



NEWS RELEASE

2005 FINANCIAL RESULTS

Net Income Up 17.5%

Dividend Up 23.7%

(Charenton-le-Pont, France – March 9, 2006) — The Board of Directors of Essilor International, the world leader in ophthalmic optical products, today announced its audited financial results for the year ended December 31, 2005.

<i>€ millions</i>	2005 IFRS	2004 IFRS	% change
Sales	2,424.3	2,202.5	10.1 %
Contribution from operations (1)	420.4	356.5	17.9 %
<i>As a % of sales</i>	17.3%	16.2%	---
Income from operations	393.6	338.9	16.1 %
Net income after minority interests	287.1	244.4	17.5 %
<i>As a % of sales</i>	11.8%	11.1%	---
Earnings per share (in €)	2.82	2.41	17.0 %
Recommended dividend	0.94	0.76	23.7 %

(1) *Income from operations before share-based payments, restructuring costs and other non-recurring items, and goodwill impairment.*

Essilor turned in an excellent sales and earnings performance in 2005, successfully leveraging a favorable environment for the global ophthalmic optical industry.

The year's highlights included:

- Strong growth across the globe, with the exception of a more mixed situation in Europe.
- The popularity of new products launched in 2004 and 2005, chief among them the new generation of Transitions® photochromic lenses made of 1.67 high index and polycarbonate materials, Crizal® Alizé® antireflective lenses, Varilux® Ellipse™ small-frame progressive lenses, Varilux® Ipseo® personalized progressive lenses, 1.74 ultra high-index lenses and Essilor® Anti-Fatigue™ lenses.
- A further improvement in the product mix, which every year confirms the Company's strategic focus on innovative products. Volume sales and revenues generated by high value-added products rose again in 2005.

- A new increase in contribution from operations as a percentage of sales, which reached a historic high of 17.3% under IFRS.
- An ongoing external growth program, with 18 companies acquired during the year. These included The Spectacle Lens Group, the ophthalmic lens business of Johnson & Johnson Vision Care Inc.

The Board of Directors will ask shareholders to approve a dividend of **€0.94** per share of common stock, an increase of 23.7% over 2005. This represents a total payout of €95.7 million, or 33.3% of net income after minority interests. The dividend will be paid from May 16, 2006.

The Ordinary Shareholders' Meetings will be held on second call on **Friday, May 12, 2006 at 10:30 a.m.** at Palais de la Bourse, Place de la Bourse, 75002 Paris.

As part of its external growth strategy, in early 2006 Essilor made five new acquisitions in Canada, the United States, India and Romania.

A meeting with financial analysts will be held today, March 9, at 10:30 a.m. and webcast live at the following address: <http://hosting.3sens.com/Essilor/20060309-27E4186C/en>

Next financial announcement
First-quarter 2006 sales: April 20, 2006

Essilor International is the world leader in ophthalmic optical products, offering a wide range of lenses under the flagship Varilux®, Crizal®, Airwear® and Essilor® brands to correct myopia, hyperopia, presbyopia and astigmatism. Essilor operates worldwide through 16 production sites, 215 lens finishing laboratories and local distribution networks. The Essilor share trades on the Euronext Paris market and is included in the CAC 40 index (ISIN: FR 0000121667; Reuters: ESSI.PA; Bloomberg: EF FP).

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ANALYSIS OF THE YEAR'S RESULTS

The financial statements for the years ending December 31, 2004 and December 31, 2005 have been prepared according to IFRS. The consolidated statement of income, statement of cash flows and balance sheet are presented in the appendix.

SALES

Consolidated sales totaled €2,424.3 million, a 10.1% rise. Excluding the currency effect, the increase was 8.6%, in line with the target announced at the beginning of the year.

Sales growth in 2005	Reported	Like-for-like	Scope of consolidation	Currency effect
in millions of euros	221.8	115.0	73.8	33.0
in %	10.1%	5.2%	3.4%	1.5%

- On a like-for-like basis, sales rose 5.2%, with growth accelerating between the first half (4.7%) and the second (5.7%). This reflects an increase of around 3% in volume sales of lenses and an improvement in the product mix.
- Companies acquired in 2004 and 2005 contributed 3.4% of growth.
- The currency effect (1.5%), which was negative early in the year, became favorable thanks to the rise of the US and Canadian dollars against the euro and the very good resilience of the Brazilian real.

Sales € millions	2005	2004	% change (reported)	% change (like-for-like)
Europe	1,120.4	1,077.9	3.9%	2.4%
North America	1,025.1	897.2	14.3%	6.5%
Asia-Pacific	202.1	173.3	16.6%	12.2%
Latin America	76.7	54.1	41.7%	18.1%
Total	2,424.3	2,202.5	10.1%	5.2%

STATEMENT OF INCOME

Cost of sales – other operating expenses

An enhanced product mix and productivity gains lifted gross margin (sales less cost of sales) by 0.9 point to 57.3% from 56.4% in 2004.

Other operating expenses

Other operating expenses totaled €969.4 million in 2005 versus €885.6 million in 2004. Research and Development and engineering costs represented €113.5 million (including a €1.7 million tax credit), selling and distribution costs €538.7 million, and other operating costs €317.2 million.

Contribution from operations ⁽¹⁾ in euros and as a percentage of sales

Growth in contribution from operations ⁽¹⁾ in 2005	Reported	Like-for-like	Scope of consolidation	Currency effect
in millions of euros	63.9	55.0	3.1	5.8
in %	17.9%	15.4%	0.9%	1.6%

(1) Income from operations before share-based payments, restructuring costs and other non-recurring items, and goodwill impairment.

Contribution from operations increased 17.9% to €420.4 million from €356.5 million in 2004.

Contribution from operations as a percentage of sales gained 1.1 points, reaching 17.3%. The increase reflected:

- A strong gross margin supported by productivity gains and an improved product mix.
- Good control over operating expense, which declined 0.2 point as a percentage of sales.
- Wider margins in all host regions, including Europe.

Other revenues and expenses from operations, net

This item showed net expense of €24.9 million versus €15.4 million the year before. The increase stems from higher costs related to stock option plans, which totaled €8.1 million for four plans in 2005 compared with €4.6 million for three plans in 2004, and from a significant increase in goodwill impairment, which rose to €10.9 million from €2.5 million the year before. The impairment charge reflects difficulties encountered by a Mexican subsidiary and by BNL, which operates in the highly competitive non-corrective sunglass lens market.

Income from operations

This new item represents contribution from operations less other income/expense and proceeds from asset disposals. Income from operations totaled €393.6 million, or 16.2% of sales, compared with €338.9 million, or 15.4% of sales in 2004, an increase of 16.1%.

Growth in income from operations in 2005	Reported	Like-for-like	Scope of consolidation	Currency effect
in millions of euros	54.7	46.0	3.2	5.6
in %	16.1%	13.6%	0.9%	1.6%

Financial income and expense

Net financial expense totaled €18.7 million versus €13.6 million in 2004. Net interest expense declined during the year; however first-time application of IAS 32 and IAS 39 led to a €4.1 million charge related to the treatment of the convertible bond issue premium under IFRS and recognition of a €5.5 million loss arising from remeasurement of financial instruments at fair value.

Income tax

The effective tax rate stood at 28.9% compared with 27.7% in 2004. The increase is largely due to a rise in non-deductible expenses related to consolidation under IFRS.

Companies accounted for by the equity method

This item includes the Group's share of profit contributed by VisionWeb (44.03% interest), Bacou-Dalloz (15.11% interest), and, since the application of IFRS, Transitions (49% interest). Share of profit of companies accounted for by the equity method rose sharply, to €22.5 million from €9.8 million in 2004, thanks to an improved performance from VisionWeb and especially Bacou-Dalloz, which swung from a loss of €1.6 million in 2004 to a profit of €6.9 million in 2005.

Net income after minority interests and earnings per share

Net income rose 17.9% to €289 million. Net income after minority interests increased 17.5% to €287.1 million and the net margin widened to 11.8% from 11.1% the year before. Earnings per share grew 17% to €2.82.

BALANCE SHEET

Inventories and working capital requirement

Inventories totaled €364.6 million, up 19% from €306.4 million in 2004. At constant scope of consolidation and exchange rates, the increase amounted to 6.4%. Substantial inventory was built up at the end of the year, notably in Europe, to prepare the launch of several new products, including Varilux Physio[®] and Transitions[®] Gen V 1.5 index lenses.

Investment

€ millions	2005	2004
Capital expenditure net of divestments	174.7	154.9
Depreciation and amortization	120.8	111.7
Gross financial investment	175.8	115.4
Cash flow ⁽¹⁾	388.9	394.5

(1) Cash provided by operations less change in working capital requirement and provisions.

Capital expenditure net of divestments totaled €174.7 million or 7.2% of consolidated sales.

Of this, Europe accounted for €79 million, North America €59 million, and the rest of the world €37 million.

Spending broke down as follows:

- Around 30% was devoted to series production to increase plant capacity, notably in Mexico and Thailand for medium and high index lenses.
- Around 60% was used to equip prescription laboratories, most of this for digitally controlled anti-reflection machines needed to deploy the digital surfacing technology used in the production of the new Varilux Physio[®] progressive lens.
- Around 10% went to various uses in Research and Development and Instruments, as well as to the acquisition of software licenses for operational and analytical IT systems.

In the past few years, the percentage of capital expenditure devoted to prescription has risen gradually, in line with the increase in our value added and especially growth in Crizal[®] and Crizal[®] Alizé[®] antireflective lenses.

Financial investments amounted to €175.8 million in 2005. Acquisitions accounted for €115.7 million, while buybacks of shares to be cancelled net of the proceeds from the exercise of stock options accounted for €58.4 million.

Debt

€ millions			
Net cash provided by operations	417	Capital expenditure net of divestments	175
Employee share issue	32	Change in WCR and provisions	28
Decrease in net cash and cash equivalents	20	Dividends	77
		Financial investments net of divestments ⁽¹⁾	174
		Currency translation and changes in the scope of consolidation	16

(1) Divestments of property, plant and equipment and financial assets totaled €1.8 million in 2005.

Despite the year's good performance and increase in margins, the cash surplus edged back slightly in 2005 for three reasons:

- An increase in dividend payments.
- Significant capital expenditure and financial investment.
- The fact that Transitions (and its cash and cash equivalents) were no longer fully consolidated in 2005.

Essilor ended the year with a net cash surplus of €54 million.

Key ratios

- Return on equity (ROE)

Return on equity stood at 17.1% in 2005 versus 17.6% under IFRS in 2004. Based on 2004 exchange rates, ROE came to 17.8%, reflecting Essilor's improved margins and efforts to limit growth in the number of shares outstanding.

- Return on assets (ROA)

Return on assets amounted to 24.8% compared with 25.7% in 2004 under IFRS. At constant exchange rates, ROA increased by 0.3 point.

ACQUISITIONS

Essilor pursued its external growth in 2005, enhancing its positions in prescription laboratories and finished-lens distribution. In all, 18 companies were acquired in 2005 for a total €115.7 million. The full-year sales of these acquisitions represented around €92 million.

Three transactions were completed in Europe during the year:

- The acquisition of **ATR Mec Optical**, the Italian distributor of Essilor subsidiary BBGR. ATR Mec owns two prescription laboratories.
- The acquisition of **OMI**, Essilor's exclusive lens distributor in Martinique, Guadeloupe and French

Guiana. OMI has a prescription laboratory in Guadeloupe.

- The acquisition of a 25% stake in Ayudas para la Vision Subnormal (**AVS**), a company based in Madrid, Spain that manages a visual rehabilitation center for people suffering from visual deficiency. This transaction will enable Essilor and AVS to develop services for the visually impaired.

Essilor made nine acquisitions in the United States:

- **The Spectacle Lens Group**, the ophthalmic lens business of Johnson & Johnson Vision Care Inc., a subsidiary of US-based Johnson & Johnson. The transaction was approved by US antitrust authorities and completed in the third quarter of 2005. Created in 1999, The Spectacle Lens Group has developed the Definity™ brand of progressive lenses, featuring unique Dual Add™ technology that divides progressive add power between the front and back surfaces. Definity™ was introduced in select US test markets in late 2002 and is well respected among local eye care professionals and consumers. The acquisition is fully in line with Essilor's strategy of offering innovative, high value-added products. The Dual Add™ and related technologies will enhance the Company's research programs to improve and personalize its offering of progressive lenses.
- The industrial and marketing assets of **National Optronics**, based in Charlottesville, Virginia. Founded in 1979, National Optronics designs and manufactures precision edging systems, primarily for prescription laboratories, based on its specific technology. National Optronics has consolidated Essilor's position as the worldwide leader in edging systems, while adding a complementary technology to the Company's portfolio.

Also in the United States, Essilor acquired majority (generally 80%) or controlling (100%) interests in seven prescription laboratories to enhance service to opticians:

- **Vision-Craft Inc.** in Detroit, Michigan.
- **Midland Optical** in Saint Louis, Missouri.
- **Jorgenson Optical Supply Company**, near Seattle, Washington.
- **Optical One**, in Youngstown, Ohio.
- **MGM** in Porto Rico.
- **ACO Lab Inc.** in Commerce, California.
- **Focus Optical Labs Inc.** in Chicago, Illinois.

In Canada, Essilor acquired **Groupe Vision Optique (GVO)**, which owns prescription laboratories in several large cities in the Province of Quebec (Trois-Rivières, Quebec, Rimouski, Beloeil and downtown Montreal).

Separately, Essilor signed a contract with **Hakim Optical**, Ontario's leading optical chain, to acquire its Coating Lab Enterprises business, which comprises three anti-reflective treatment centers in London and Toronto, Ontario and in Halifax, Nova Scotia. The contract also calls for Essilor to supply the majority of the anti-reflective treatments sold in Hakim Optical's stores, as well as a major proportion of their lenses.

Lastly, Essilor acquired the assets of Canada's **Optical Software Inc.**, which makes prescription laboratory management software.

In India, Essilor extended its prescription laboratory network by acquiring a majority stake in **Delta Lens Private Limited**, a prescription laboratory based in Mumbai (formerly Bombay).

In Indonesia, the Company created a prescription laboratory in partnership with one of the country's leading retail chains.

Lastly, in Taiwan, Essilor signed an agreement with **PolyLite**, the second largest company in the local corrective lens market. Under the agreement, Essilor acquired a 12.1% stake in PolyLite's manufacturing division and the partners set up a joint venture called PolyLite Asia Pacific Pte Ltd, owned 51% by Essilor and 49% by PolyLite. The new company combines all of PolyLite's prescription laboratories and lens distribution operations in Taiwan, Hong Kong and China. The alliance has enabled Essilor to enter Taiwan, a country with significant potential for progressive lenses where the Company did not yet have any local operations. With this transaction, Essilor also strengthened its positions in the prescription laboratory segment in Hong Kong and China.

SUBSEQUENT EVENTS

New acquisitions

In early 2006, Essilor acquired several companies.

In India, Essilor India, a subsidiary of Essilor International, and India's GKB Rx Lens Private Ltd entered into a joint-venture agreement through which Essilor India acquired a 50% interest in GKB's prescription laboratory and lens wholesaling business. The agreement includes an option to increase Essilor's stake in the future. A pioneer in the Indian ophthalmic lens industry, GKB Rx Lens Private Ltd is has developed a network of eight prescription laboratories, with \$10 million in annual revenues.

The agreement will enable Essilor to enhance its presence in India and leverage its multi-channel strategy in the prescription segment through a second network that will operate alongside the seven proprietary Essilor laboratories and the other Essilor partnerships.

With solid positions in all of the country's leading cities, Essilor is today number one in India's fast growing plastic and progressive lens market.

In the United States, Essilor acquired:

- **Eye Care Express Lab Inc.** of Houston, Texas, with revenues of \$3.9 million.
- **Accu Rx** of Johnston, Rhode Island, with revenues of \$5.8 million.

In Canada, Essilor acquired a majority interest in **SDL**, an independent laboratory in Quebec with sales of \$2.8 million. This acquisition will allow Essilor Canada to broaden its service strategy.

In Romania, Essilor acquired **Varirom**, its local distributor (sales of €2.3 million).

Oceane bond buy back

On February 28, 2006, Essilor bought back 780,000 Oceane bonds due 2010, representing 13% of the initial issue, for €57.5 million. There are now 5,259,749 Oceanes outstanding. Oceane bonds are convertible into or exchangeable for new or existing Essilor shares and the transaction is part of the strategy deployed since 2003 to reduce dilution from equity instruments in the balance sheet. Until now, this active management strategy involved buying back shares to offset dilution from stock option plans. Because the Oceanes are convertible at a price of €53.55, the 26.80% rise in Essilor's share price in 2005 made conversion increasingly probable. The Company therefore decided to buy back Oceanes to offset dilution. Compared to share buybacks, this has the added advantage of reducing interest expense and improving the balance sheet structure.

OUTLOOK FOR 2006

In 2006, Essilor will pursue its strategy of bringing innovative products to the market, such as Varilux Physio[®] launched in early January, and making targeted acquisitions in ophthalmic lenses.

CONSOLIDATED BALANCE SHEET

ASSETS

€ thousands	2005 IFRS	January 1, 2005 after IAS32 and 39	2004 IFRS (a)
Goodwill	451,037	357,806	350,357
Other intangible assets	124,195	86,774	88,155
Property, plant and equipment	637,342	520,256	520,256
FIXED ASSETS, NET	1,212,574	964,836	958,768
Investments in associates	133,313	101,065	101,090
Other long term investments	41,408	43,408	42,830
Deferred tax assets	36,612	24,437	40,099
Long-term trade receivables	9,189	4,087	4,087
OTHER NON-CURRENT ASSETS	224,537	172,997	188,106
TOTAL NON-CURRENT ASSETS	1,437,111	1,137,833	1,146,874
Inventories and work in progress	364,559	306,440	306,44
Prepayments to suppliers	9,614	7,634	7,634
Trade receivables	515,460	443,601	447,42
Tax assets	16,054	4,015	4,015
Other receivables	7,851	5,872	5,872
Derivative financial instruments	2,650	37,228	0
Prepaid expenses	14,139	14,218	14,218
Essilor shares held for share-based payment plans	0		449
Cash equivalents	548,424	572,769	572,515
Cash	110,289	97,824	97,824
CURRENT ASSETS	1,589,039	1,489,601	1,456,387
Available-for-sale financial assets	4,015		
TOTAL ASSETS	3,026,150	2,627,434	2,603,261

(a) Excluding IAS32 and IAS39, applied as of January 1, 2005

CONSOLIDATED BALANCE SHEET

LIABILITIES

€ thousands	2005 IFRS	January 1, 2005 after IAS32 and 39	2004 IFRS (a)
Share capital	36,122	36,159	36,159
Share premium account	203,771	212,449	212,449
Retained earnings	1,133,089	955,610	949,031
Treasury stock	(81,979)	(64,144)	(63,695)
OCEANE call option	40,752	40,752	
Revaluation reserves	(1,289)	445	
Translation reserve	63,266	(37,451)	(37,451)
Net profit attributable to equity holders of Essilor International	287,134	244,427	244,427
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF ESSILOR IN	1,680,866	1,388,247	1,340,920
Minority interests	7,000	3,573	4,515
TOTAL EQUITY	1,687,866	1,391,820	1,345,435
Provisions for pensions and other post-retirement benefits	90,848	81,430	81,430
Long-term borrowings	448,848	571,013	607,383
Deferred tax liabilities	2,163	1,878	1,878
Other non-current liabilities	631	551	551
NON-CURRENT LIABILITIES	542,490	654,872	691,242
Short-term provisions	26,321	32,010	32,010
Short term borrowings	156,222	25,613	25,613
Customer prepayments	6,943	7,257	7,257
Trade payables	522,505	436,792	439,114
Current income tax liability	26,665	30,883	30,883
Other liabilities	38,897	31,831	23,551
Derivative financial instruments	9,267	8,200	
Deferred income	8,974	8,156	8,156
CURRENT LIABILITIES	795,794	580,742	566,584
TOTAL EQUITY AND LIABILITIES	3,026,150	2,627,434	2,603,261

(a) Excluding IAS32 and IAS39, applied as of January 1, 2005.

CONSOLIDATED INCOME STATEMENT

€ thousands	2005 IFRS	2004 IFRS (a)
Revenue	2,424,323	2,202,528
Cost of sales	(1,034,529)	(960,457)
GROSS MARGIN	1,389,794	1,242,071
Research and development costs	(113,490)	(106,095)
Selling and distribution costs	(538,711)	(495,458)
Other operating expense	(317,176)	(283,977)
NET MARGIN	420,417	356,541
Net restructuring costs	(3,353)	(6,203)
Impairment losses	(11,256)	(2,539)
Compensation costs on share-based payments	(12,269)	(8,544)
Other operating income and expense, net	1,967	1,832
Gains and losses on disposals of assets, net	(1,871)	(2,192)
OPERATING PROFIT	393,635	338,895
Finance costs	(28,021)	(26,288)
Income from cash and cash equivalents	18,993	18,095
Other financial income and expense, net	(9,708)	(5,402)
PROFIT BEFORE TAX	374,899	325,300
Income tax expense	(108,292)	(90,044)
NET PROFIT OF CONSOLIDATED COMPANIES	266,607	235,256
Share of profit of associates	22,457	9,837
NET PROFIT	289,064	245,093
Attributable to equity holders of Essilor Internatio	287,134	244,427
Attributable to minority interests	1,930	666
Basic earnings per common share (€)	2.82	2.41
Weighted average number of common shares (thousands)	101,883	101,482
Diluted earnings per common share	2.72	2.32
Diluted weighted average number of common shares (thousanc	108,455	107,854

(a) Excluding IAS32 and IAS39, applied as of January 1, 2005.

CONSOLIDATED STATEMENT OF CASH FLOWS

€ thousands	2005 IFRS	2004 IFRS (a)
NET PROFIT	289,064	245,093
Share of profit from associates, net of dividends received	4,567	37,368
Depreciation, amortization and provisions	124,656	109,693
Profit before depreciation, amortization, provisions and share of profit	418,287	392,154
Change in provisions for contingencies and charges	(2,542)	6,256
Gains and losses on asset disposals	2,164	2,446
Investment grants written back to income		
Cash flow after tax and finance costs, net	417,909	400,856
Finance costs, net	9,028	8,193
Income tax expense (including deferred taxes)	108,293	80,968
Cash flow before tax and finance costs, net	535,230	490,017
Income tax paid	(132,067)	(82,976)
Interest received (paid)	(1,272)	(9,274)
Change in working capital	(3,561)	(5,437)
NET CASH GENERATED BY OPERATING ACTIVITIES	398,330	392,330
Purchases of property, plant and equipment	(181,341)	(149,861)
Acquisition of subsidiaries, net of cash acquired	(106,737)	(54,916)
Acquisition on non-consolidated investments	(10,658)	(7,978)
Acquisition of other financial assets	(697)	(2,328)
Proceeds from sale of subsidiaries, net of cash sold	0	0
Proceeds from sale of other investments, PPE and intangible assets	12,165	5,884
NET CASH USED BY INVESTING ACTIVITIES	(287,268)	(209,199)
Issuance of shares	31,883	47,982
Buyback and resale of treasury shares	(60,158)	(45,619)
Dividends paid to:		
- Essilor shareholders	(77,300)	(61,841)
- Minority shareholders in subsidiaries	(173)	(129)
Repayment of borrowings, excluding lease financing	(19,019)	(42,054)
Repayment of lease financing	(8,067)	(2,828)
Impact of changes in scope of consolidation		
Other movements	(1,713)	743
NET CASH USED BY FINANCING ACTIVITIES	(134,547)	(103,746)
CHANGE IN CASH AND CASH EQUIVALENTS	(23,485)	79,385
Cash and cash equivalent at beginning of year	651,573	575,441
IAS39 adjustment	253	
Impact of exchange rate changes on cash and cash equivalents	2,759	-3,253
CASH AND CASH EQUIVALENTS AT END OF YEAR	631,100	651,573
Marketable securities	548,424	572,515
Cash	110,289	97,825
Short-term bank loans and overdrafts	(27,613)	(18,767)

(a) Excluding IAS32 and IAS39, applied as of January 1, 2005.