

# First Half 2004 Financial Results

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# First Half 2004 Highlights

- ▶ Strong like-for-like growth in all geographic areas
- ▶ New improvement in operating margin in spite of acquisitions and the slowdown in Germany
- ▶ Ongoing acquisition program

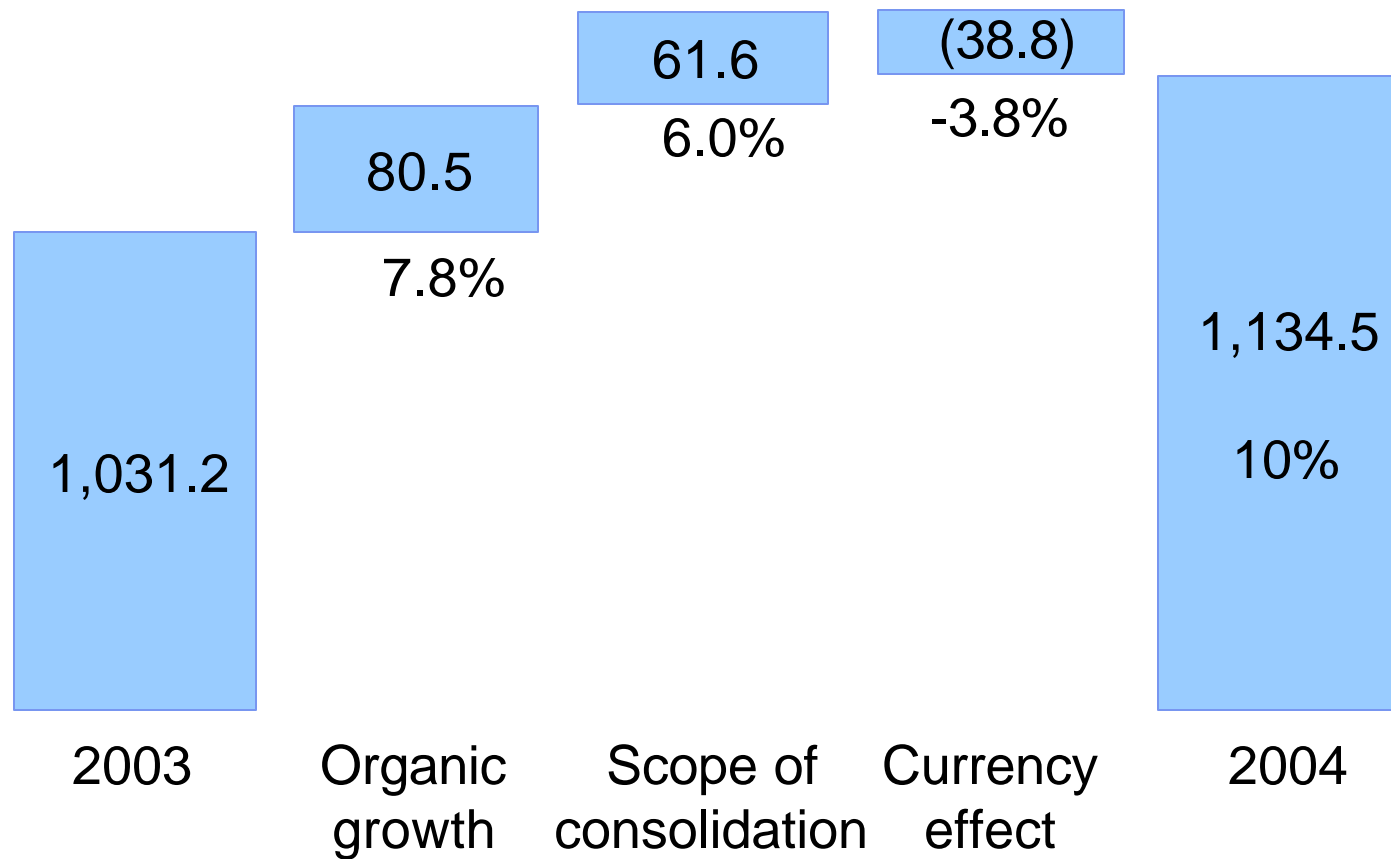
# Financial Highlights

€ millions

	1H2003	1H2004	% Change
Sales	1,031.2	1,134.5	10% 7.8% like-for-like
Gross margin	61.2%	60.6%	
Operating income	182.2	203.7	11.8%
% Sales	17.7%	18.0%	
Net income	102.8	114.2	11%
% Sales	10%	10.1%	
EPS (in €)	1.02	1.13	10.7%

# Sales Growth

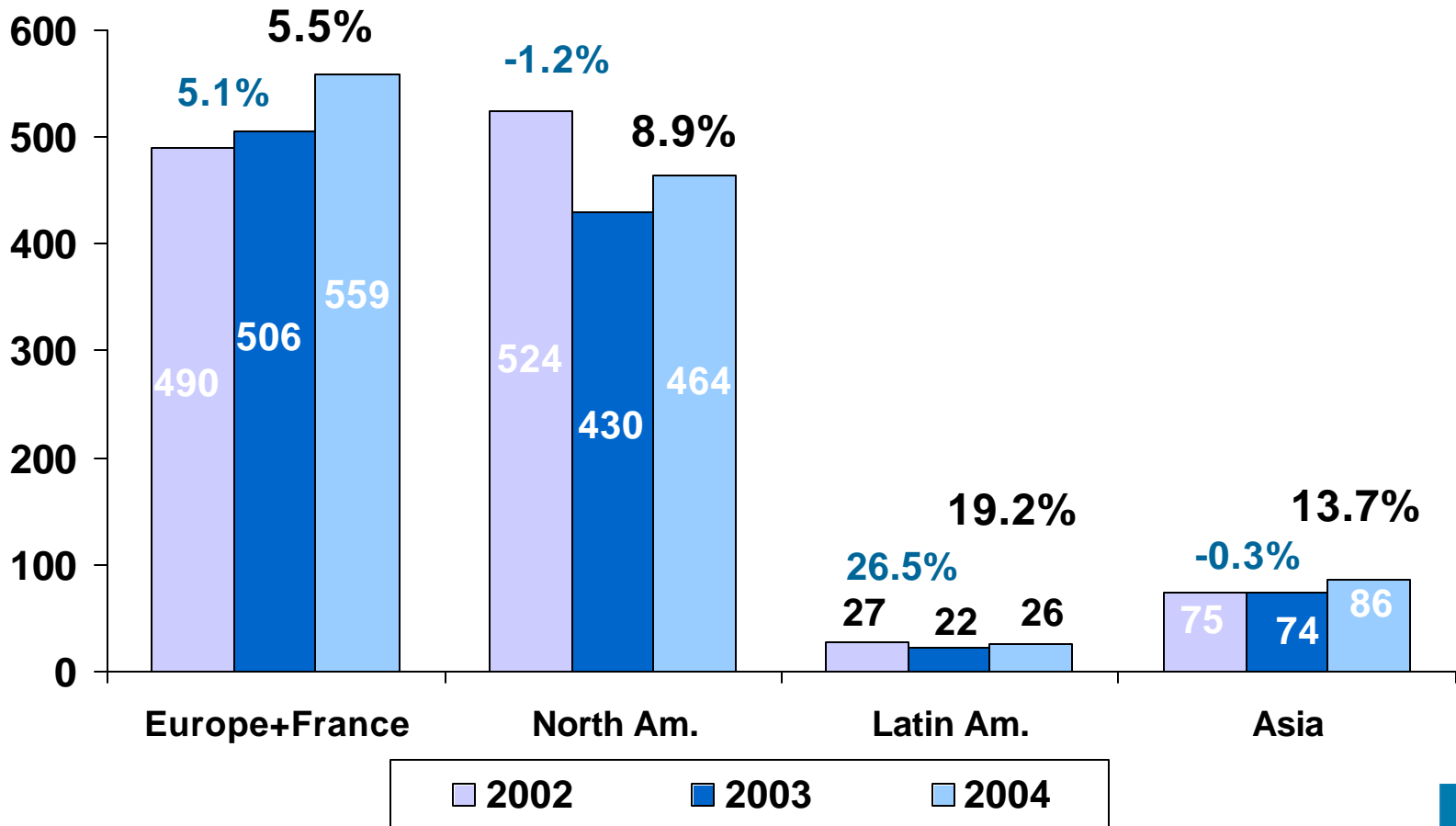
€ millions



# Sales by Region

€ millions

**% growth like-for-like in 2004**  
 % growth like-for-like in 2003

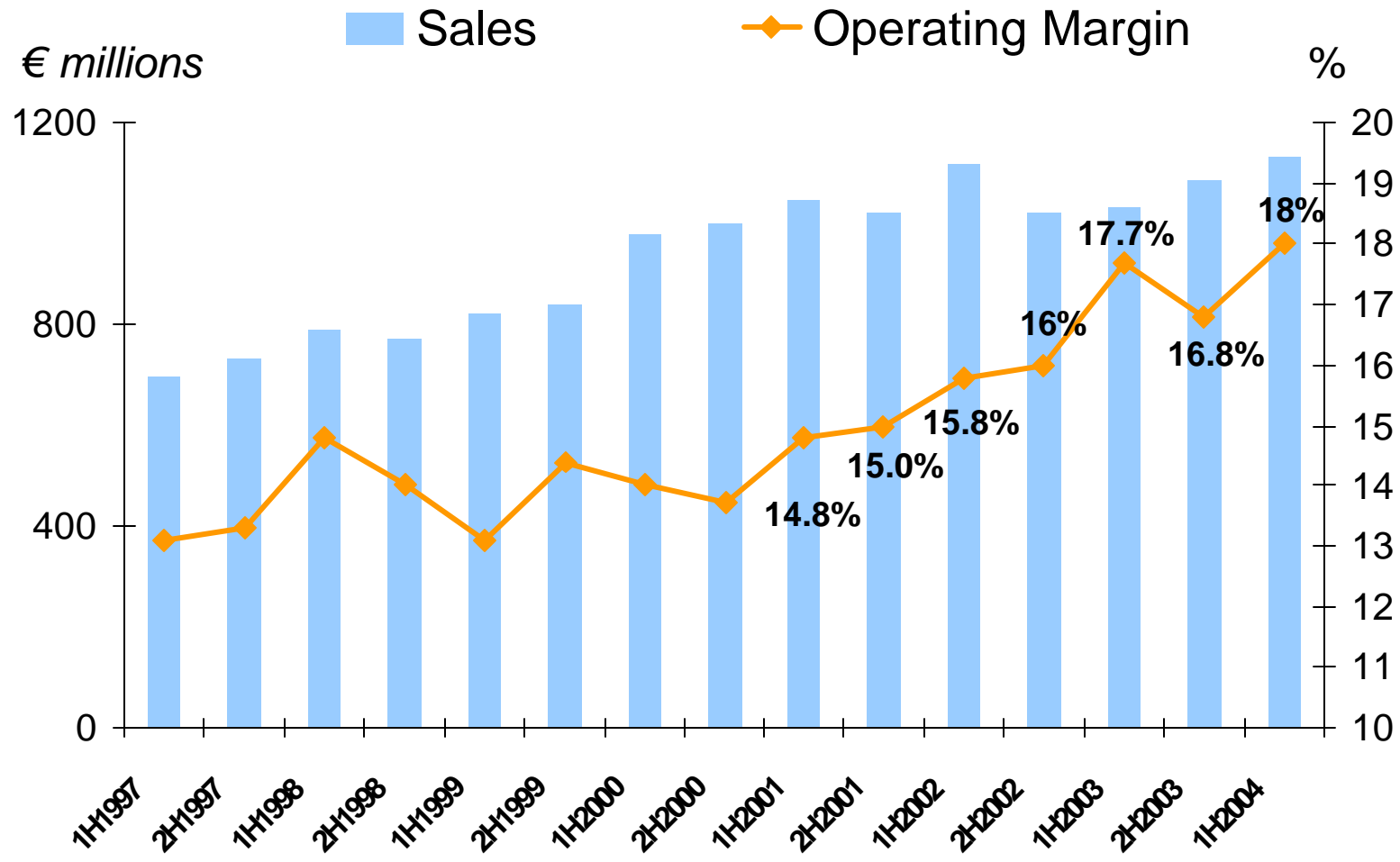


# Gross Margin / Opex

€ millions

	1H2003	1H2004
Sales	1,031.2	1,134.5
Gross margin	630.7	687.6
% Sales	61.2%	60.6%
Opex	448.4	483.8
% Sales	43.5%	42.6%
Operating income	182.2	203.7
% Sales	17.7%	18%

# Operating Margin: New Improvement



# Operating Margin

- ▶ Product mix: increase in sales of high-index materials and anti-reflective lenses
- ▶ Strong sales growth. Recovery confirmed in the United-States, Asia and Japan
- ▶ Successful new products: Crizal<sup>®</sup> Alizé<sup>™</sup>, Varilux<sup>®</sup> Ellipse<sup>™</sup>
- ▶ Controlled costs

# Currency Effect = Translation Effect

	1H 2004 Actual rates		1H 2004 Using 2003 rates	
<b>Sales</b>	<b>1,134.5</b>	<b>10%</b>	<b>1,173</b>	<b>13.8%</b>
<b>Op. income</b>	<b>203.7</b>	<b>11.8%</b>	<b>212.4</b>	<b>16.6%</b>
<b>Operating margin</b>	<b>18.0%</b>		<b>18.1%</b>	

# Sales / Operating Income Currency Effect

	1 H 2004 in USD millions		1 H 2004 in JPY millions	
<b>Sales</b>	<b>1,384.1</b>	<b>20.4%</b>	<b>149,641</b>	<b>9.4 %</b>
<b>Op. income</b>	<b>248.5</b>	<b>22.3%</b>	<b>26,868</b>	<b>11.1 %</b>
<b>Operating margin</b>	<b>18.0%</b>		<b>18.0%</b>	

# Net Income

<i>€ millions</i>	1H2003	1H2004	% Change
Operating Income	182.2	203.7	11.8%
Net interest expense	(15.9)	(15.9)	
Non-operating expense	(6.7)	(0.8)	
Income tax	(45.4)	(51.5)	
Net income of companies accounted for by the equity method	(0.4)	(7.1)	
Amortization of goodwill	(10.8)	(13.9)	
Net income after minority interest	102.8	114.2	11%

# Net income (loss) of companies accounted for by the equity method

€ millions

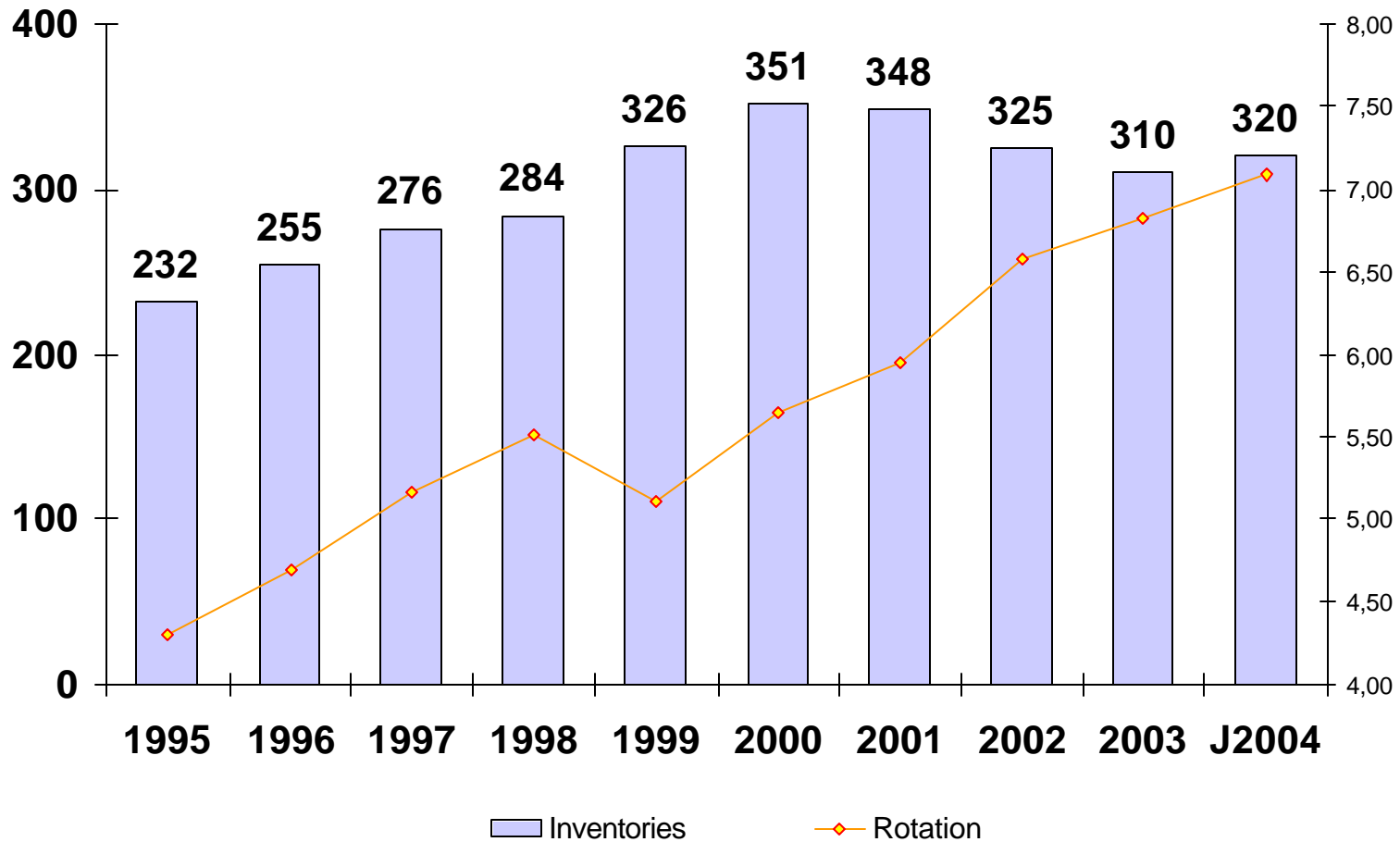
	1H2003	1H2004
VisionWeb	(2.8)	(2.2)
Bacou-Dalloz	2.4	(4.9)*
<b>TOTAL</b>	<b>(0.4)</b>	<b>(7.1)</b>

\* incl. €5.7 million loss from the sale of Abrium

# Inventories - 1H 2004

Up 1.5% like-for-like

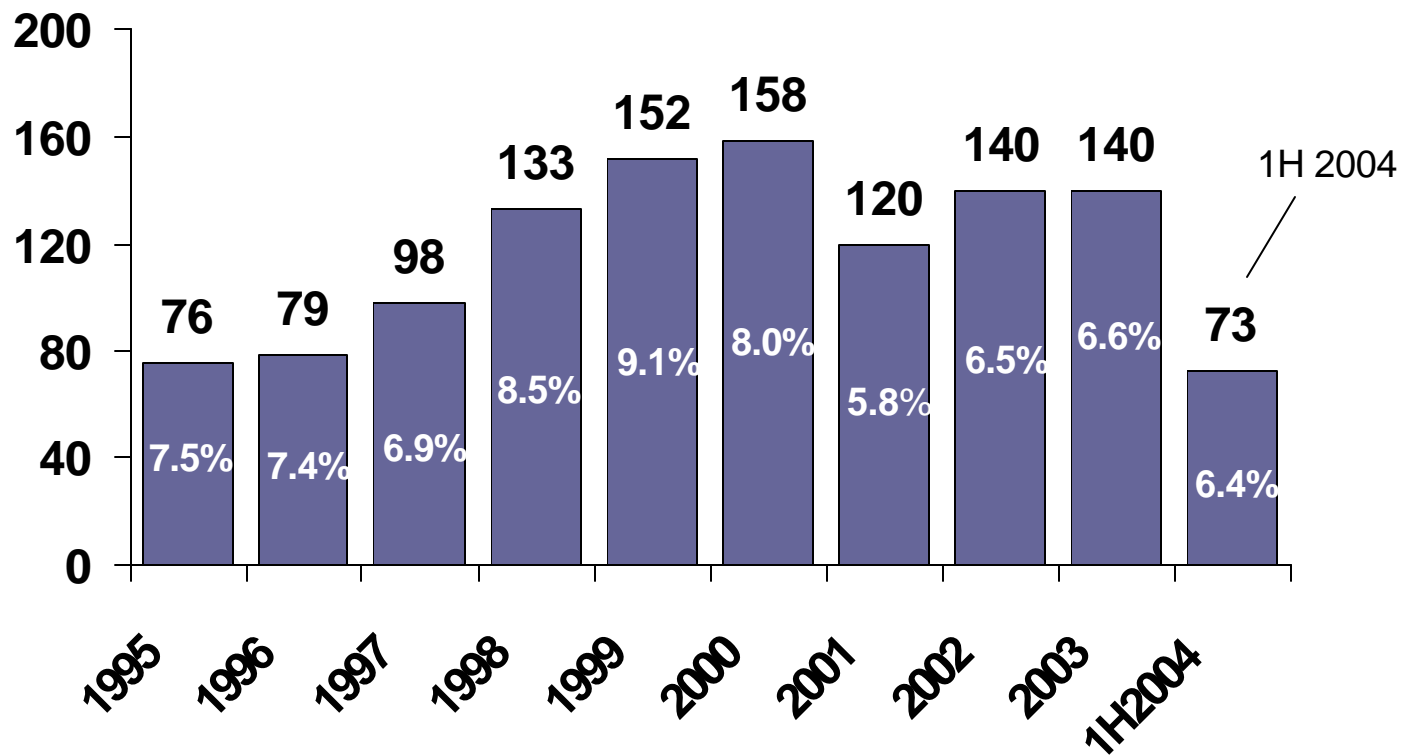
€ millions



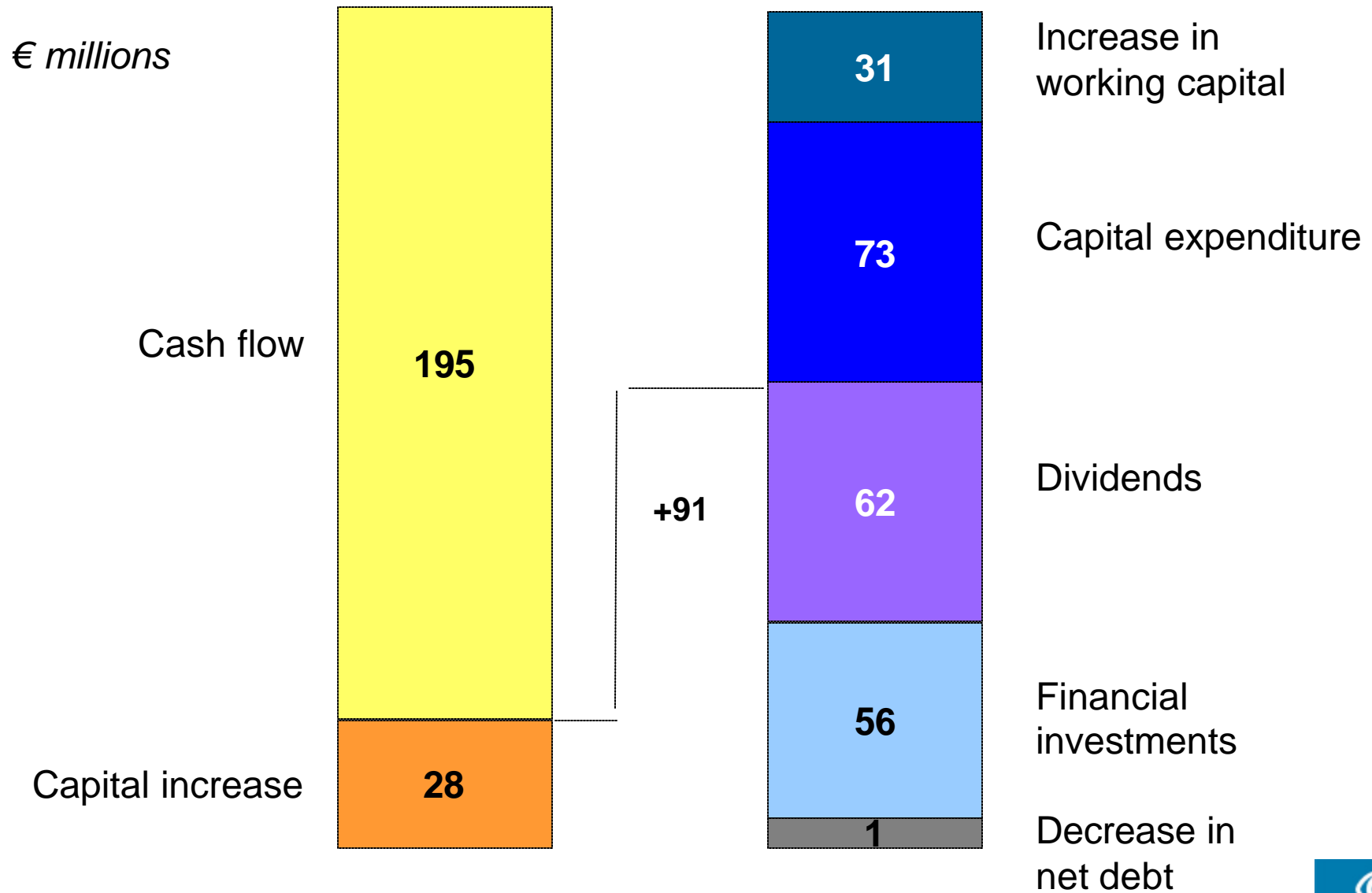
# Capital Expenditure

€ millions

% of sales



# Cash flow - 1H 2004



# Acquisitions Since January 1, 2004

## Consolidation date

### EUROPE

LTL / Stockhouse and laboratory - Italy June 30

### UNITED STATES

Dunlaw / Laboratory - Oklahoma January 2

Spectrum / Laboratory - Minnesota March 31

Tri Supreme / Laboratory - New York June 2

Opal-Lite / Laboratory - California June 30

Select Optical / Laboratory - Ohio July 1

### ASIA

City Optical (50%) / Laboratory - Australia July 1

### CANADA

2 laboratories H1

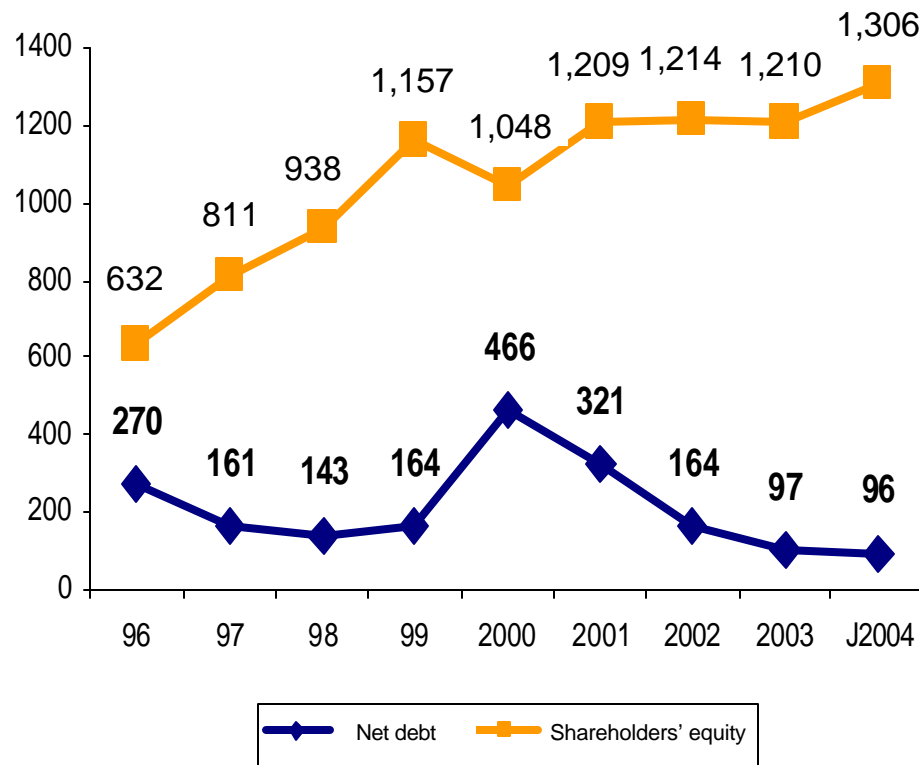
### TOTAL:

Annual sales €60 M

Purchase price €45 M

# Balance Sheet Structure at June 30, 2004

in € millions



in %



# Change in Issued Capital

(Shares outstanding at September 9, 2004)

- ▶ 806,928 new shares issued in H1  
(corporate savings plan and stock options)
- ▶ 800,000 shares cancelled
- ▶ 1,104,883 shares held in treasury
- ▶ 101,248,914 shares outstanding, excluding treasury stock

# In Brief

## A very good first half:

- ▶ Shaped by a strong increase in sales, firm margins and considerable net cash flow for a first half
- ▶ ...But which compares to first-half 2003's very modest growth (Iraq, SARS, etc.)

# Change in the Main Operating Currencies against the Euro

## Average rates

	June 2003	2004 Budget	June 2004
US Dollar	1.115	1.15	1.22
GBP	0.69	0.71	0.67
Brazilian Real	3.57	3.68	3.67
Japanese Yen	132.7	125.0	131.9

**-8.8%**

## Year-end rates

	Dec. 2003	June 2004
US Dollar	1.263	1.22
GBP	0.70	0.67
Brazilian Real	3.65	3.79
Japanese Yen	135.0	132.4

**3.6%**



**ESSILOR**