2009 Results

A remarkable year in the context of 2009

- **Revenue up 6.3%**
- **Contribution margin at a record high of 18.2%**
- **Restated EPS up 10% to €2.03**
- **Free cash flow up 25% to €390 million**
- **Recommended dividend of €0.70 per share, up 6.1%**

Charenton-le-Pont, France (March 4, 2010 – 6:30 a.m.) — At its meeting yesterday, the Board of Directors of Essilor approved the financial statements for the year ended December 31, 2009. The financial statements have been audited and the auditors are in the process of issuing an unqualified opinion.

€ millions	**2009**	**2008**	**% Change**
Revenue	**3,268**	**3,074.4**	+ 6.3%
Contribution from operations (1) As a % of revenue	**594.4** 18.2%	**551.2** 17.9%	+ 7.9% ---
Profit attributable to equity holders	**394.0**	**382.4**	+ 3.1%
Restated earnings per share(2) (€)	**2.03**	**1.85**	+ 10.0%
Reported earnings per share (€)	**1.91**	**1.85**	+3.2%
Free cash flow(3)	**390**	**313**	+ 24.6%

(1) Operating profit before compensation costs of share-based payments, restructuring costs, other income and expense, and goodwill impairment.
(2) Restated for the €26.1 million provision in 2009 in respect of various risks and tax litigations
(3) Net cash from operating activities less purchases of property, plant and equipment and intangible assets, according to the IFRS consolidated cash flow statement.

In a recessionary economy, 2009 saw an unprecedented slowdown in the ophthalmic optical market. In this context, Essilor was able to demonstrate the solidity of its growth model and continued to progress in the market by leveraging its innovative products and efficient distribution networks and by stepping up its acquisition strategy.

The year's **highlights** included:

- Successful new products, including the new **Crizal®** anti-reflective lens, **Xperio™** polarizing lens, personalized lenses incorporating **eyecode™** technology and the **Mr Blue®** edger.
- Faster deployment in the mid-range, thanks to a dedicated local offering.
- Entry of **27 new companies** into the Company in all regions.
- Pursuit of productivity gains and **operational efficiency**.

Dividend

Based on its confidence in the Company's outlook, the Board of Directors will recommend that shareholders at the Annual Meeting on May 11, 2010 approve the payment of a 2009 dividend of €0.70 per share, representing a 6.1% increase over the 2008 dividend. The payout ratio increased to 37%. The dividend will be payable as from May 28, 2010.

Outlook

In 2010, the economic environment is expected to be more favourable than in 2009, with a progressive recovery in global activity. The ophthalmic optical market enjoys positive trends, linked to the ageing of the population, the potential of high value-added products and the rise of a middle-class in emerging countries. Backed by the robustness of its business model, demonstrated in 2009, Essilor will step up its strategy of market share gains. 2010 will therefore be a major year for new product launches, geographic expansion and the acceleration of bolt-on acquisitions. Essilor expects a gradual improvement in its revenue and will continue to pursue operational efficiency gains.

Analyst Meeting

A meeting with financial analysts will be held today, March 4, at 10:30 a.m. CET. It will be webcast live in French at http://hosting.3sens.com/Essilor/20100304-47FAFD92/fr/ and in English at http://hosting.3sens.com/Essilor/20100304-47FAFD92/en/.

Forthcoming investor events

First-quarter 2010 report: April 23, 2010

Annual Shareholders' Meeting: May 11, 2010

The world leader in ophthalmic optical products, *Essilor International researches, develops, manufactures and markets around the world a wide range of lenses to correct myopia, hyperopia, presbyopia and astigmatism. Its flagship brands are* ***Varilux®***, ***Crizal®***, ***Essilor®***, ***Definity®*** *and* ***Xperio™***. *Based in France, the company reported consolidated revenue of €3.2 billion in 2009, with 34,700 employees and operations in 100 countries.*
For more information, please visit ***www.essilor.com***.
The Essilor share trades on the NYSE Euronext Paris market and is included in the CAC 40 index. Codes and symbols: ISIN: FR FR0000121667; Reuters: ESSI.PA; Bloomberg: EI:FP.

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REVENUE UP 5% AT CONSTANT EXCHANGE RATES

Revenue *€ millions*	**2009**	2008	% Change (reported)	% Change (like-for-like)
Europe	**1,331.7**	1,356.3	- 1.8%	- 2.7%
North America	**1,354.0**	1,253.0	+ 8.1%	- 0.4%
Asia-Pacific	**344.7**	301.8	+ 14.2%	+ 12.3%
Latin America	**134.0**	127.2	+ 5.3%	+ 7.0%
Laboratory equipment	**103.6**	36.1	+ 186.9 %	- 7.0%
Total	**3,268.0**	3,074.4	6.3%	0.1%

Consolidated revenue rose 6.3% to €3,268 million in 2009.

- On a like-for-like basis, revenue grew by 0.1%, reflecting stable Lens revenue and a 2.3% increase in Instrument revenue.
- Consolidation of companies acquired in 2008 and 2009 accounted for 4.9% of reported growth, of which 2.3% from Satisloh.
- The 1.3% positive currency effect was mainly due to the rise in the dollar and, to a lesser extent, the yen against the euro, which offset the negative impact on revenue of the weaker British pound, Brazilian real and Canadian dollar.

Geographically, unit sales edged back slightly in mature countries but rose sharply in emerging markets:

- Revenue in **Europe** declined by 2.7% in a challenging environment. During the year, Essilor stepped up deployment of its multi-network strategy, which allows it to capture the strong demand for entry-level products while continuing to pursue its innovation strategy. Operations in France, Germany and Italy, as well as the Instruments Division, held up particularly well, with operations in Russia and Finland reporting the strongest performances.
- Revenue was virtually unchanged in **North America** (down 0.4%). In the United States, firm sales to eyecare professionals and independent laboratories offset difficulties encountered with certain optical chains. Revenue in Canada was hurt by a fall-off in unit sales.
- In **Asia**, where revenue rose 12.3% overall during the year, performance was satisfactory in every country except Japan. Growth was led in India, China and South Korea by sales of specialty lenses and other new products, and lifted in Australia by strong demand for the Varilux and Crizal lines. Revenue also saw sustained growth in South Africa.
- After enjoying very strong growth in 2008, revenue in **Latin America** rose a solid 7% in 2009 despite the economic slowdown. The sharp increase in anti-reflective lens sales in Brazil and especially Mexico helped to improve the product mix.

- Lastly, in a particularly challenging year for the capital equipment industry, **Satisloh** held the decline in sales to around 7%, thereby enabling the company to increase its market share. Surfacing machine sales remained strong during the year.

Fourth quarter: continued recovery in growth

Revenue *€ millions*	**Q4 2009**	Q4 2008	% Change (reported)	% Change (like-for-like)
Europe	**342.3**	338.9	+ 1.0%	- 0.7%
North America	**302.4**	319.3	- 5.3%	+ 1.1%
Asia-Pacific	**85.0**	75.7	+ 12.3%	+ 11.2%
Latin America	**38.1**	28.7	+ 33.0%	+ 15.1%
Laboratory equipment	**31.6**	34.0	- 7.1%	- 7.1%
Total	**799.4**	796.6	+0.4%	+ 1.5%

Consolidated revenue for the fourth quarter alone stood at €799.4 million, up 0.4% year-on-year as reported and 1.5% like-for-like. With Satisloh now contributing to organic growth, the contribution from acquisitions declined to 2.3% for the period. Lastly, for the first time in 2009, the currency effect turned negative (at 3.4%), primarily due to the appreciation of the euro against the US dollar.

Business conditions improved in every operating region during the quarter:

- Business stabilized in Europe.
- Demand turned up noticeably in North America and significantly in Latin America.
- Growth remained strong in Asia.
- The Laboratory Equipment business recovered.

Six new prescription laboratories were acquired in Europe, the United States, India and South Africa, along with a distributor in Brazil, for total additional full-year revenue of €23 million.

CONTRIBUTION MARGIN AT 18.2%

€ millions	2009	2008
Gross margin As a % of revenue	1,832.6 *56.1*	1,749.3 *56.9*
Operating expenses	1,238.2	1,198.2
Contribution from operations [1] As a % of revenue	594.4 *18.2*	551.2 *17.9*

(1) Operating profit before compensation costs of share-based payments, restructuring costs, other income and expense, and goodwill impairment.

The contribution from operations increased 7.9% to €594.4 million in 2009, while the contribution margin improved by 0.3 points to 18.2%, despite the dilutive impact of consolidating Satisloh. The growth may be analyzed as follows:

- Gross margin declined by 0.8 points to 56.1% of revenue, due to the dilutive impact from Satisloh and other acquisitions. Excluding the impact of these acquisitions, gross margin was unchanged for the year.
- Operating expenses as a percentage of revenue declined by 1.1 point, to 37.9%, thanks to i) tight control over selling and distribution costs (€706.6 million) and major reductions in overheads while maintaining a strong research and development commitment (funded at €151.2 million before deduction of a €10.4 million research tax credit) and ii) the positive impact of acquisitions whose operating expense/revenue ratio is lower than the Company average.

RESTATED EPS UP 10%

Profit attributable to equity holders of the parent up 3.1%

Profit attributable to equity holders rose by 3.1% to end the year at €394 million, it represented 12.1% of revenue, close to the level of 2008. It may be analyzed as follows:

- Other income and expenses from operations amounted to a net expense of €39.2 million, comprising €21.9 million in compensation costs of share-based payments and €17.3 million in restructuring costs, charges to provisions for contingencies, claims and litigation, and other expenses.
- Operating profit increased 7.9% to €555.2 million for the year.
- Finance costs and other financial income and expenses represented a net expense of €11.2 million compared with €2.5 million in 2008, reflecting the increase in net finance costs due to the higher average net debt for the year and, to a lesser extent, a decline in creditor interest income.

- Share of profits of associates remained unchanged at €26 million, as higher earnings at Transitions (49%-owned) offset a decline at Sperian Protection (15%-owned).

Income tax amounted to €168.2 million, including a €26.1 million provision in respect of the various tax controls and litigations underway for the Company. Excluding this non-recurring item, the effective tax rate was 26.1%. The improvement was primarily led by a decline in the tax rate in Brazil and the faster earnings growth in regions with more favorable tax regimes.

Earnings per share rose 3.2% to €1.9. Restated earnings per share rose by 10 % to €2.03.

FREE CASH FLOW UP 25%

Essilor's business model continued to demonstrate its ability to generate strong cash flow in 2009. Operating cash flow amounted to €515 million, providing ample funds to finance the company's growth, by covering:

- The €71 million rise in working capital requirement due to an increase in trade receivables.
- €125 million in gross capital expenditure, representing 3.8% of revenue.

This left free cash flow[1] up 24.6% to €390 million.

This good cash flow performance also enabled Essilor to continue deploying its acquisitions and partnership strategy around the world (€161 million invested, net of acquired cash); pursue its share buyback programs (€76.1 million) and increase the dividend (€136 million).

Change in net debt

€ millions			
Operating cash flow (before WCR)	**586**	Purchases of property, plant and equipment	**125**
Conversions of OCEANE convertible bonds and other	**153**	Change in WCR	**71**
Issue of share capital	**37**	Dividends	**139**
Other	**2**	Financial investments net of the proceeds from disposals	**161**
		Share buybacks	**76**
		Decrease in debt	**206**

[1] *Net cash from operating activities less purchases of property, plant and equipment and intangible assets, according to the IFRS consolidated cash flow statement.*

A STRONG BALANCE SHEET

Net cash position

The growth in earnings and cash flow helped to further strengthen an already very solid balance sheet. At December 31, 2009, the Company had net cash of €92.8 million, equivalent to 3.4% of consolidated equity.

Goodwill

Goodwill increased by €102 million in 2009, to stand at €1,060 million at year-end, or 25% of total assets.

Inventories

Inventories amounted to €486 million at December 31, 2009, an increase of €10 million or 1% like-for-like.

In all, the balance sheet structure was strengthened, with an equity to assets ratio of 65.2%.

ACQUISITIONS IN 2009

Essilor actively pursued its acquisitions strategy in 2009, purchasing interests in 27 companies during the year, mainly prescription lens laboratories or distributors. The strategy was deployed in every region, with 13 acquisitions in North America, five in Europe, six in Asia-Pacific, one in the Middle East, one in South Africa and one in Brazil.

SUBSEQUENT EVENTS

Since the beginning of 2010, Essilor has continued to expand in the global marketplace with new partnerships. In China, a majority interest was acquired in **Danyang ILT**, an ophthalmic lens manufacturer, while a prescription lens laboratory was purchased in Abu Dhabi. In Australia, Essilor acquired a 70% interest in **Eyebiz Pty Limited**, Luxottica's Sydney-based optical lens finishing laboratory that supplies Luxottica's retail optical outlets in Australia and New Zealand.

In December 2009, Essilor agreed to acquire **FXG International**, the leading designer and marketer of non-prescription eyewear in the United States, with revenue of $259 million in 2009. The transaction, which is subject to regulatory approvals and the affirmative vote of a majority of FGX's shareholders, is expected to close in March. It will enable Essilor to enter a new growth market.

CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2009

CONSOLIDATED INCOME STATEMENT

€ thousands, except per share data	2009	2008
Revenue	3,267,978	3,074,419
Cost of sales	(1,435,333)	(1,325,106)
GROSS MARGIN	**1,832,645**	**1,749,313**
Research and development costs	(151,221)	(144,518)
Selling and distribution costs	(706,619)	(672,268)
Other operating expenses	(380,367)	(381,368)
CONTRIBUTION FROM OPERATIONS	**594,438**	**551,159**
Restructuring costs, net	(11,383)	(3,736)
Impairment losses	0	0
Compensation costs on share-based payments	(21,865)	(24,906)
Other income from operations, net	2,456	1,926
Other expenses from operations, net	(7,128)	(9,284)
Gains and losses on asset disposals, net	(1,303)	(629)
OPERATING PROFIT	**555,215**	**514,530**
Finance costs	(31,498)	(28,181)
Income from cash and cash equivalents	18,739	29,042
Other financial income, net	41,551	43,349
Other financial expenses, net	(39,946)	(46,716)
Share of profit of associates	25,974	26,053
PROFIT BEFORE TAX	**570,035**	**538,077**
Income tax expense	(168,169)	(149,266)
NET PROFIT	**401,866**	**388,811**
Attributable to equity holders of Essilor International	**394,036**	**382,356**
Attributable to minority interests	7,830	6,455
Basic earnings per common share (€)	1.91	1.85
Weighted average number of common shares (thousands)	206,691	206,875
Diluted earnings per common share (€)	1.89	1.81
Diluted weighted average number of common shares (thousands)	210,557	213,615

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2009

ASSETS

€ thousands	**December 31, 2009**	**December 31, 2008**
Goodwill	1,059,941	957,605
Other intangible assets	221,688	205,249
Property, plant and equipment	803,022	811,484
INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT, NET	**2,084,651**	**1,974,338**
Investments in associates	180,034	164,690
Other long-term financial investments	73,920	44,214
Deferred tax assets	57,229	51,955
Non-current receivables	10,570	8,093
Other non-current assets	854	693
OTHER NON-CURRENT ASSETS, NET	**322,607**	**269,645**
TOTAL NON-CURRENT ASSETS, NET	**2,407,258**	**2,243,983**
Inventories	485,606	475,299
Prepayments to suppliers	12,373	9,521
Current trade receivables	746,266	684,797
Current income tax assets	17,039	5,859
Other receivables	18,434	37,294
Derivative financial instruments	40,485	50,996
Prepaid expenses	20,765	21,242
Marketable securities	33,965	32,538
Cash and cash equivalents	385,548	505,571
CURRENT ASSETS, NET	**1,760,481**	**1,823,117**
TOTAL ASSETS	**4,167,739**	**4,067,100**

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2009

EQUITY AND LIABILITIES

€ thousands	December 31, 2009	December 31, 2008
Share capital	38,792	37,984
Additional paid-in capital	415,321	311,765
Retained earnings	2,107,571	1,829,870
Treasury stock	(174,580)	(153,407)
Convertible bond (OCEANE) call option	6,854	22,206
Revalution and others reserves	(21,653)	(9,109)
Translation reserve	(50,194)	(70,235)
Net profit attributable to equity holders of Essilor International	394,036	382,356
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF ESSILOR INTERNATIONAL	**2,716,147**	**2,351,430**
Minority interests	21,786	14,544
TOTAL EQUITY	**2,737,933**	**2,365,974**
Provisions for pensions and other post-employment obligations	131,316	132,401
Long-term borrowings	282,222	437,617
Deferred tax liabilities	24,678	22,406
Long-term payables	2,393	2,359
NON-CURRENT LIABILITIES	**440,609**	**594,783**
Provisions	68,887	36,720
Short-term borrowings	82,929	212,835
Customer prepayments	2,866	8,611
Short-term payables	624,184	631,945
Current income tax liability	46,507	35,626
Other liabilities	144,289	143,159
Derivative financial instruments	10,897	28,480
Deferred income	8,638	8,967
CURRENT LIABILITIES	**989,197**	**1,106,343**
TOTAL EQUITY AND LIABILITES	**4,167,739**	**4,067,100**

CONSOLIDATED CASH FLOW STATEMENT

€ thousands	2009	2008
NET PROFIT	**401,866**	**388,811**
Share of profits of associates, net of dividends received	19,504	20,637
Depreciation, amortization and other non-cash items	143,400	148,886
Profit before non-cash items and share of profits of associates, net of dividends received	**564,770**	**558,334**
Provision charges (reversals)	19,724	9,810
(Gains) and losses on asset disposals, net	1,303	629
Cash flow after income tax expense and finance costs, net	**585,797**	**568,773**
Finance costs, net	13,027	(692)
Income tax expense (current and deferred taxes)	168,169	149,266
Cash flow before income tax expense and finance costs, net	**766,993**	**717,347**
Income taxes paid	(172,226)	(144,650)
Interest (paid) and received, net	(8,773)	8,607
Change in working capital	(70,656)	(84,503)
NET CASH FROM OPERATING ACTIVITIES	**515,338**	**496,801**
Intangibles assets and purchases of property, plant and equipment	(125,275)	(184,298)
Acquisitions of subsidiaries, net of the cash acquired	(128,634)	(452,879)
Purchases of available-for-sale financial assets	(24,263)	(4,673)
Purchases of other long-term financial investments	(8,071)	(11,978)
Proceeds from the sale of subsidiaries, net of cash sold	0	0
Proceeds from the sale of other non-current assets	8,889	3,799
NET CASH USED IN INVESTING ACTIVITIESs	**(277,354)**	**(650,029)**
Proceeds from issue of share capital	37,085	31,385
(Purchases) and sales of treasury stock, net	(76,096)	(112,613)
Dividends paid to:		
- Equity holders of Essilor International	(136,189)	(128,393)
- Minority shareholders of subsidiaries	(2,922)	(188)
Repayments of borrowings other than finance lease liabilities	(185,931)	177,782
Purchases of marketable securities *	(1,427)	(1,359)
Repayments of finance lease liabilities	(2,521)	(2,644)
Other movements	(536)	473
NET CASH USED IN FINANCING ACTIVITES	**(368,537)**	**(35,557)**
NET(DECREASE)-INCREASE IN CASH AND CASH EQUIVALENTS	**(130,553)**	**(188,785)**
Cash and cash equivalents at January 1	486,765	677,164
Effect of changes in exchange rates	7,690	(1 614)
CASH AND CASH EQUIVALENTS AT DECEMBER 31	**363,902**	**486,765**
Cash and cash equivalents	385,548	505,571
Short-term bank loans and overdrafts	(21,646)	(18,806)

(*) Money market funds not qualified as cash equivalents under IAS 7.