:

- annual revenue in excess of €1 million;
- or property, plant and equipment in excess of €9 million.

Entities that do not fulfill these criteria may also be consolidated, if their consolidation has a material impact on the Group's financial statements.

Moreover, companies acquired at the very end of the year that do not have the resources to produce financial statements according to Group standards within the time allotted shall be entered into the scope of consolidation on the following January 1.

The significant acquisitions or business combinations realized during the first half of 2017 are related to the following companies:

Name	Country	Acquisition date	Consolidation method	% interest	% consolidated
Creasky	China	January 5, 2017	Full	55	100
Optitrade Logistics Center	Netherlands	January 31, 2017	Full	50	100
Topcon Visioncare Japan	Japan	February 17, 2017	Full	51	100
Opticas Exclusivas	Guatemala	April 3, 2017	Full	70	100
Vision Associates	USA	May 1, 2017	Full	60	100

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

- **Balance sheet**

The impact of business combination during the first half of 2017 on the consolidated balance sheet is analyzed below:

€ millions	**Business combination**
Intangible assets	97
Property, plant and equipment	11
Other non-current assets	7
Current assets	46
Cash	15
Total assets acquired at fair value	**176**
Equity attributable to non-controlling interests	21
Other non-current liabilities	21
Short-term borrowings	1
Other current liabilities	103
Total liabilities assumed at fair value	**146**
Net assets acquired [a]	**30**
Acquisition cost	83
Fair value of net assets acquired [a]	30
Recognized goodwill	**53**

(a) Or consolidated during the period.

The amount recognized as goodwill is supported by the expected synergies and growth outlook of the acquired companies within the Group.

The fair value used for the acquired assets and assumed liabilities of acquisitions for the period is temporary and may be reviewed at a later date, after a final expert assessment or additional analyses. Any discrepancies resulting from the final valuation shall be recognized as a retrospective adjustment to goodwill if they take place within twelve months of the acquisition date.

If the companies consolidated during the year (see Note 2.3 Changes in consolidation scope) had been consolidated at January 1st, 2017, the Group's revenues would have been estimated at €3,937 million and the Group's net profit at €392 million for the first half of 2017.

- **Income statement**

The methods for determining the impact of changes in the scope of consolidation and exchange rates on the income statement are explained below.

The apparent change in performance indicators (revenues and contribution from operations) results from the breakdown of this change between the impact of the Group's acquisitions (scope of consolidation impact), the impact of currency fluctuations (foreign exchange impact) and the impact of the change in its intrinsic operations, or like-for-like growth.

For the impact of changes in the scope of consolidation:

- impacts of changes in the scope of consolidation arising from acquisitions during the year consist of the subsidiaries' income statements, from their consolidation date, until June 30 of the current fiscal year;
- impacts of changes in the scope of consolidation for companies acquired during the previous year consist of the subsidiaries' income statements for the year, since January 1 of the current fiscal year until the anniversary date of their initial consolidation;
- divested companies do not impact the change in the scope of consolidation since no consolidated subsidiaries were sold by the Group;
- major strategic acquisitions, i.e., that represent highly significant amounts & cover various geographical areas or correspond to a new area of business, are distinguished from "organic" acquisitions related to lower-value acquisitions and within the Group's core businesses.

For the impacts of changes in exchange rates:

- this is determined on a subsidiary-by-subsidiary basis by applying the average conversion rate from the previous year to the income statements for the current year for subsidiaries using currencies other than the euro, restated for scope of consolidation impacts as above, and by calculating the change in this value relative to the income statement of the previous year for each subsidiary;
- consequently, this is not a currency effect but the effect of converting the financial statements of subsidiaries.

Like-for-like growth is determined as the residual difference in apparent growth, less the impact of changes in the scope of consolidation and the impact of changes in exchange rates. Organic growth is growth on a like-for-like consolidation and exchange rate basis.

The overall effect of changes in the scope of consolidation and exchange rates on revenue and the contribution from operations was as follows:

As a %	**Reported growth**	Currency effect	Change in the scope of consolidation of bolt-on acquisitions	**Like-for-like growth**
Revenue	**9.1**	2.2	4.4	**2.5**
Contribution from operations	**6.4**	1.8	3.4	**1.2**

NOTE 3. SEGMENT INFORMATION

- **First-half 2017**

€ millions	Lenses and Optical Instruments	Equipment	Sunglasses & Readers	Eliminations	GROUP TOTAL
External revenue	3,381	111	417	-	3,909
Intra-segment revenue	14	40	8	(62)	-
Total revenue	**3,395**	**151**	**425**	**(62)**	**3,909**
Contribution from operations	**634**	**22**	**64**	**-**	**720**
Operating profit					611
Cost of gross debt					(35)
Income from cash and cash equivalents					8
Other financial income					2
Other financial expenses					(7)
Share of profits of associates					-
Income tax					(139)
Net profit					440
Segment assets [(a)]	**9,131**	**480**	**2,042**	-	11,653
Non-segment assets					1,207
Total assets					12,860
					-
Segment liabilities [(b)]	**1,307**	**39**	**145**	-	1,491
Non-segment liabilities					4,649
Equity					6,720
Total liabilities					12,860
Acquisitions of property, plant and equipment & intangible assets	91	4	30	-	125
Amortization, depreciation and impairment of property, plant and equipment and intangible assets	(149)	(5)	(42)	-	(196)

(a) Segment assets include goodwill, other intangible assets, property, plant and equipment, long-term receivables, inventories and works-in-progress, prepayments to suppliers and short-term receivables.

(b) Segment liabilities include customer prepayments and short-term payables.

- **First-half 2016**

€ millions	Lenses and Optical Instruments	Equipment	Sunglasses & Readers	Eliminations	GROUP TOTAL
External revenue	3,129	94	360	-	3,583
Intra-segment revenue	5	36	3	(44)	-
Total revenue	**3,134**	**130**	**363**	**(44)**	**3,583**
Contribution from operations	**623**	**17**	**37**	-	**677**
Operating profit					646
Cost of gross debt					(36)
Income from cash and cash equivalents					8
Other financial income					-
Other financial expenses					(9)
Share of profits of associates					-
Income tax					(159)
Net profit					450
Segment assets [a]	**9,093**	**471**	**1,697**		**11,261**
Non-segment assets					988
Total assets					12,249
Segment liabilities [b]	**1,161**	**36**	**109**		**1,306**
Non-segment liabilities					4,567
Equity					6,376
Total liabilities					12,249
Acquisitions of property, plant and equipment & intangible assets	109	4	32		145
Amortization, depreciation and impairment of property, plant and equipment and intangible assets	(151)	(5)	(35)		(191)

(a) Segment assets include goodwill, other intangible assets, property, plant and equipment, long-term receivables, inventories and works-in-progress, prepayments to suppliers and short-term receivables.

(b) Segment liabilities include customer prepayments and short-term payables.

- **Fiscal year 2016**

€ millions	Lenses and Optical Instruments	Equipment	Sunglasses & Readers	Eliminations	GROUP TOTAL
External revenue	6,218	212	685	-	**7,115**
Intra-segment revenue	11	72	5	(88)	**-**
Total revenue	**6,229**	**284**	**690**	**(88)**	**7,115**
Contribution from operations	**1,209**	**39**	**73**	-	**1,321**
Operating profit					**1,230**
Cost of gross debt					**(71)**
Income from cash and cash equivalents					**17**
Other financial income					**-**
Other financial expenses					**(12)**
Share of profits of associates					**1**
Income tax					**(285)**
Net profit					**880**
Segment assets [a]	**9,601**	**490**	**1,950**		**12,041**
Non-segment assets					**1,122**
Total assets					**13,163**
Segment liabilities [b]	**1,289**	**42**	**133**		**1,464**
Non-segment liabilities					**4,645**
Equity					**7,054**
Total liabilities					**13,163**
Acquisitions of property, plant and equipment & intangible assets	217	5	72		**294**
Amortization, depreciation and impairment of property, plant and equipment and intangible assets	(356)	(10)	(73)		**(439)**

(a) Segment assets include goodwill, other intangible assets, property, plant and equipment, long-term receivables, inventories and works-in-progress, prepayments to suppliers and short-term receivables.

(b) Segment liabilities include customer prepayments and short-term payables.

The Group's top 20 customers accounted for 18.5% of its revenue in first-half 2017 and 19.3% of its revenue in 2016.

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

NOTE 4. OTHER OPERATING INCOME AND EXPENSES

€ millions	First semester 2017	First semester 2016	Year 2016
Other [(a)]	1	9	18
Other income from operations	**1**	**9**	**18**
Restructuring costs [(b)]	(14)	(14)	(33)
Compensation costs on share-based payments [(c)]	(38)	(25)	(64)
Transaction costs [(d)]	(50)	-	-
Other [(e)]	(8)	(1)	(12)
Other expenses from operations	**(110)**	**(40)**	**(109)**

(a) Mainly includes gain or loss on disposal of tangible assets.

(b) Restructuring costs are, for the most part, related to the streamlining of a number of production sites, the reorganization of commercial flows and the impairment of intangible assets located in North America.

(c) The Board has granted Group's employees various equity-settled share-based payments with market-based performance conditions. Following the signing of the Combination Agreement with Luxottica and the approval of General Meeting on May 11st, 2017, the Group modified such unvested equity-settled share-based payments so as to (i) waive the market performance conditions for all employees except for the two corporate officers and (ii) replace the market performance conditions by non-market performance conditions for such two corporate officers. The vesting period for the share-based payments remains unchanged. This modification applies to share-based payments granted in 2015 and in September and December 2016. These modifications increase the fair value of the share-based payment of €8 million for the first semester 2017.

(d) Following the signing of the Combination Agreement with Luxottica, Essilor recognizes transaction costs for € 50 million during the first semester 2017.

(e) Includes mainly the impact of the settlement with Vision Ease (see Note 13).

NOTE 5. OTHER FINANCIAL INCOME AND EXPENSES

€ millions	First semester 2017	First semester 2016	Year 2016
Foreign exchange gains	2	-	-
Other financial income	**2**	**-**	**-**
Foreign exchange losses	-	(2)	(4)
Accretion of discount on liabilities charges	(5)	(6)	(8)
Other	(2)	(1)	-
Other financial expenses	**(7)**	**(9)**	**(12)**

NOTE 6. INCOME TAX

Income tax expense amounted to €139 million for first half of 2017, compared with €159 million for first half of 2016, corresponding to an effective rate of 24% versus 26% for the same prior-year period.

The Group has recognized a gross asset of €30 million at June 30, 2017 related to the reimbursement of amounts paid for the tax on dividends of 3%.

The Amending Finance Law of August 2012 brought in an additional tax of 3% when a dividend is paid in cash. Essilor International S.A. has paid for this additional tax a total amount of €30 million from 2013 to 2017. Some claims to be reimbursed for this additional tax are in progress.

Following the decision of the European Court of Justice on May 17, 2017, the Group has recognized, in the consolidated balance sheet, a receivable towards the French Government for an amount of €30 million at June 30, 2017. A provision for depreciation was booked pending the decision by the Constitutional Council in the second half of 2017.

NOTE 7. CHANGE IN THE NUMBER OF SHARES

The shares have a par value of €0.18.

♦ **Change in the actual number of shares, excluding treasury stock**

	First semester 2017	First semester 2016	Year 2016
Number of shares at January 1	**216,461,561**	**213,596,342**	**213,596,342**
Exercise of stock subscription options	66,911	61,285	140,512
Subscription of the Essilor Group FCP mutual fund	-	-	331,945
Delivery of performance shares	1,361	2,010	1,113,448
Payment of dividend in shares	-	1,578,804	1,578,804
Net sales (purchases) of treasury shares	-	-	(299,490)
Number of shares at period-end	**216,529,833**	**215,238,441**	**216,461,561**
Number of treasury shares eliminated	2,044,779	2,858,088	2,046,140

♦ **Change in the weighted average number of shares, excluding treasury stock**

	First semester 2017	First semester 2016	Year 2016
Number of shares at January 1	**216,461,561**	**213,596,342**	**213,596,342**
Exercise of stock subscription options	28,270	29,278	60,245
Subscription of the Essilor Group FCP mutual fund	-	-	10,883
Delivery of performance shares	406	691	88,868
Payment of dividend in shares	-	190,844	888,616
Net sales (purchases) of treasury shares	-	-	(30,627)
Average number of shares at period-end	**216,490,237**	**213,817,155**	**214,614,327**

No treasury stock was canceled during the various periods.

NOTE 8. GOODWILL

€ millions	December 31, 2016	Business combination	Other changes in scope and other movements	Translation difference	Provisions for impairment	June 30, 2017
Gross amount	6,227	42	(5)	(395)	-	5,869
Impairment	(36)	-	-	-	-	(36)
Net amount	**6,191**	**42**	**(5)**	**(395)**	**-**	**5,833**

The main increases in goodwill at June 30, 2017 are chiefly attributable to the acquisition of Creasky (China) and Opticas Exclusivas (Guatemala).

Goodwill for companies acquired during the year is based on the provisional accounting for the business combination and may be adjusted during the 12-month period following the acquisition date.

The impairment test at 31 December 2016 supported the Group's opinion that goodwill was not impaired. At 30 June 2017, the Group considers that the assumptions used to assess the recoverable value of goodwill at 31 December 2016 are not modified in a way that would lead to an impairment test at 30 June 2017.

The carrying amount of goodwill breaks down as follows by group of CGUs:

€ millions	**June 30, 2017**	**December 31, 2016**
Lenses – Europe	879	897
Lenses – North America	2,192	2,373
Lenses – South America	543	581
Lenses – Asia, Oceania, Middle East, Africa	916	957
Laboratory equipment	299	305
Sunglasses & Readers	1,004	1,078
Total	**5,833**	**6,191**

NOTE 9. PENSION AND OTHER POST-RETIREMENT BENEFIT OBLIGATIONS

The Group's pension and other post-retirement benefit obligations mainly concern:

- supplementary pension plans in France, Germany, the United Kingdom, and the United States;
- retirement benefits granted to employees in France and other European countries;
- other long-term benefits (length-of-service awards in France and their equivalent in other countries).

At June 30, 2017, net recognized benefit obligations amount to €339 million (€344 million at December 31, 2016).

- **Provisions for pensions**

€ millions	June 30, 2017	December 31, 2016
Non-current assets (plan surpluses)	-	-
Provisions for pensions in liabilities	339	344

- **Analysis of the change in actuarial gains and losses recognized in equity**

Actuarial gains and losses generated for the half-year ended 30 June 2017 have been recognised directly in equity for an amount of €6 million.

- **Actuarial assumptions used to estimate commitments in the main countries concerned**

A major assumption taken into account in the valuation of pension and other post-employment benefit obligations is the discount rate.

In accordance with IAS 19, the rates were determined by monetary zone by referring to the return on high-quality private bonds with a maturity equal to the term of the plans, or the return on government bonds when the private market has insufficient liquidity.

The main rates used by the Group are as follows:

As a %	June 30, 2017			December 31, 2016		
	Eurozone	United States	United Kingdom	Eurozone	United States	United Kingdom
Discount rate	1.75	4.05	2.65	1.60	4.15	2.75
Inflation rate	1.80	3.50	3.35	1.80	3.50	3.30

- **Expenses for the year**

Income (expenses) *€ millions*	First semester 2017	First semester 2016	Year 2016
Cost of services rendered in the period	(9)	(12)	(24)
Interest expense	(3)	(3)	(7)
Cost of past services	-	-	(1)
Expenses for the year	**(12)**	**(15)**	**(32)**

NOTE 10. PROVISIONS

€ millions	December 31, 2016	Provisions for the period	Utilisation during the period	Reversals not applicable	Translation differences and other movements	Scope	June 30, 2017
Restructuring provisions [a]	15	8	(5)	-	(1)	-	17
Warranty provisions	46	8	(6)	-	(3)	15	60
Provisions for legal claims	57	-	(10)	-	(2)	2	47
Tax reserves [b]	212	7	-	(6)	(15)	38	236
Other risks	63	6	(8)	(23)	1	-	39
Total	**393**	**29**	**(29)**	**(29)**	**(20)**	**55**	**399**

(a) Restructuring provisions are, for the most part, related to the streamlining of a number of production sites located primarily in North America.

(b) The Group tax filings are subject to audit by tax authorities in most jurisdictions in which the Group operated. These audits may result in assessment of additional taxes. The Group pursues all legal remedies, through the relevant courts, in order to contest these tax assessments.

NOTE 11. NET DEBT AND BORROWINGS

♦ **Net debt**

The Group's net debt can be analyzed as follows:

€ millions [(a)]	June 2017	December 2016
Long-term borrowings	1,842	1,364
Short-term borrowings	968	1,172
Short-term bank loans and overdrafts	44	57
Accrued interest	11	17
Total liabilities	**2,865**	**2,610**
Cash and cash equivalents [(b)]	(594)	(517)
Total assets	**(594)**	**(517)**
Interest rate swaps [(c)]	(27)	(31)
Net debt	**2,244**	**2,062**

(a) Sign convention: + debt /- excess cash or securities
(b) The Group is located in some countries where cash & cash equivalents are subject to legal restrictions. The respect of preliminary formalities in these countries is mandatory before transfering these funds with some delay and eventually some tax payment. Cash & cash equivalents can also be held by some subsidiaries where the initial approval of our partner is required to transfer any funds.
(c)Interest rate swaps measured at fair value at each period end

♦ Long-term borrowings

At June 30, 2017, the Group's long-term funding structure was as follows:

€ millions	June 30, 2017	December 31, 2016	Issue date	Maturity
Bonds (*)	1,090	831	2014/2017	2021/2024
US private placement (1 tranche)	88	95	2012	2019
US private placement (6 tranches)	372	403	2013	2018/2023
US private placement (2 tranches)	263	-	2017	2022/2027
Other	29	35		
Long-term borrowings	**1,842**	**1,364**		

(*) Bonds in euros and US dollars.

The Group issued on January 5, 2017 an US private placement for an amount of USD300 million. The main components of this private placement are:

- USD200 million to 5 years with a rate of 2.05%,
- USD100 million to 10 years with a rate of 2.65%.

In addition, the Group issued on June 30, 2017 an Eurodollar bond for USD 300 million to 5 years with a rate of 2.50%. Their purposes are to prefinance the fundings matured in March, in May 2017 and in August 2017.

US Private placements are subject to a financial covenant, which was respected as at June 30, 2017.

♦ Short-term borrowings

At June 30, 2017, the Group's short-term funding structure was as follows:

€ millions	June 30, 2017	December 31, 2016	Issue date	Maturity
Bonds	300	300	2015	2017
French commercial paper	100	100	2017	2018
US commercial paper (USCP)	509	472	2016/2017	2017
US private placement (2 tranches)	-	261	2012-2013	2017
Bank overdraft	44	57		
Other	70	56		
Short-term borrowings	**1,023**	**1,246**		

In accordance with the Group's policy, these commercial paper programs are backed by committed credit facilities, totaling €2.4 billion at June 30, 2017.

NOTE 12. OFF-BALANCE-SHEET COMMITMENTS

Off-balance sheet commitments are shown in Note 23 to the annual 2016 consolidated financial statements.

There were no material changes in the amount or nature of off-balance sheet commitments between December 31, 2016 and June 30, 2017.

NOTE 13. CONTINGENT LIABILITIES

The main claims and litigation are as follows:

- **Alleged anti-competitive practices in France**

In July 2014, the French competition authority's inspection department made unannounced visits to selected Group subsidiaries in France and other actors in the ophthalmic lens market related to the online sale of ophthalmic lenses. The Group appealed against the seizure order, but the appeal was dismissed. The Group lodged an appeal with the Supreme Court. Meanwhile, the Authority carries on its investigation.

- **Group actions**

Following the settlement of charges brought by the Federal Trade Commission after an investigation into Transitions Optical Inc.'s business practices in 2009, Vision Ease, an ophthalmic lens manufacturer, filed suit against Transitions Optical alleging, among other things, that Transitions Optical tried to monopolize the market for the development, manufacture, and sale of photochromic lenses. A final settlement between Transitions Optical Inc and Vision Ease was agreed in May 2017 and settlement funds were paid during the first half of 2017.

- **Intellectual property**

Hoya filed a court claim in Tokyo, Japan against Nikon-Essilor, on July 24, 2013, alleging that the sale of certain products by Nikon-Essilor fell within the scope of a patent originally owned by Seiko and sold to Hoya on March 15, 2013.

In 2014, Nikon-Essilor filed a motion with the Tokyo court and the Japanese patent office to seek the invalidation of said patent.

In a decision handed down on July 13, 2016, the Tokyo court determined that the patent was invalid and dismissed Hoya's claim; then, in a decision handed down on November 8, 2016, the Japanese Patent Office invalidated the claims of said patent. Hoya appealed both decisions.

Furthermore, Hoya filed a lawsuit in August 2016 before a Federal court in Virginia, in the United States, against Essilor International and certain of its affiliates in the United States, claiming that the sale of certain products fell within the scope of one of its US patents, an equivalent to the Japanese patent that was litigated in Japan. Essilor is defending those claims and requesting the Court to invalidate the US patent but it cannot be certain that its arguments will be taken into account. The jury trial is planned in October 2017.

Other pending legal proceedings of which the Group is aware are currently not likely to have a material impact on the financial situation or the profitability of the Group.

- **Investigations**

In 2016, the US Department of Justice and the Insurance Commission of the State of California questioned Essilor of America with regard to certain promotional activities. Essilor of America is working with the authorities to produce the information requested.

- **Tax disputes**

Due to its presence in numerous countries, the Group is subject to various national tax regulations. Any failure to observe these regulations may result in tax adjustments and the payment of fines and penalties.

NOTE 14. RELATED PARTY TRANSACTIONS

Main related parties are:

- Main executives of the Group;
- Subsidiaries over which the Group exercises an exclusive or joint control and companies over which the Group exercises a significant influence.

Other related party transactions

There were no non-current transactions with members of the management bodies during the first half of 2017.

NOTE 15. SUBSEQUENT EVENTS

None

Statement by the Person Responsible for the 2017 Interim Financial Report

I declare that, to the best of my knowledge, (i) the financial statements for the first six months of 2017 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, July 27, 2017

Hubert Sagnières
Chairman and Chief Executive Officer

STATUTORY AUDITORS' REVIEW REPORT ON THE 2017 HALF-YEAR FINANCIAL STATEMENTS

(PERIOD FROM JANUARY 1, 2017 TO JUNE 30, 2017)

This is a free translation into English of the statutory auditors' review report on the 2017 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 with, and construed in accordance with French law and professional auditing standards applicable in France.

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

Mazars
61, rue Henri Régnault
92400 Courbevoie

Statutory auditors' review report on the 2017 half-year financial statements

(Period from January 1, 2017 to June 30, 2017)

This is a free translation into English of the statutory auditors' review report on the 2017 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 with, and construed in accordance with French law and professional auditing standards applicable in France.

To the shareholders
ESSILOR INTERNATIONAL
147, rue de Paris
94227 CHARENTON LE PONT

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 review of the accompanying condensed half-year consolidated financial statements of ESSILOR INTERNATIONAL, for the period from January 1, 2017 to June 30, 2017;

- 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 a conclusion on these financial statements, based on our review.

I - Conclusion on the financial statements

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

A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. These procedures are less in scope that those required for an audit conducted in accordance with professional standards applicable in France. Consequently, a 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 review, nothing has come to our attention that causes us to believe that the condensed half-year consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34, the IFRS standard as adopted by the European Union applicable to interim financial information.

II – Specific verification

We have also verified the information presented in the half-year management report on the condensed half-year consolidated financial statements that were the subject of our review. We have no matters to report with respect to its fair presentation and consistency with the condensed half-year consolidated financial statements.

Neuilly-sur-Seine and Courbevoie, July 27, 2017

The statutory auditors

French original signed by

PricewaterhouseCoopers Audit		Mazars
Olivier Lotz	Cédric Le Gal	Daniel Escudeiro