



essilor

# 2008 Results

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March 5, 2009



Introduction

2008 Results

Strategy and Outlook

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# 2008 Results

## Philippe Alfroid

- Revenue up 9.7% at constant exchange rates
- Margins remained high
- 27 acquisitions, of which Satisloh, world leader in prescription laboratory equipment
- Solid financial position

€ millions	2008	2007	% Change
Revenue	<b>3,074.4</b>	2,908.1	+5.7%
			+9.7% at constant exchange rates
Contribution from operations*	<b>551.2</b>	527.4	+4.5%
% of revenue	<b>17.9%</b>	18.1%	---
Operating profit	<b>514.5</b>	504.6	+2.0%
Attributable net profit	<b>382.4</b>	366.7	+4.3%
% of revenue	<b>12.4%</b>	12.6%	---
EPS (in €)	<b>1.85</b>	1.78	+3.7%

\* Operating profit before compensation costs of share-based payments, restructuring costs, other income and expense, and goodwill impairment

# Financial Highlights

## at constant exchange rates

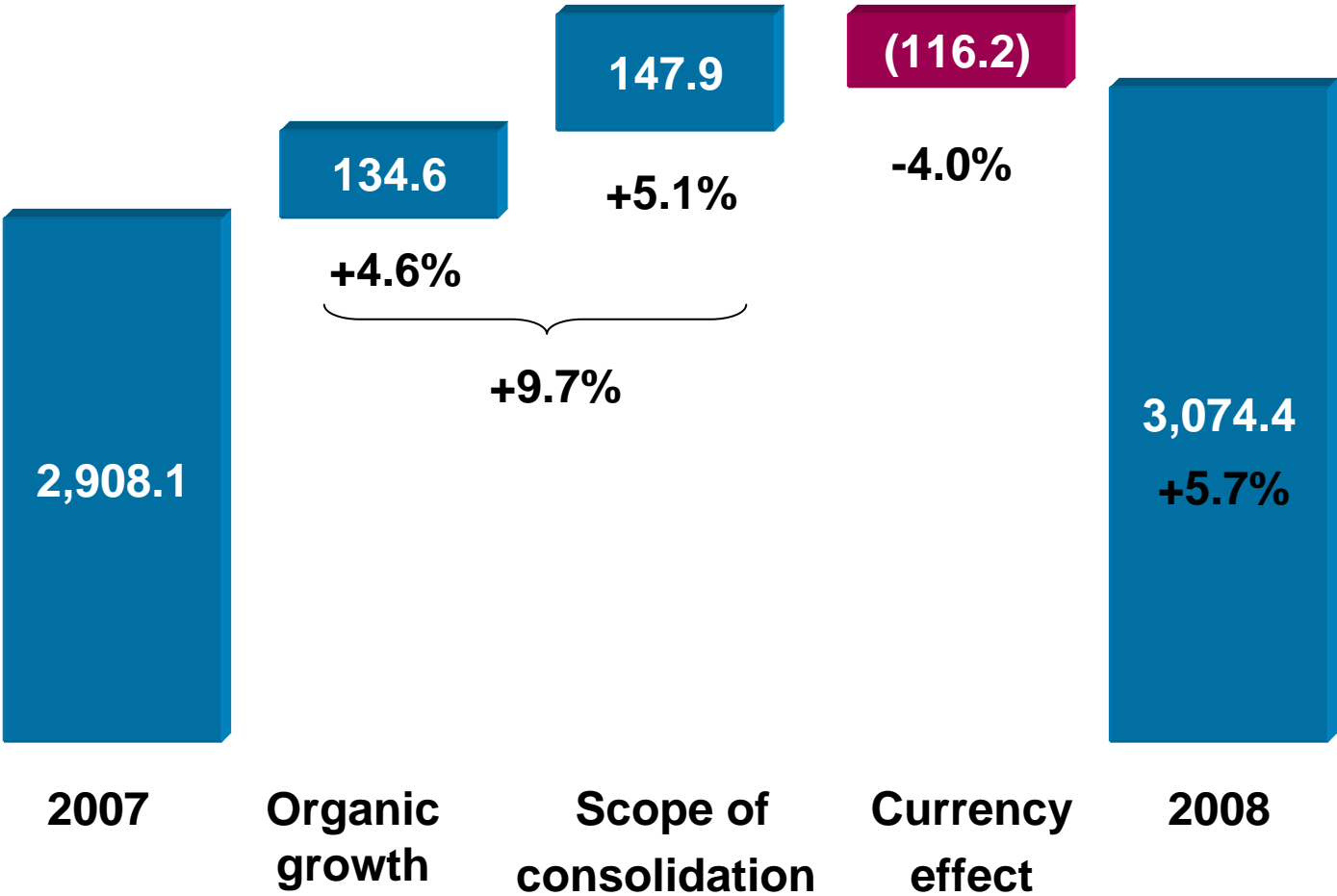
€ millions	2008	2007	% change
Revenue	<b>3,190.6</b>	2,908.1	+9.7%
Contribution from operations*	<b>573.2</b>	527.4	+8.7%
<i>% of revenue</i>	<b>18%</b>	18.1%	
Operating profit	<b>536.4</b>	504.6	+6.3%
Attributable net profit	<b>398.8</b>	366.7	+8.7%
<i>% of revenue</i>	<b>12.5%</b>	12.6%	---
EPS (in €)	<b>1.93</b>	1.78	+8.4%

\* Operating profit before compensation costs of share-based payments, restructuring costs, other income and expense, and goodwill impairment

# Margins improved, excluding the impact of Satisloh

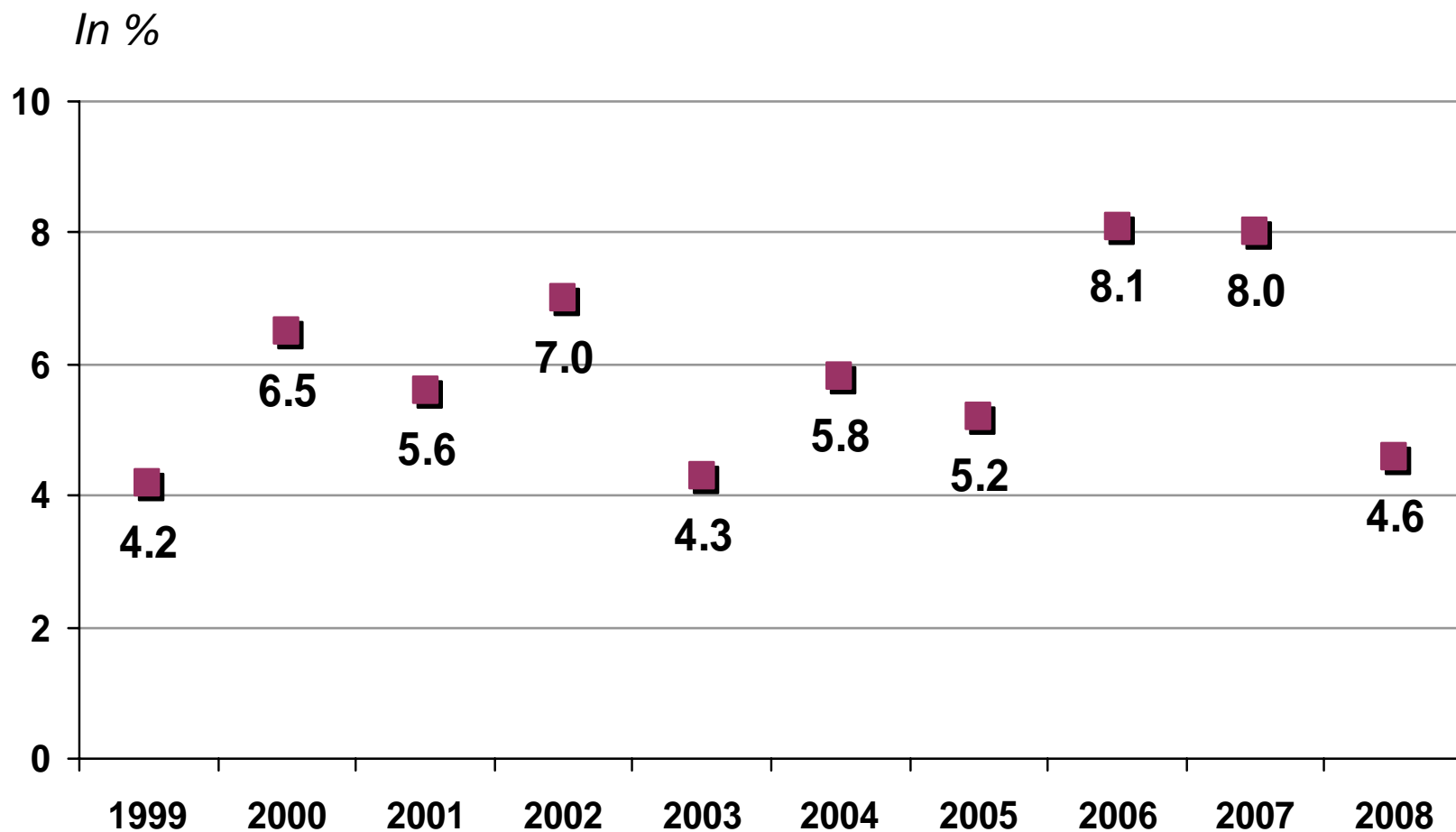
€ millions	2008	2008 excluding Satisloh	2007	% change excluding Satisloh
Revenue	3,074.4	<b>3,040.4</b>	2,908.1	+4.5%
Contribution from operations*	551.2	<b>553.9</b>	527.4	+5.0%
<i>% of revenue</i>	17.9%	<b>18.2%</b>	18.1%	---
Operating profit	514.5	<b>517.2</b>	504.6	+2.5%
Attributable net profit	382.4	<b>387.5</b>	366.7	+5.7%
<i>% of revenue</i>	12.4%	<b>12.7%</b>	12.6%	---
EPS (in €)	1.85	<b>1.87</b>	1.78	+5.1%

\*Operating profit before compensation costs of share-based payments, restructuring costs, other income and expense, and goodwill impairment



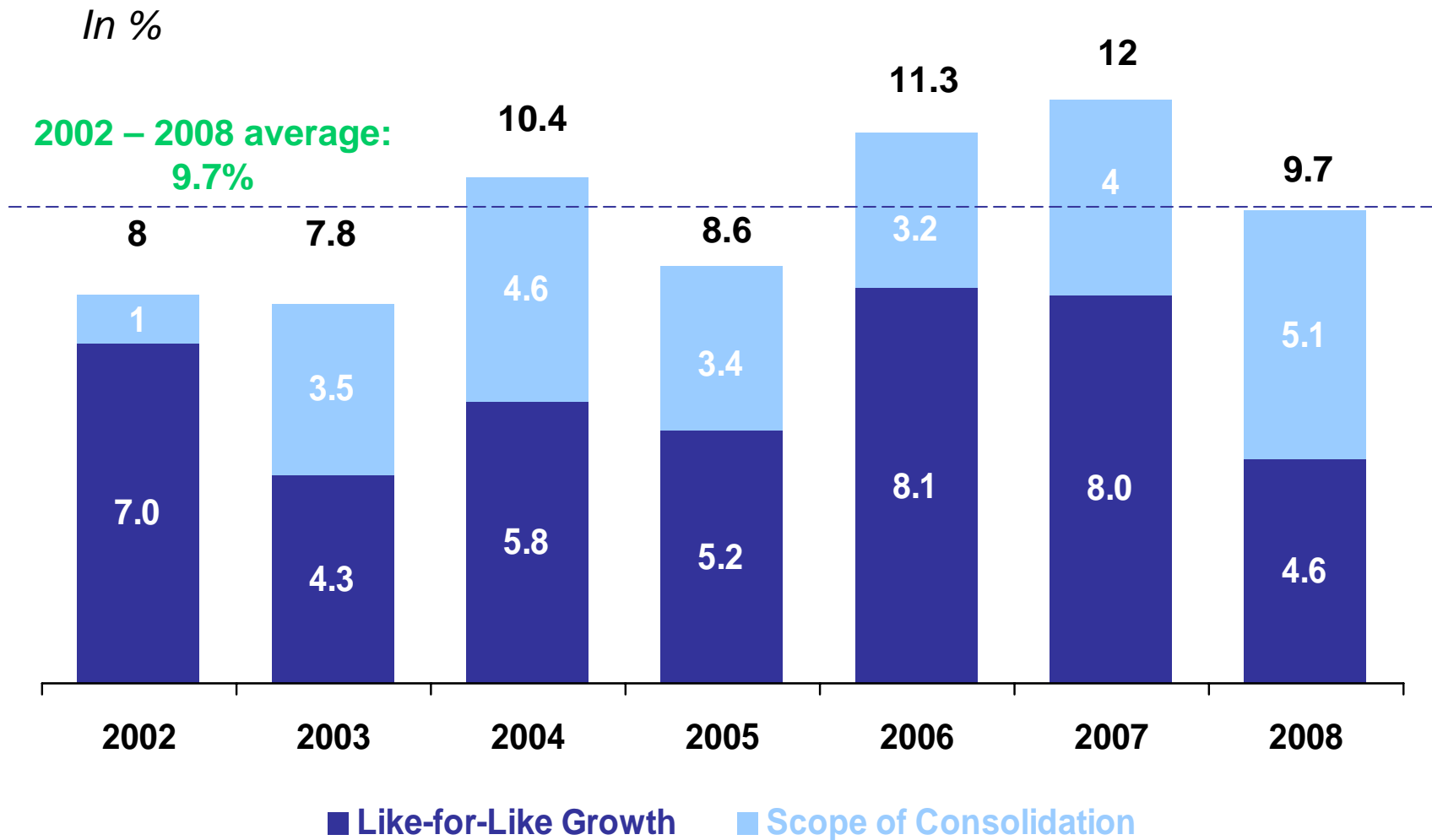


# Organic Growth Up 4.6%

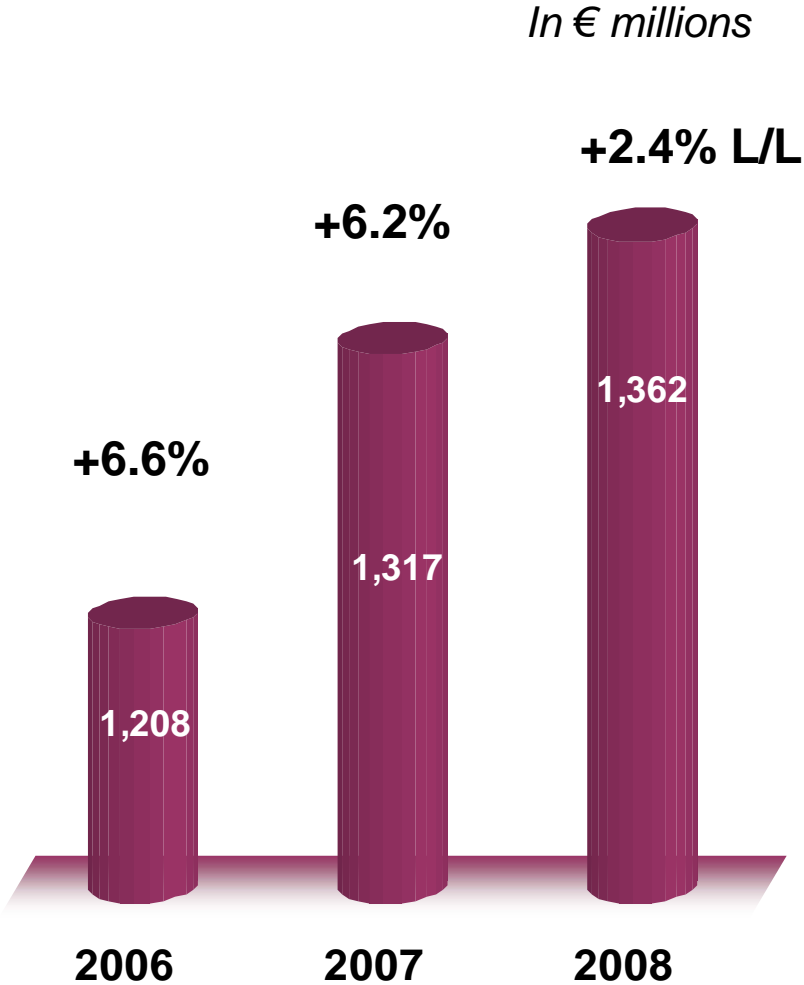


- Lenses up 4.9%
  - Volume up 4.1%
  - Price mix up 0.8%
- MHI, Transitions<sup>®</sup> VI, Crizal A2<sup>™</sup>
- Instruments down 2.2%
  - Launch of the new edger pushed back a year

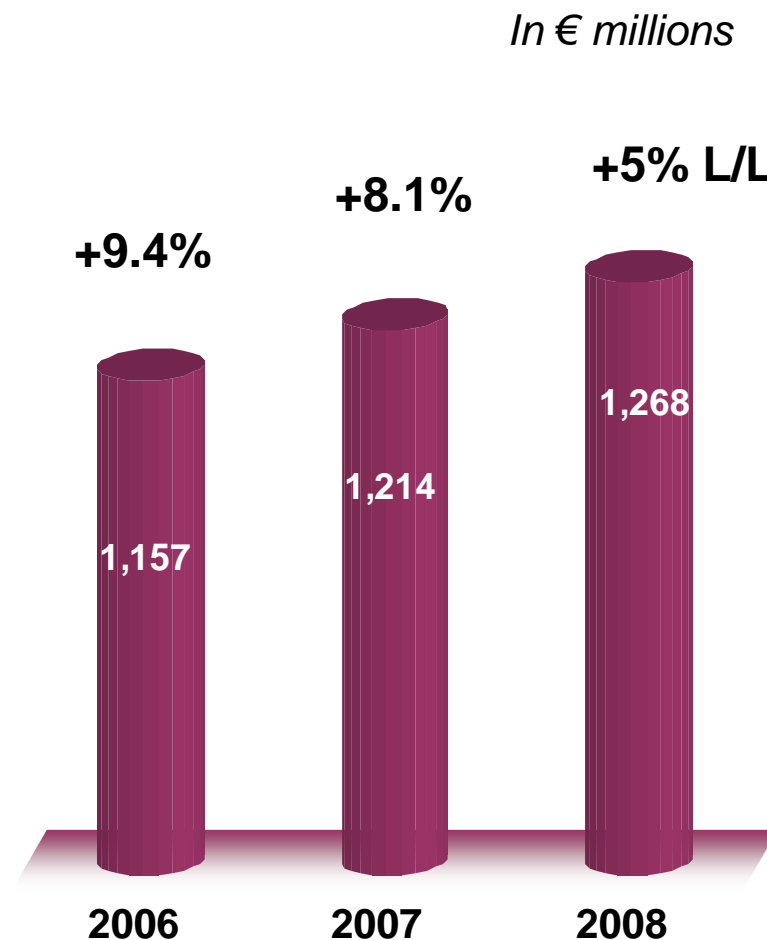
# Growth at constant exchange rates: 9.7%



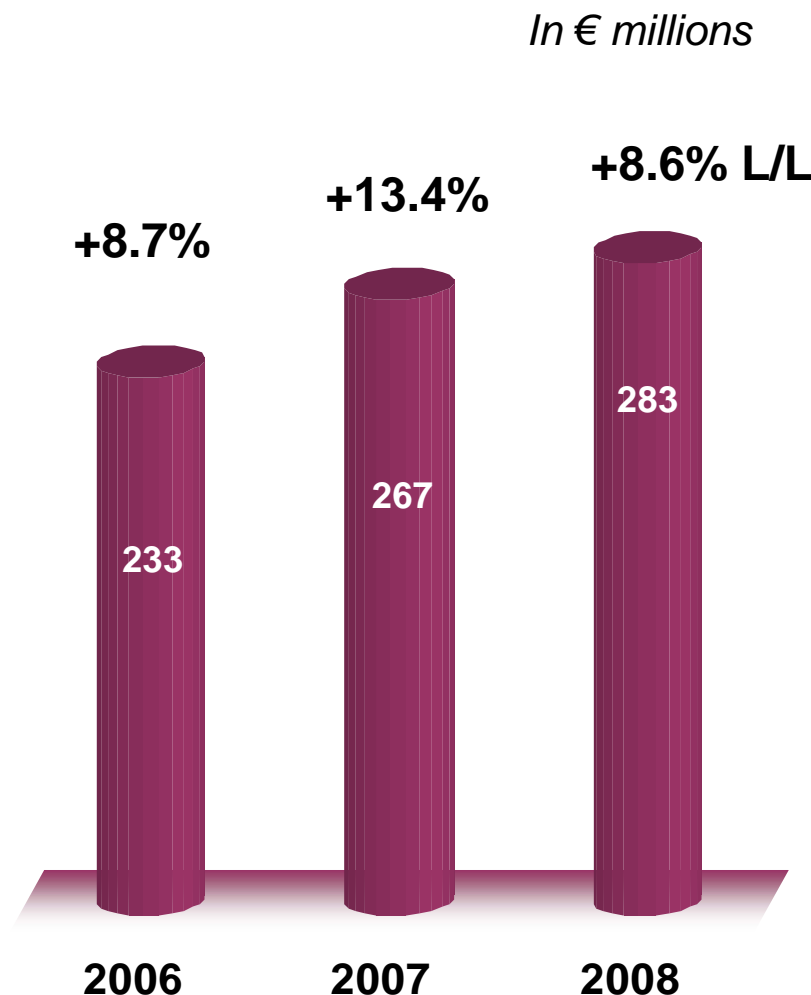
- Business varied by region
  - Strong performance in Central and Eastern Europe
  - Difficult in the UK
  - Up slightly in France and Southern Europe
- Success of the multi-network strategy
- 7 acquisitions



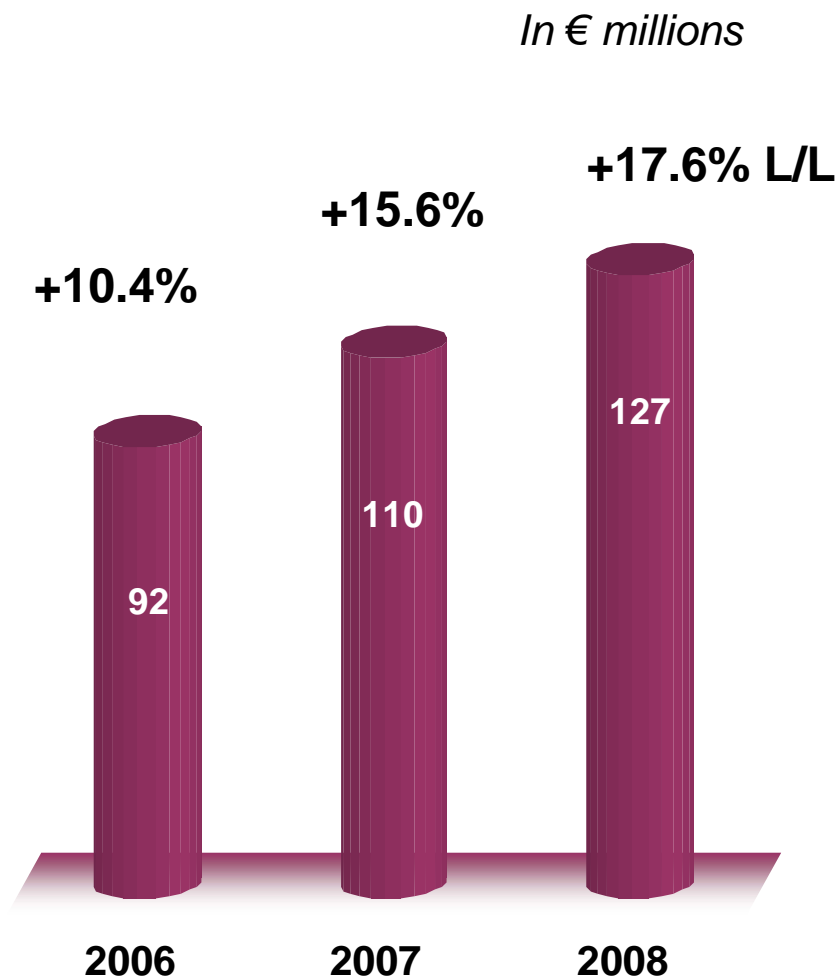
- Robust growth at the US subscription labs
- Market share gains in progressive lenses and anti-reflective coatings
- A good year in Canada
- 15 acquisitions added 6.1% to growth



- Japan: business down in a collapsing market
- Robust growth in ASEAN countries, South Korea and China
- Strong growth in India



- Strong growth in Brazil, Argentina and Mexico (volumes and mix)
- Acquisition of Brazil's leading prescription lab



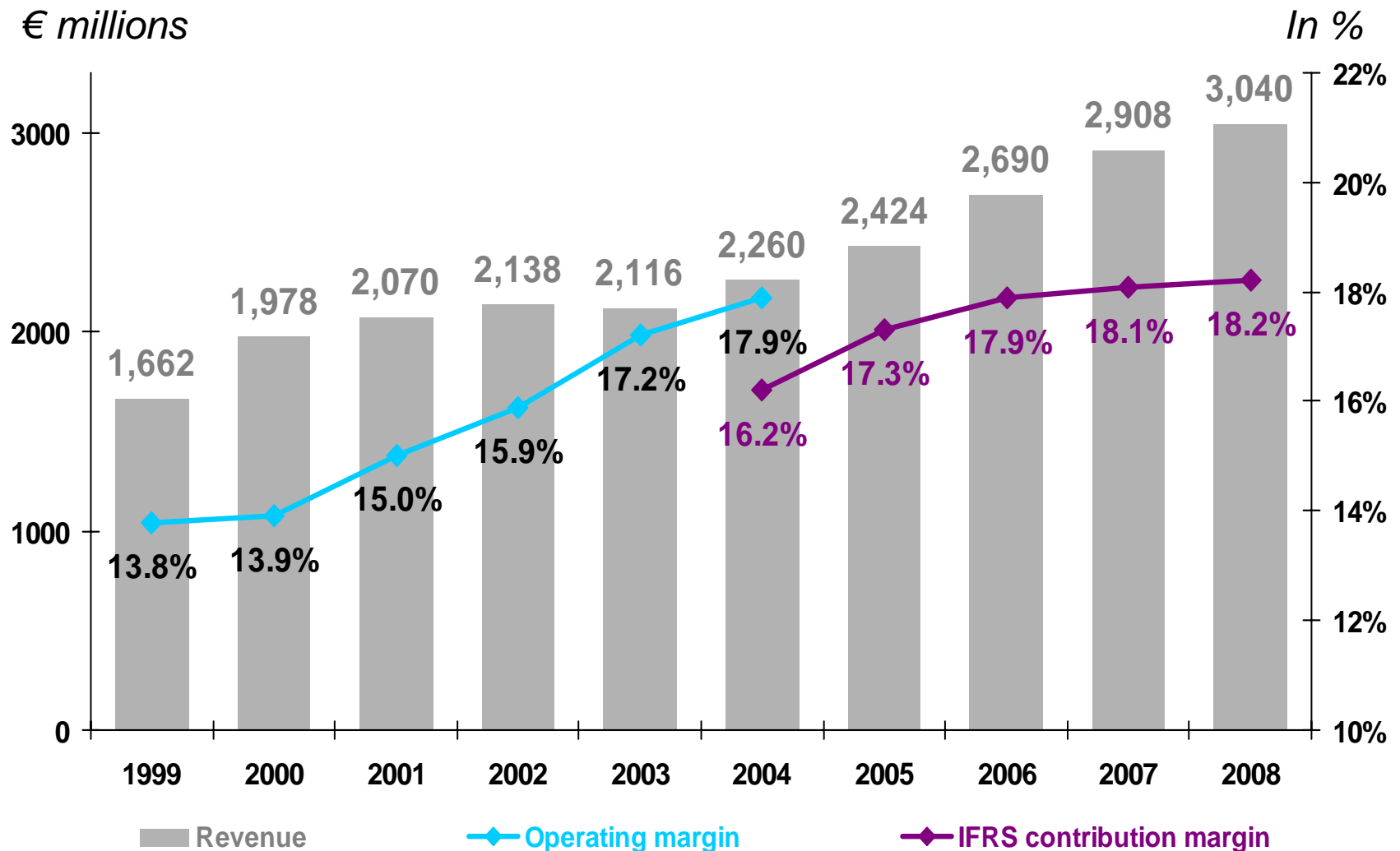
# Impact of the Consolidation of Satisloh

€ millions	Essilor	2008 Satisloh contribution in Q4	Essilor without Satisloh	2008 growth
Revenue	3074.4	34	3040.4	+4.5%
Contribution from operations*	551.2	(2.7)	553.9	+5.0%
% of revenue	17.9%		18.2%	
Finance costs, net	(2.5)	(4.8)	2.3	
Income tax expense	(149.3)	2.3	(151.6)	
Attributable net profit	382.4	(5.2)	387.5	+5.7%
% of revenue	12.4%		12.7%	

\* Operating profit before compensation costs of share-based payments, restructuring costs, other income and expense, and goodwill impairment



# Contribution Margin: 18.2% excl. Satisloh

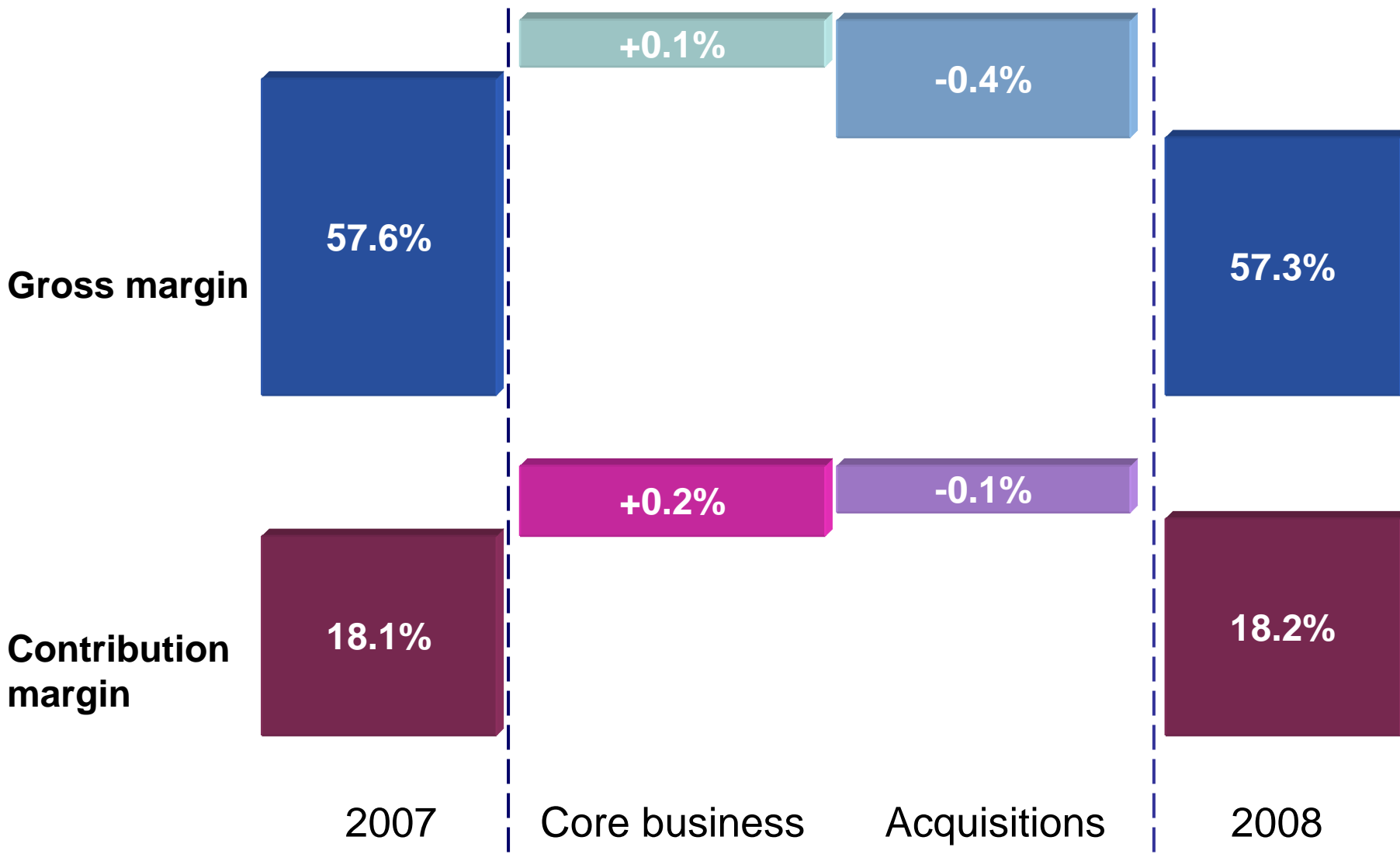


# Contribution Margin: 18.2%

€ millions	2008 Excl. Satisloh	2007
Revenue	<b>3,040.4</b>	2,908.1
Gross margin	<b>1,741.9</b>	1,674.1
% of revenue	<b>57.3%</b>	57.6%
Operating expense	<b>1,188.0</b>	1,146.7
% of revenue	<b>39.1%</b>	39.4%
Contribution from operations*	<b>553.9</b>	527.4
% of revenue	<b>18.2%</b>	18.1%

\* Operating profit before compensation costs of share-based payments, restructuring costs, other income and expense, and goodwill impairment

## Excluding Acquisitions Improved by 20pts



# Attributable Net Profit Up 4.3%

€ millions	2008	2007	% Change
Contribution from operations*	<b>551.2</b>	527.4	+4.5%
Other income and expense	<b>(36.6)</b>	(22.8)	
Operating profit	<b>514.5</b>	504.6	+2.0%
Finance costs, net	<b>(2.5)</b>	(6.5)	
Income tax expense	<b>(149.3)</b>	(155.9)	
Share of profits of associates	<b>26.1</b>	28.7	
<b>Attributable net profit</b>	<b>382.4</b>	366.7	<b>+4.3%</b>

\*Operating profit before compensation costs of share-based payments, restructuring costs, other income and expense, and goodwill impairment

# Other Income and Expense

€ millions	2008	2007
Restructuring/reorganization costs	(3.7)	(1.0)
Litigation settlements and provisions	(5.4)	(0.4)
Compensation costs of share-based payments and costs related to the share price discounts and matching contributions to the Employee Stock Ownership Plan	(24.9)	(20.4)
Goodwill impairment	--	(2.3)
Other	(2.6)	1.3
<b>TOTAL</b>	<b>(36.6)</b>	<b>(22.8)</b>

# Finance Costs and Other Financial Income and Expense

<i>€ millions</i>	2008	2007
Finance costs	<b>(28.2)</b>	(35.7)
Financial income	<b>29.1</b>	32.9
<i>Finance costs, net</i>	<i>0.9</i>	<i>(2.8)</i>
Impairment of securities	<b>(1.5)</b>	(1.9)
Exchange gains and losses and impairment of financial instruments	<b>(2.7)</b>	(2.9)
Dividends and other	<b>0.9</b>	1.1
<b>TOTAL</b>	<b>(2.5)</b>	<b>(6.5)</b>

# Attributable Net Profit Up 4.3%

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Contribution from operations*	<b>551.2</b>	527.4	+4.5%
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Income tax expense	<b>(149.3)</b>	(155.9)	
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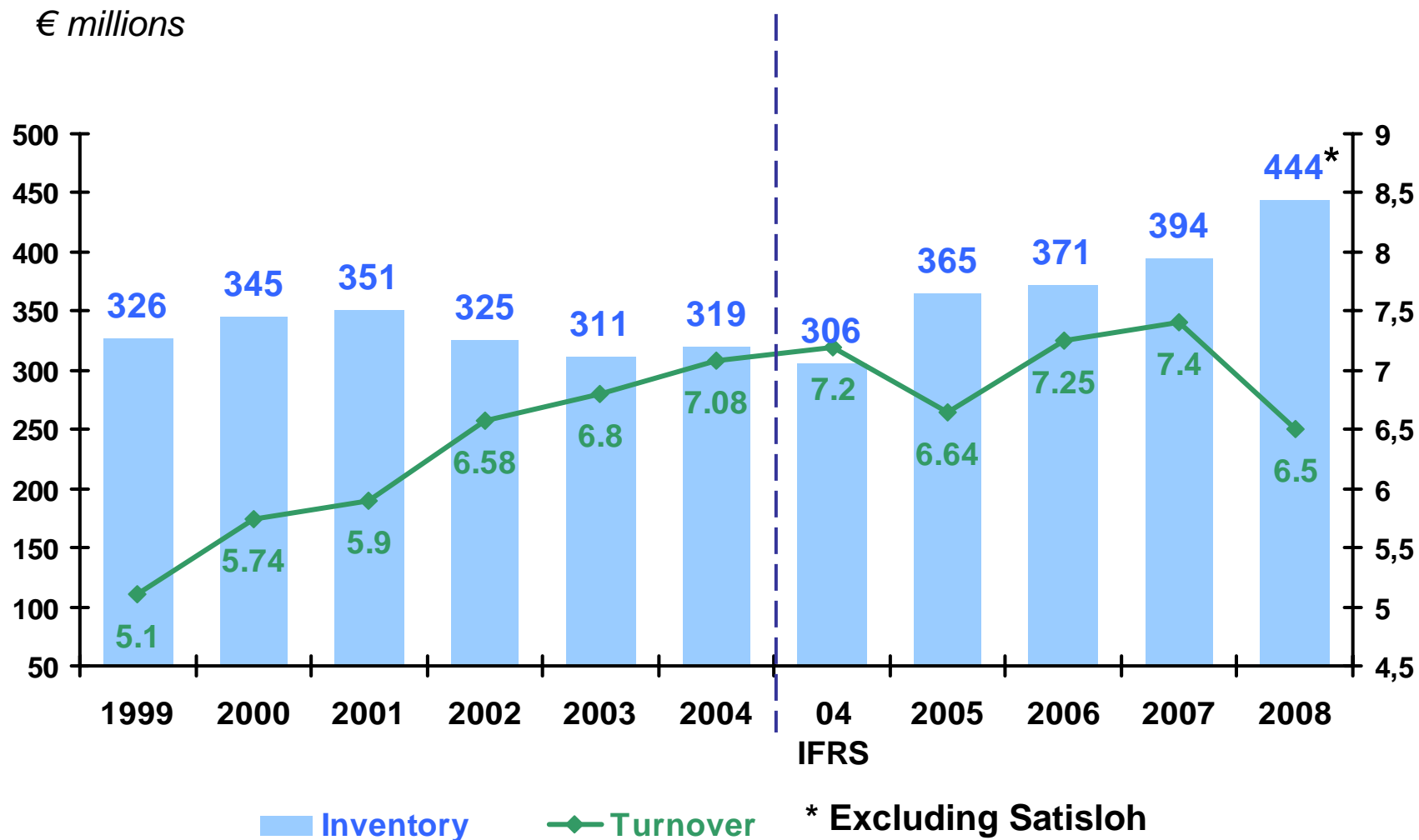
# Share of Profits of Associates

<i>€ millions</i>	<b>2008</b>	<b>2007</b>
Sperian Protection	<b>7.3</b>	8.8
Transitions	<b>18.8</b>	19.9
<b><i>TOTAL</i></b>	<b>26.1</b>	<b>28.7</b>

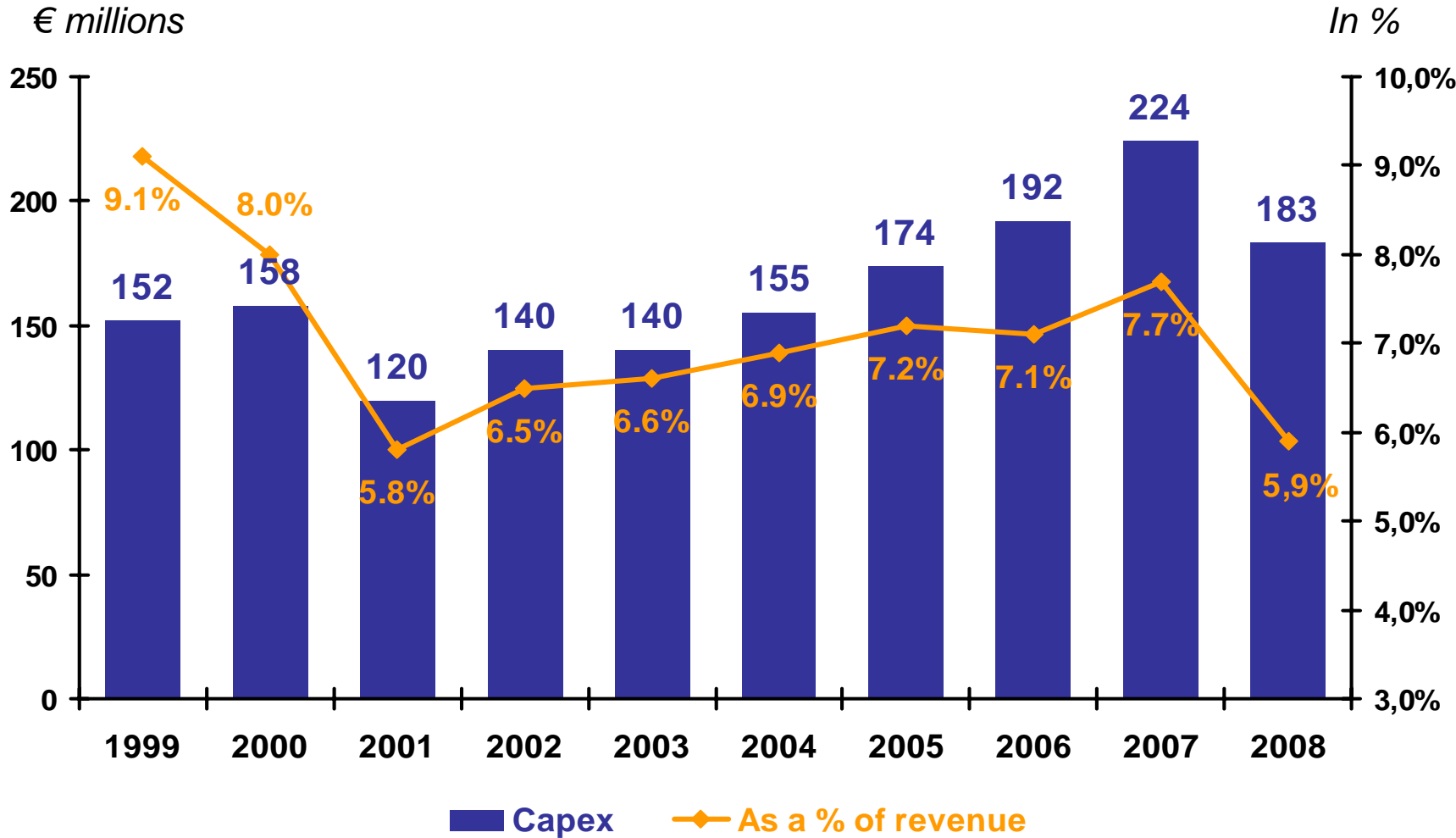


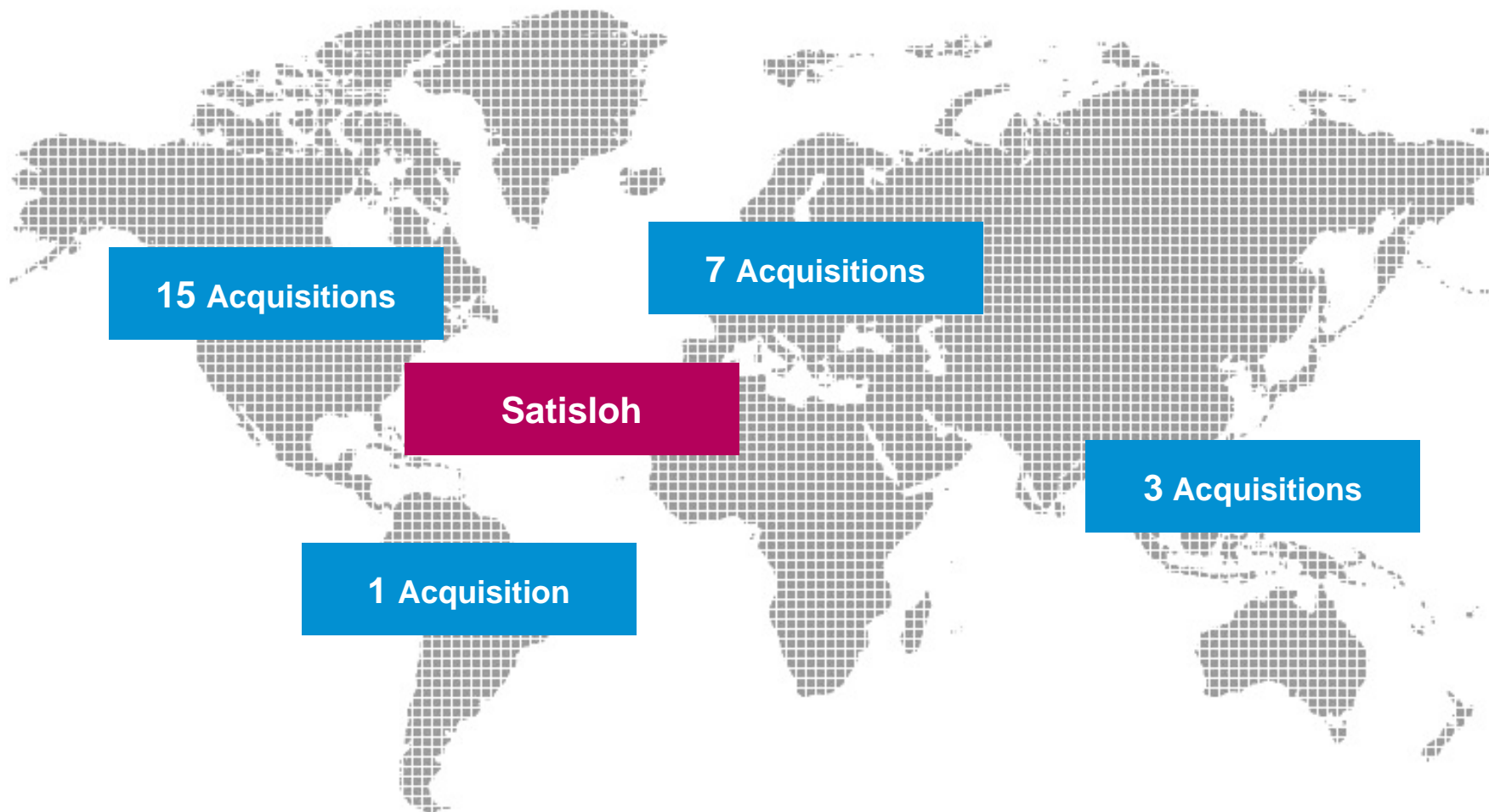
# Consolidated Inventory

Up 9.1% Like-for-Like



# Net Capital Expenditure





Total acquisitions: €505 million

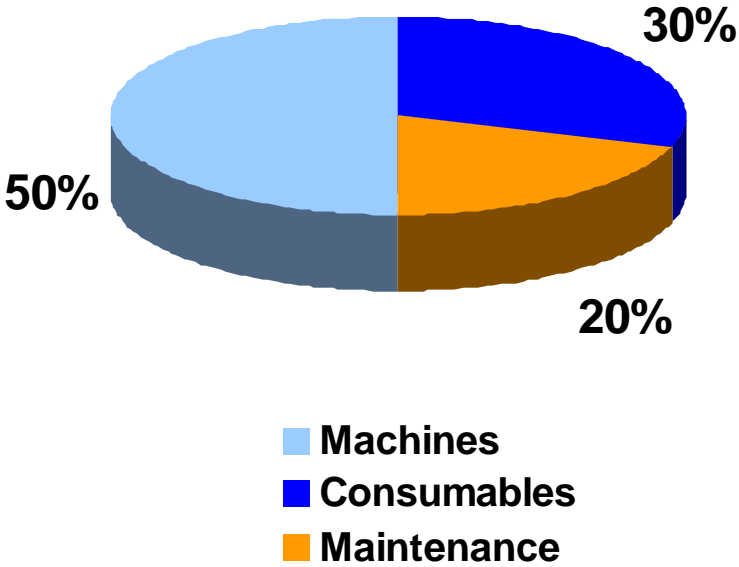
## **Satisloh: a leader serving the industry**

- Extensive expertise in digital surfacing and anti-reflective coatings
- Potential in emerging markets
- Integration and synergies:
  - R&D
  - Marketing
  - Business base (consumables)

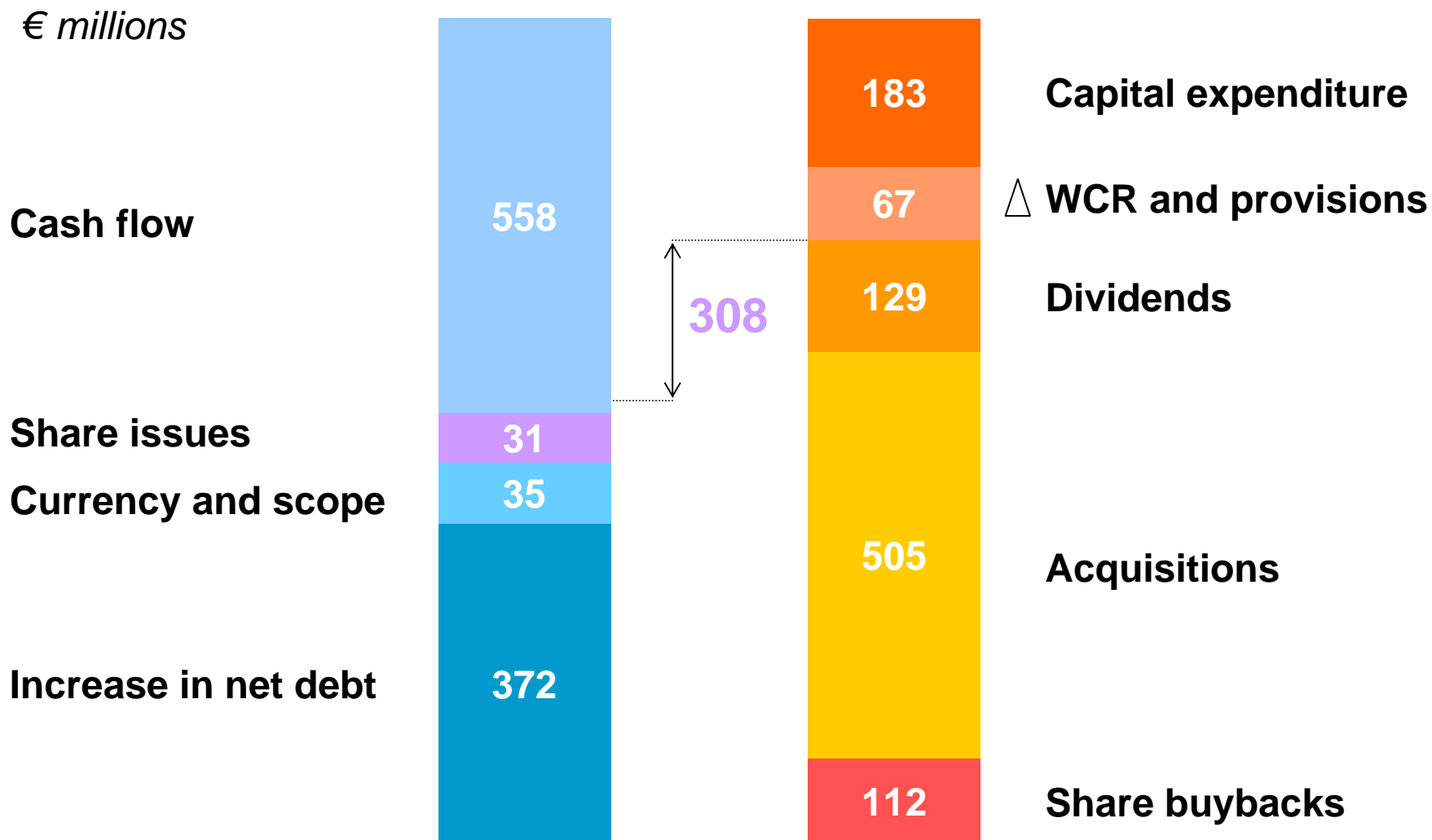
**€ millions** **2008**

Revenue	<b>139.0</b>
Gross margin	<b>54.5</b>
<i>% of revenue</i>	<b>39.2%</b>
Operating profit	<b>15.9</b>
<i>% of revenue</i>	<b>11.4%</b>
Net profit	<b>11.8</b>
<i>% of revenue</i>	<b>8.5%</b>

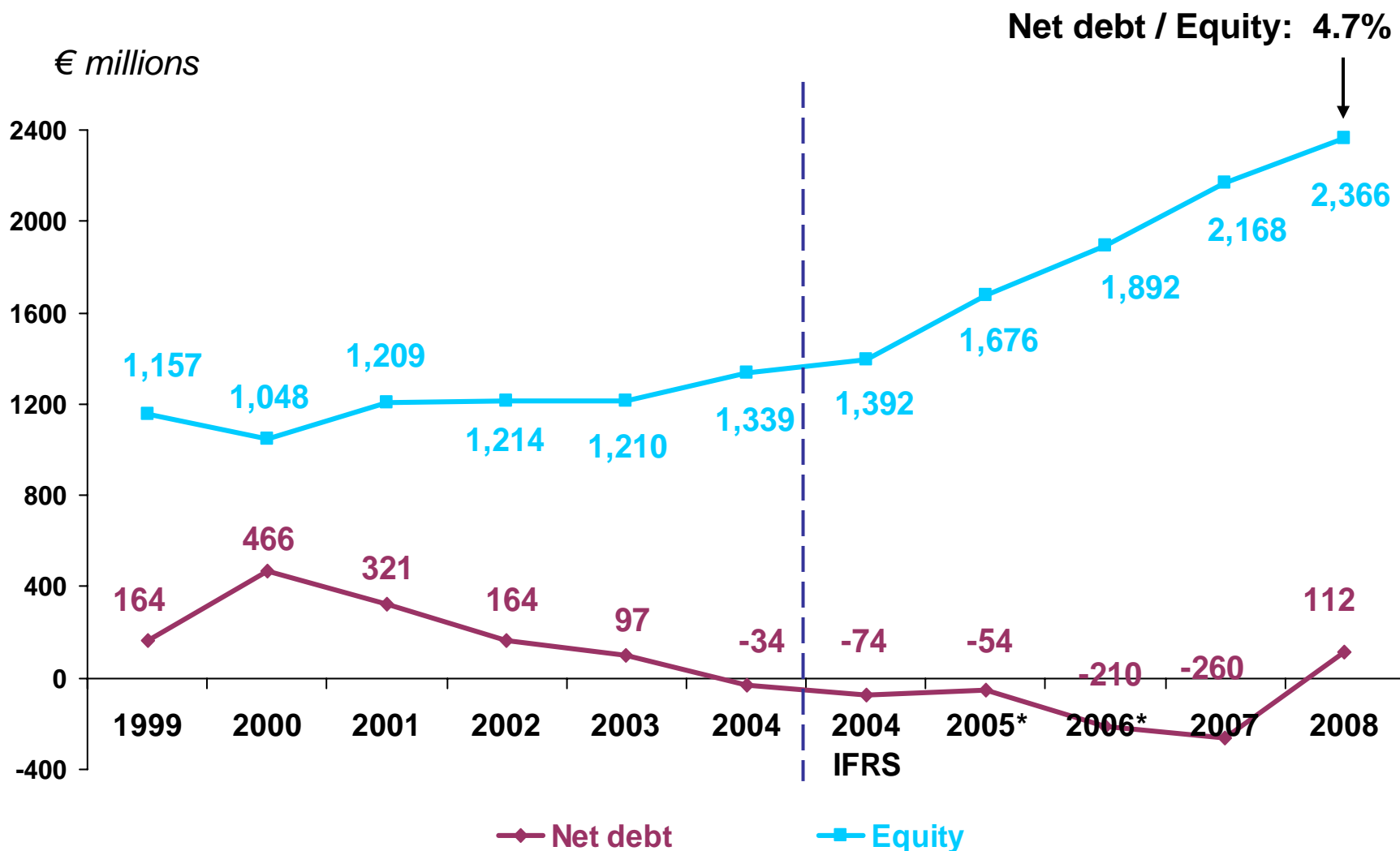
## Businesses



# Cash Flow Rose by 18%



# Balance Sheet Structure at Dec. 31, 2008



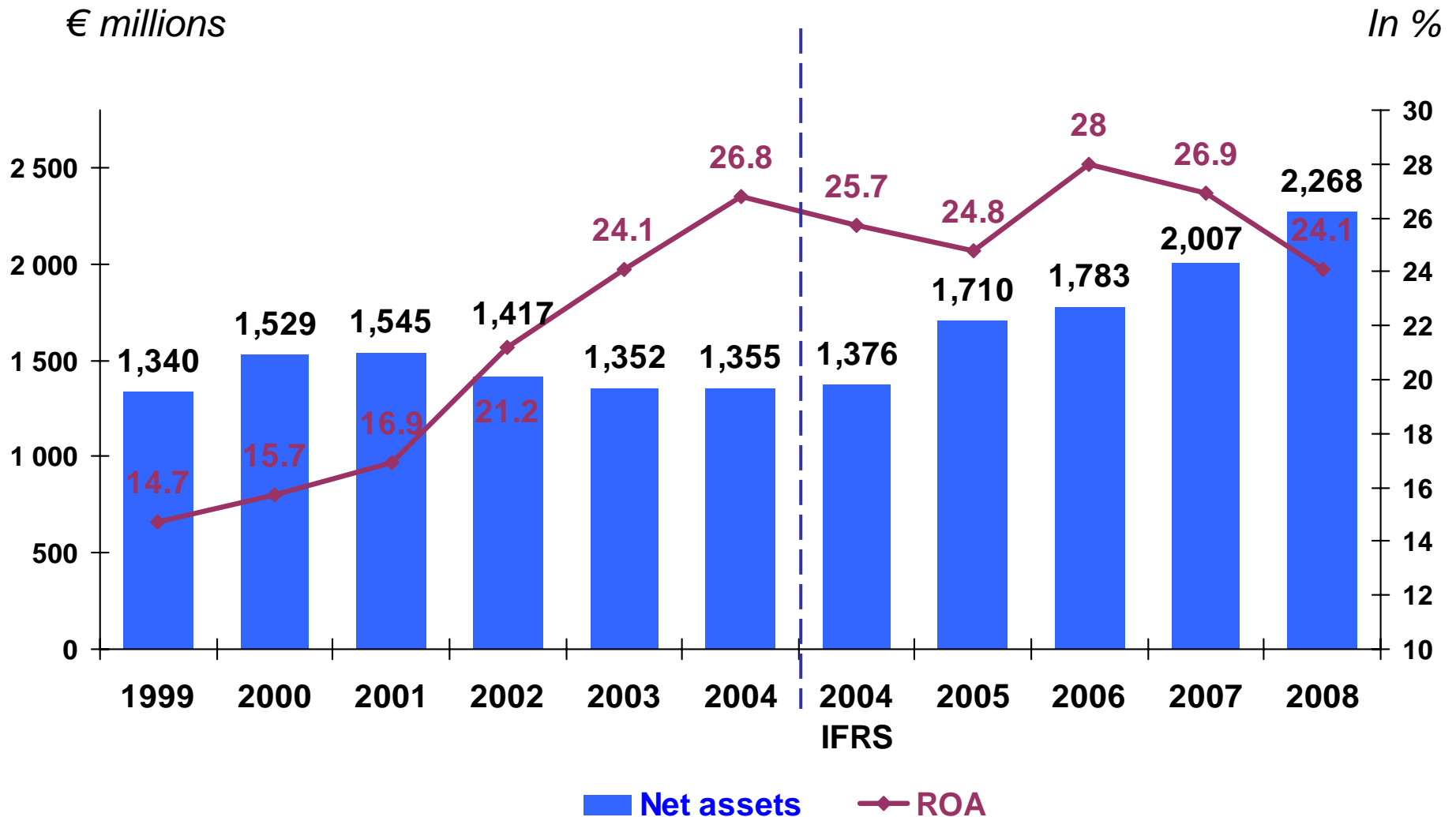
\*2006 and 2005 adjusted following the change in accounting method

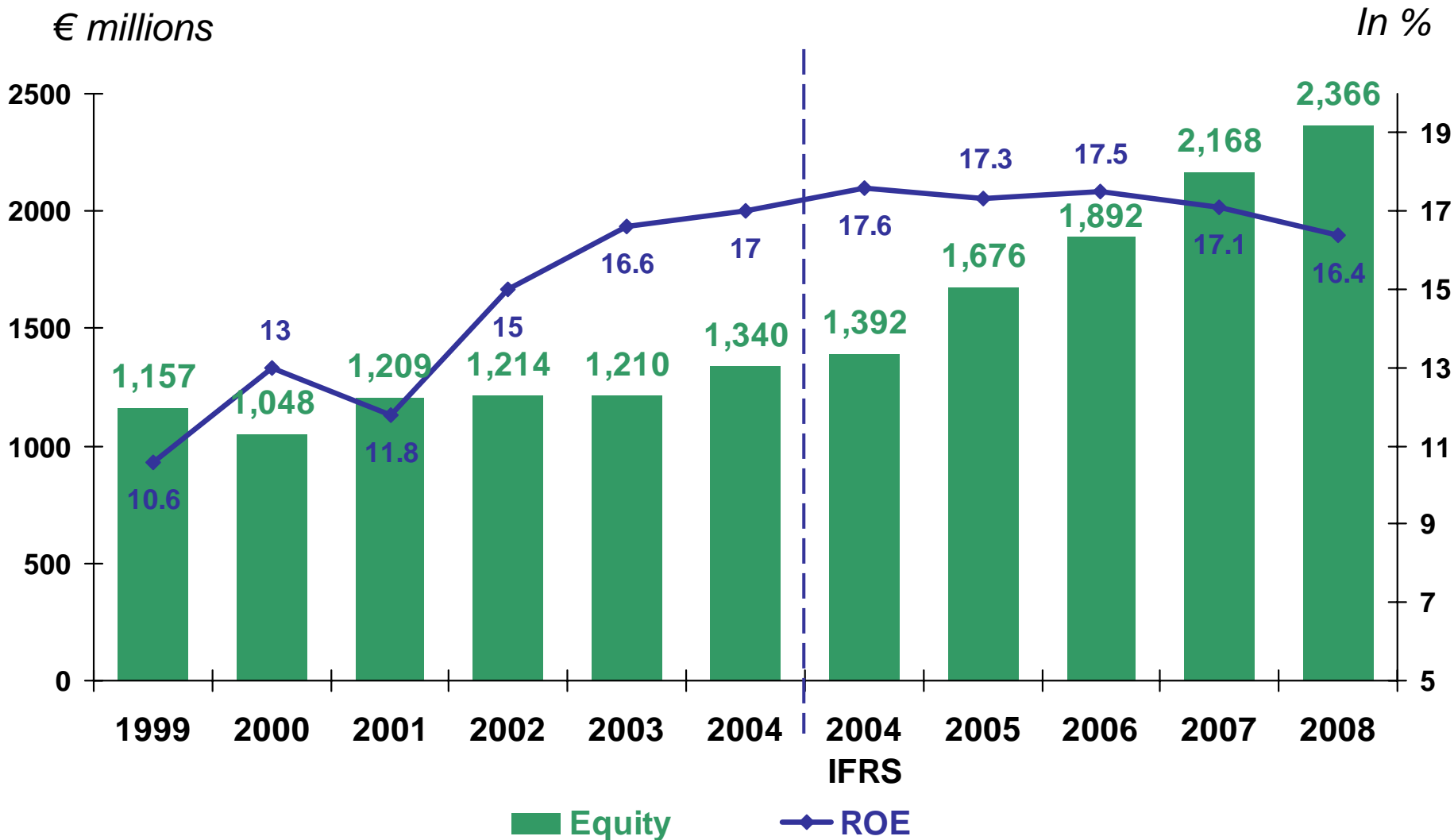
<ul style="list-style-type: none"> <li>● Shares outstanding excluding treasury shares at December 31, 2007:</li> </ul>	<b>208,619,505</b>
<p>Issuance of new shares in 2008</p> <ul style="list-style-type: none"> <li>➤ On investment in the ESOP</li> <li>➤ On exercise of stock options</li> <li>➤ On conversion of OCEANEs</li> </ul>	<p>720,144</p> <p>517,966</p> <p>356,302</p> <hr style="border: 1px solid blue;"/> <p><b>1,594,412</b></p>
<ul style="list-style-type: none"> <li>● Shares bought back</li> </ul>	<b>(3,200,000)</b>
<ul style="list-style-type: none"> <li>● Shares outstanding excluding treasury shares at December 31, 2008:</li> </ul>	<b>207,013,917</b>



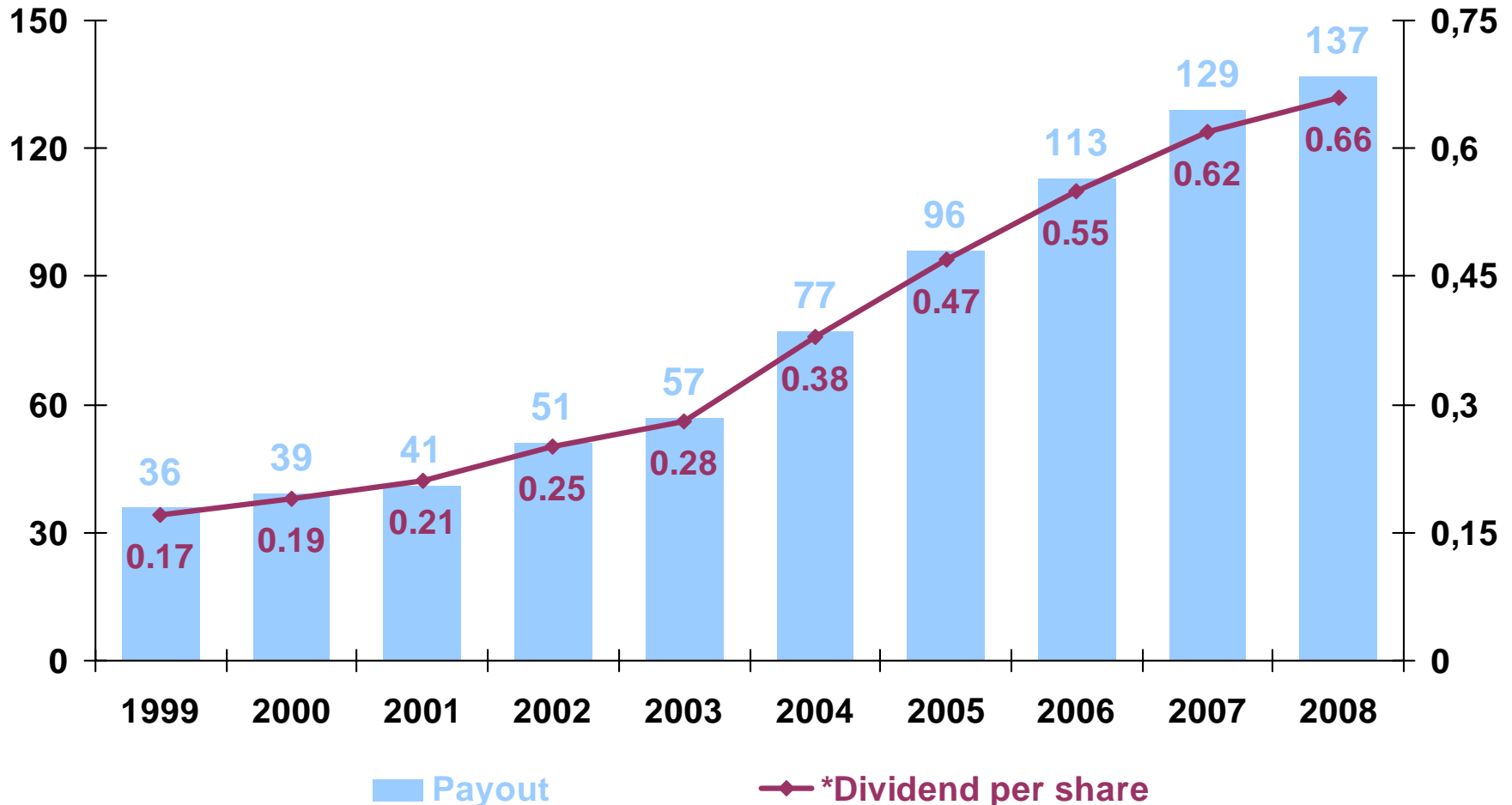
# Return on Assets (excluding Satisloh)

ROA: EBIT/Non-current assets + WCR





# Recommended Dividend Up 6.5%



\* Adjusted for the 10-for-1 stock split in 2001 and the 2-for-1 split in 2007.

- Crizal Forte®
- Transitions® VI in Europe
- Sustained implementation of the acquisitions strategy
- Integration of Satisloh
- Organic growth?
- Operating costs under control

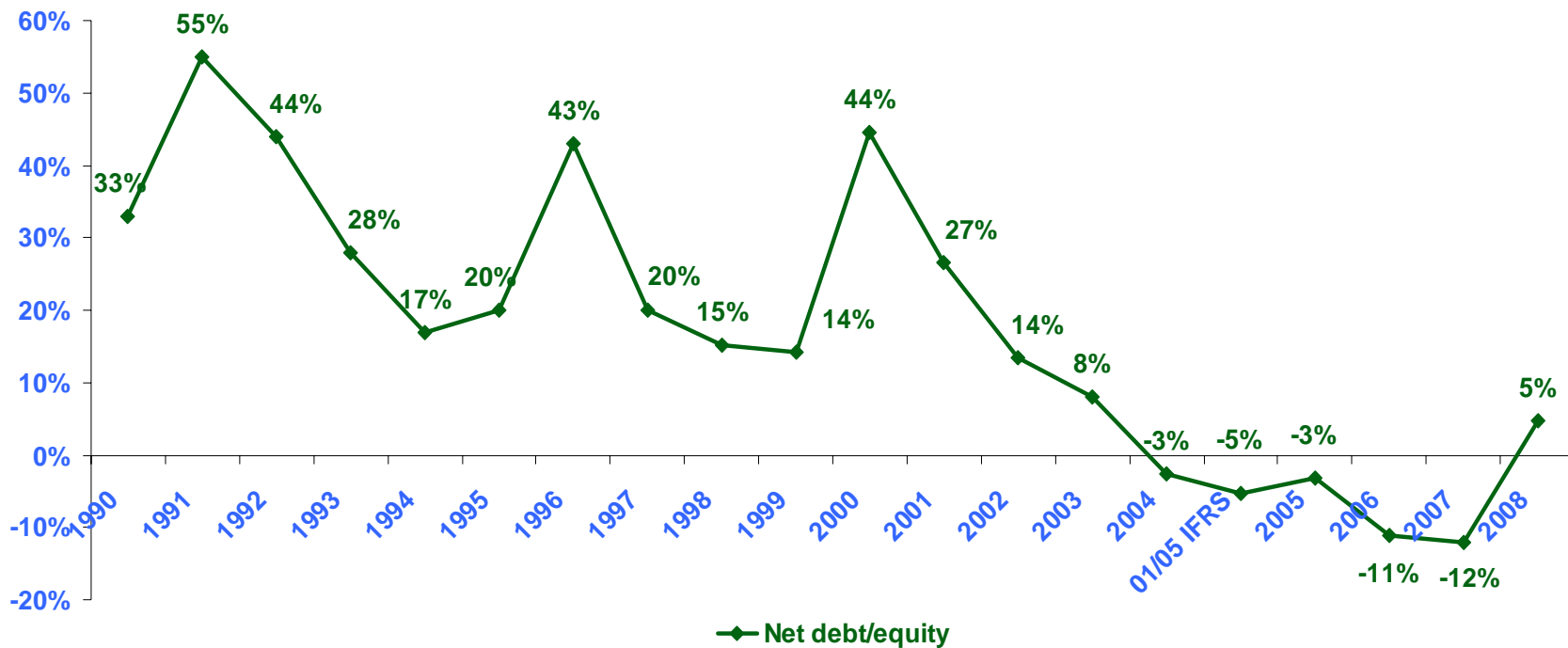


# Strategy and Outlook

## Xavier Fontanet

- Cash
- The business model
- Acquisitions
- Organic growth
- Succession plan
- Conclusions

# First, we're entering this period debt-free

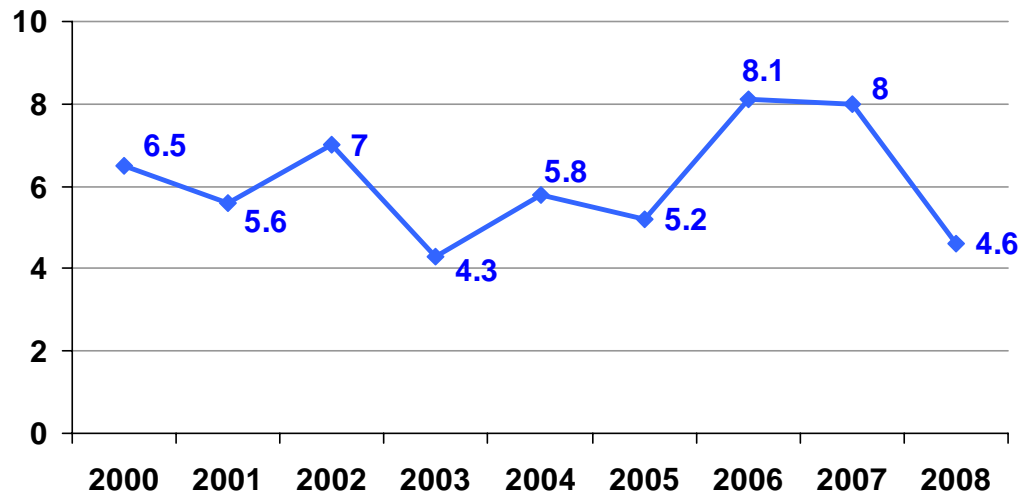


# Next, there's no reason to change the model

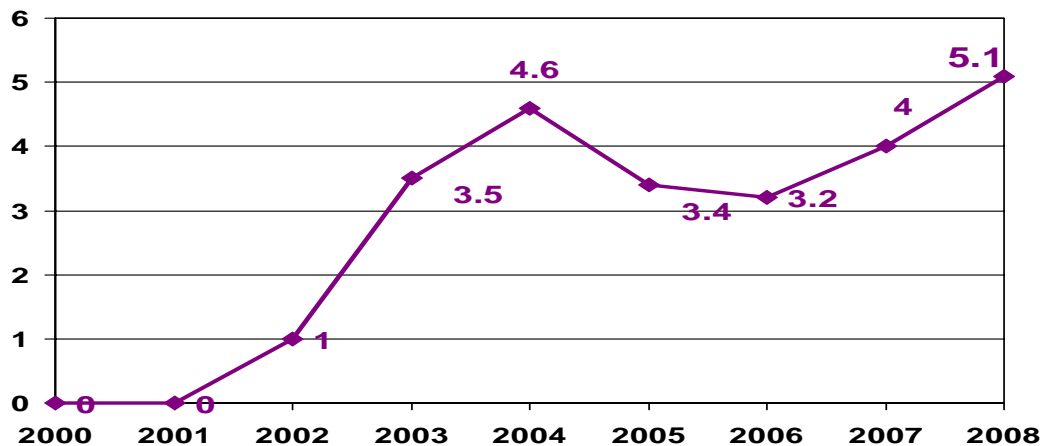
- Essilor isn't changing its business
- Growth = organic growth + acquisitions
- Cash flow is managed for stability:
  - 35% payout
  - Little or no debt
  - No share dilution



## Organic growth since 1998



## Acquisitions-led growth since 2000



# ACQUISITIONS

# ORGANIC

# Are acquisitions profitable?

- We have 15 years of experience in making acquisitions in our business
- The outcome has largely been positive ... otherwise, how could our margin have increased so regularly?

New products are increasingly based on new machines and new processes

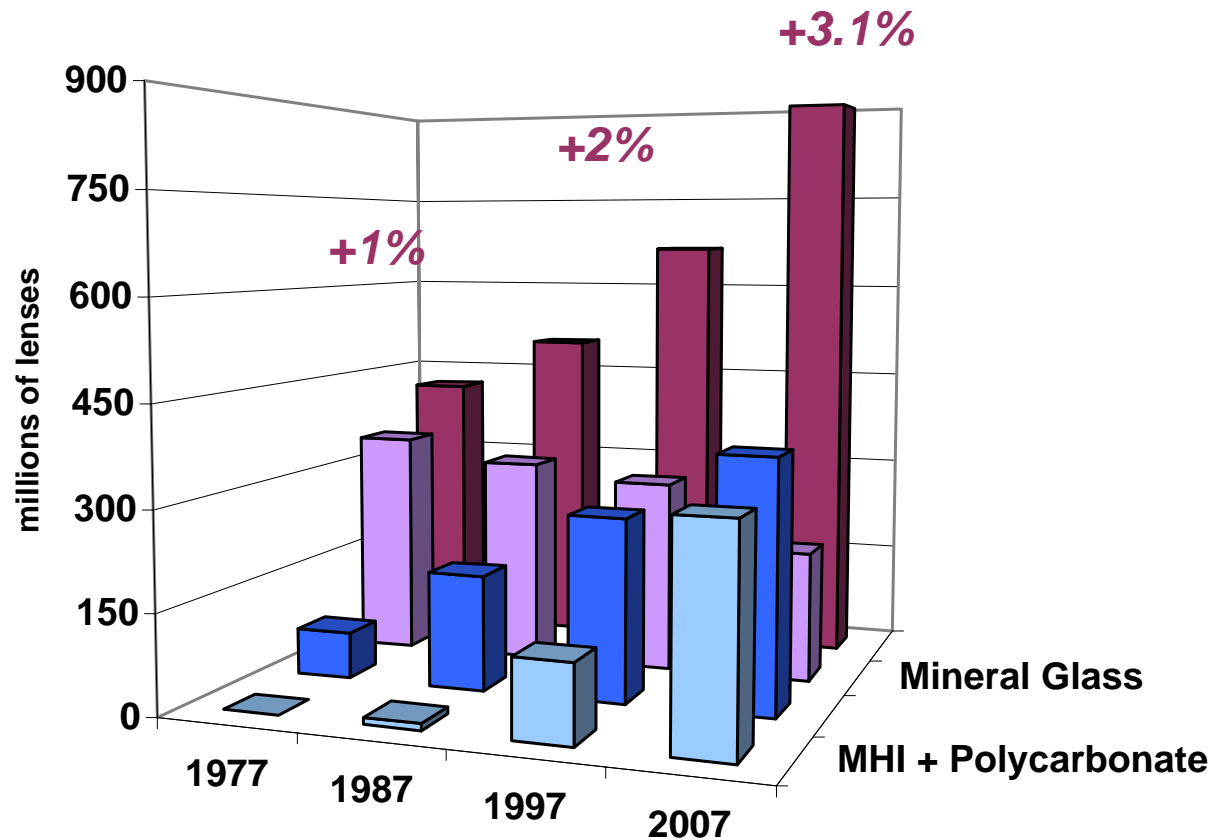
- An industry leader
  - Digital surfacing
  - Multilayer coatings
- An innovative business model
  - Machines
  - Consumables
  - Services
- An obviously strong fit with Essilor
  - All digital, more coatings
  - Innovative machines and processes
- An open, royalty-based system
- Short-term, medium-term

ACQUISITIONS

**ORGANIC**

- R&D and the shift in technologies
- Branded vs. non-branded
- Fast growing emerging markets
- Laser surgery, contacts, IOLs
- Demographics

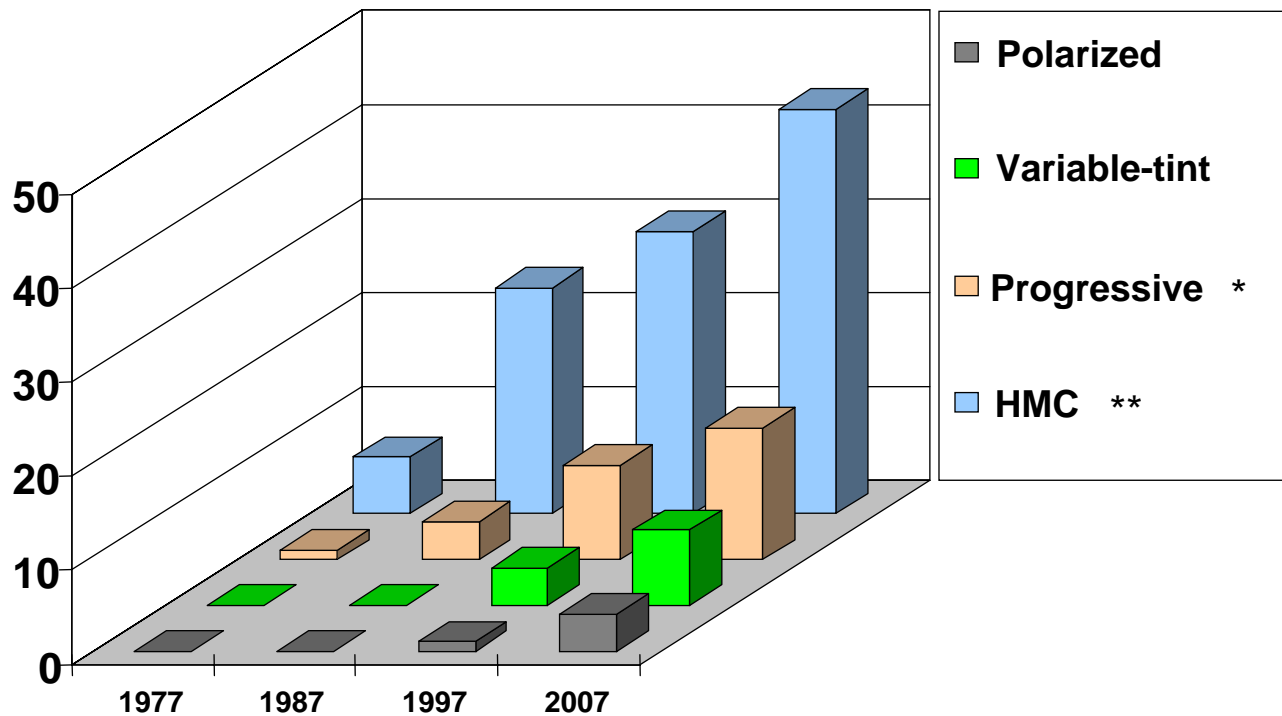
# Technologies are continuing to shift



***Growth by 10-year periods***



# Value added is continuing to increase



**\*Digital +35%**    **\*\* Number of coatings +20%**

***Charenton-le-Pont, France (February 12, 2009, 6:30 a.m.) – Essilor International and Nikon Corporation announce that they have reached an agreement to form a strategic alliance in research by forming a 50/50 joint venture to be located at Kanagawa in Japan and to be called Nikon and Essilor International Joint Research Center Co. Ltd..***

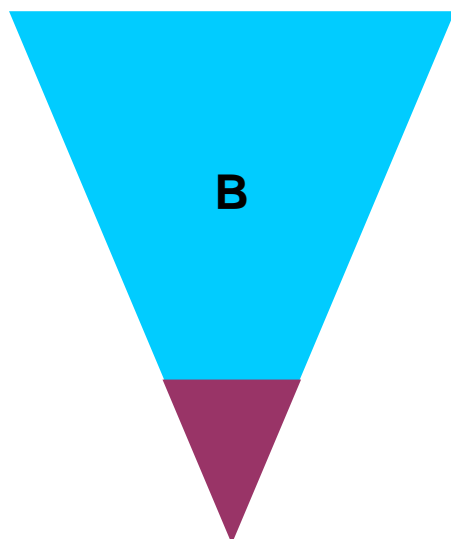
***The main purpose of the joint venture is to conduct research and development activities mainly regarding materials, optics and ophthalmic areas. This will be achieved through the collaboration of Nikon's highly respected technology established through IC and LCD steppers, scanners and camera-related products, coupled with technologies cultivated by Essilor, the world leader in ophthalmic optical products and the inventor of Varilux, the first progressive lenses.***

***The partnership already established through Nikon-Essilor Co., Ltd. will thus be extended to a new arena, that of mid-long term research and development activities, thus seeking cutting-edge new technology in materials, optics and ophthalmic areas. Operations are due to start mid-March, 2009.***

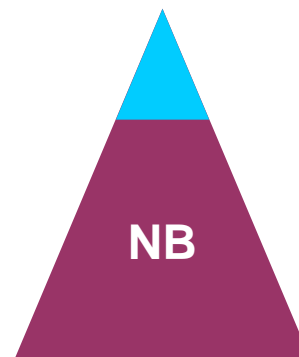
- R&D and the shift in technologies
- **Branded vs. non-branded**
- Fast growing emerging markets
- Laser surgery, contacts, IOLs
- Demographics

# Markets are continuing to evolve

Due to its global footprint, Essilor has long developed strategies in both product/market segments



*Mature markets*



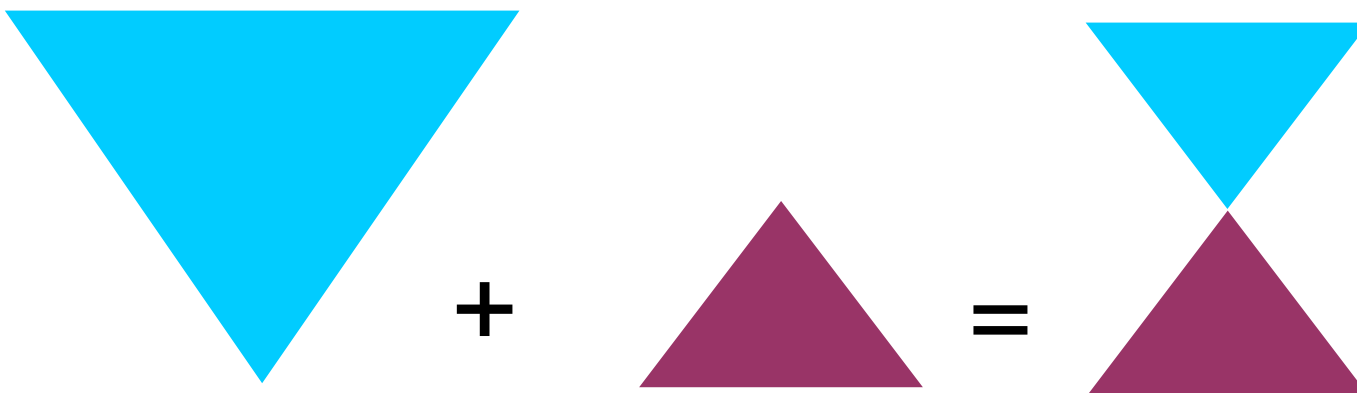
*Fast growing  
emerging markets*

Essilor is market leader and profitable in almost every geography and segment

**B: Branded**

**NB: Non-branded**

# Essilor is therefore ready for any change in the market



- R&D and the shift in technologies
- Branded vs. non-branded
- Fast growing emerging markets
- Laser surgery, contacts, IOLs
- Demographics

# Fast growing emerging markets are continuing to expand

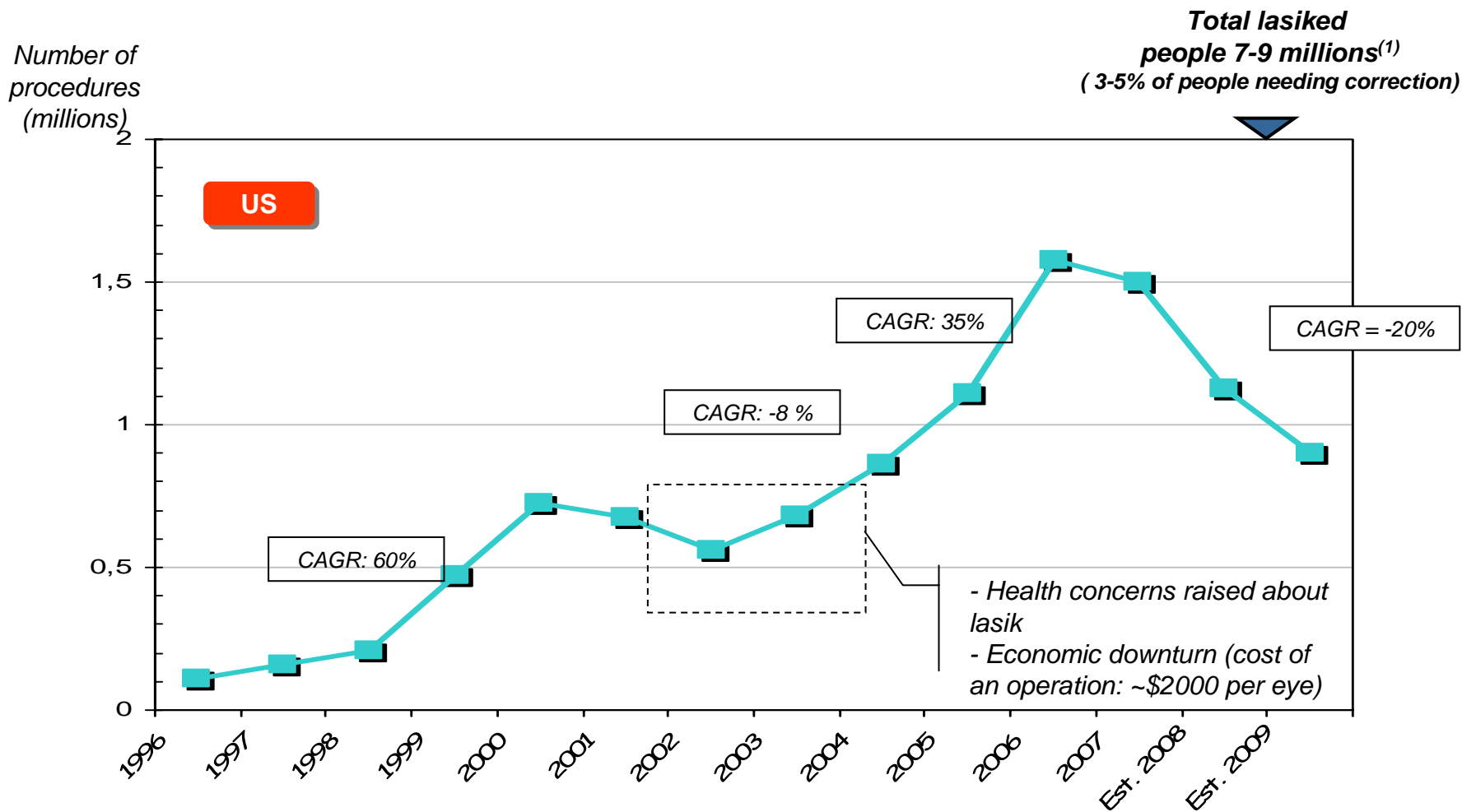
	% 2008 revenue*
Mature markets	88
Fast growing emerging markets	12
	<hr/> 100

\* 66/34 by volume

- R&D and the shift in technologies
- Branded vs. non-branded
- Fast growing emerging markets
- Laser surgery, contacts, IOLs
- Demographics



# Laser surgery in the United States



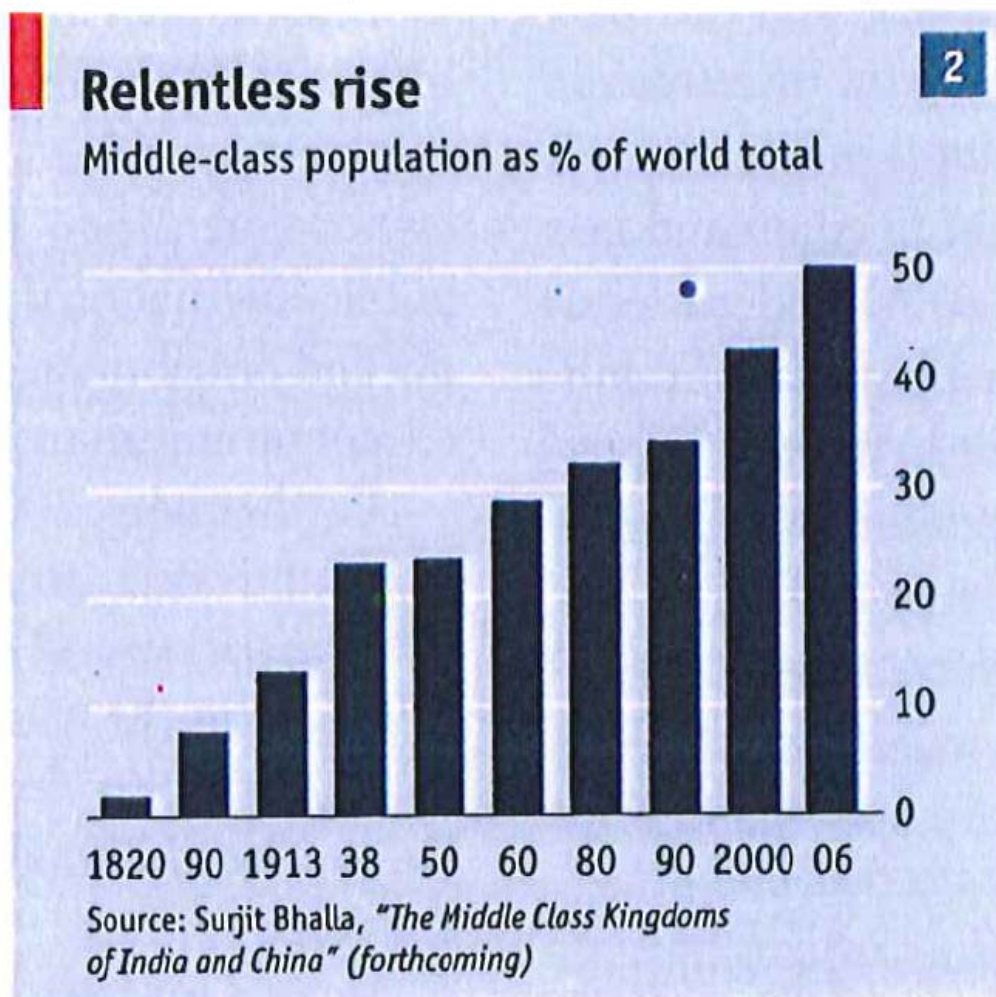
(1) ~ Number of procedures /1.8 according to marketscope

Source: marketscope

- Laser surgery → falling
- Contacts → continuing
- IOLs → small

- R&D and the shift in technologies
- Branded vs. non-branded
- Fast growing emerging markets
- Laser surgery, contacts, IOLs
- Demographics

# The global surge in the middle class



- Cash
- The business model
- Acquisitions
- Organic growth
- Succession planning
- Conclusions

- Growth has nosedived but we're not the worst off
- Compared to alternative solutions, ophthalmic lenses have pulled their chestnuts out of the fire
- We'll therefore continue down the same road
- We'll adjust our costs but maintain our R&D expenditure
- The seas are choppy but the ship is solid and we know the course

# Questions & Answers