



# Internal Corporate News

*Internal Communications Department, Corporate & France*

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January 29, 2009

## **A New Year of Growth in 2008 Revenue Up 9.7% Excluding the Currency Effect Higher Earnings Expected**

Essilor International, the world leader in ophthalmic optics, today announced consolidated revenue of €3,074.5 million for the year ended December 31, 2008, representing a reported 5.7% increase on the previous year. Excluding the currency effect, growth for the year was a strong 9.7%.

After two years of robust growth, the ophthalmic optics market slowed in 2008, particularly in the final quarter. Nevertheless, Essilor gained new market share during the year by leveraging the quality of its product portfolio, the effectiveness of its networks and the more dynamic pace of its acquisitions strategy. This performance confirms, once again, the soundness of the Company's growth model.

In all, Essilor confirms that it will report higher earnings in 2008, with in particular an improvement in the contribution from operations<sup>1</sup> in value.

Despite the highly uncertain global economy, the Company expects to see a further increase in revenue at constant exchange rates in 2009. Acquisitions will play a dominant role in driving growth, as the strength of the Company's balance sheet enables it to seize a large number of opportunities.

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<sup>1</sup> Operating profit before share-based payments, restructuring costs and other non-recurring items, and goodwill impairment.

### Fourth quarter: faster acquisitions-led growth

In the fourth quarter, consolidated revenue rose by a reported 12.6% year-on-year (2.2% like-for-like) to an estimated €796.7 million. The consolidation of Satisloh and the targeted acquisitions made during the year accounted for a particularly high 8.7% of reported growth. The currency effect was positive for the first time since the beginning of the year, at 1.7%.

As the general economic environment steadily deteriorated during the quarter, the Company's business slowed worldwide, particularly in the United States where sales to optical chains declined. Operations in emerging markets continued to enjoy strong growth.

### Consolidated revenue – fourth quarter 2008

<i>€ millions</i>	<b>4th quarter 2008</b>	4th quarter 2007	% change (reported)	% change (like-for- like)	Impact from changes in scope
<b>Total</b>	<b>796.7</b>	<b>707.8</b>	<b>12.6%</b>	<b>2.2%</b>	<b>8.7%*</b>
Europe	<b>339.7</b>	330.3	2.9%	1.5%	3.1%
North America	<b>322.9</b>	281.8	14.6%	0.6%	5.5%
Asia-Pacific	<b>71.3</b>	65.9	8.2%	8.2%	2.3%
Latin America	<b>28.7</b>	29.8	-3.7%	10.9%	-
Satisloh	<b>34.1</b>	-	-	-	-

\*of which 4.8% from Satisloh

### Fourth-quarter highlights

Satisloh, the world's leading supplier of prescription laboratory equipment, has been consolidated since October 1. It reported €39.4 million in revenue for the quarter, of which €34.1 million from outside customers.

During the quarter, Essilor has acquired at least a majority interest in seven new US prescription laboratories, based across the country and representing aggregate full-year revenue of some \$60 million. Three of the companies are Varilux distributors: **Pech Optical Corp.** in Iowa (\$37 million in revenue); **SouthWest Lens Corp.** in Texas (\$5 million); and **Collard Rose Optical Laboratory** in California (\$7.5 million), which has been consolidated since July 2008. The Company also acquired all outstanding shares of **Next Generation Ophthalmics Inc.** in Minnesota (\$3.5 million in revenue), as well as a majority stake in **Dependable Optics Inc.** in New York State (around \$2 million). Lastly, Essilor acquired the assets of **Hi-Tech Optical Inc.** and **Pinnacle LLC**, two Nebraska-based labs with combined revenue of \$3 million.

**Full-year 2008: consolidated revenue up 9.7% excluding the currency effect**

€ millions	2008	2007	% change (reported)	% change (like-for-like)	Impact from changes in scope
<b>Total</b>	<b>3,074.5</b>	<b>2,908.1</b>	<b>5.7%</b>	<b>4.6%</b>	<b>5.1%*</b>
Europe	<b>1,362.3</b>	1,317.5	3.4%	2.4%	2.4%
North America	<b>1,267.9</b>	1,214.2	4.4%	5.0%	6.1%
Asia-Pacific	<b>282.9</b>	266.9	6.0%	8.6%	3.2%
Latin America	<b>127.2</b>	109.5	16.1%	17.6%	-
Satisloh	<b>34.1</b>	-	-	-	-

\*of which 1.2% from Satisloh

**Growth was driven by the following factors:**

→ A **4.6% like-for-like increase in revenue** over the year, of which 5.4% in the first half and 3.9% in the second. This increase reflected:

- 4.9% growth in the corrective lens business, led by volume gains.
- Successful new products, in particular the sixth-generation of **Transitions®** variable-tint lenses and the new **Crizal®** anti-reflective lenses.
- Around a 2% decline in instrument sales caused by the delay in launching a new-generation edger.

→ A **negative 4.0% currency effect**, primarily attributable to the decline in the US dollar, the Canadian dollar, the British pound and the Korean won against the euro.

→ A **5.1% increase from changes in the scope of consolidation (including Satisloh)**, reflecting the Company's assertive acquisitions strategy.

In 2008, Essilor completed 25 acquisitions that contributed around €93 million in revenue over the year. The largest involved Satisloh, which reported €139 million in revenue in 2008 (CHF219.4 million). Nearly two-thirds of the acquisitions were carried out in the United States. The drive concerned every region around the world, however, with transactions in Europe (Italy, the Netherlands, Germany, the Czech Republic and Bulgaria), Asia (India and Malaysia), Brazil and Canada.

**Solid growth in unit sales worldwide**

→ Demonstrated effectiveness of the multi-network strategy in **Europe (up 2.4% like-for-like)**

In a challenging market shaped by more aggressive competition, the Company's strategy of using multiple networks (Essilor, BBGR, Nikon and local distributors) enabled it to capitalize on the growing popularity of generics and increase market share by volume. Operations in Central and Eastern Europe turned in the best performance for the year.

→ A good year in **North America (up 5.0% like-for-like)**

Essilor continued to successfully expand in the United States, in particular through its network of prescription laboratories, which enjoyed growing demand from independent eyecare professionals. Economic conditions weighed on business with some of the large optical chains. Growth in Canada was supported by effective development of the product mix.

→ Growth in **Asia** was led by India, South Korea and the ASEAN countries **(up 8.6% like-for-like)**

An improved product mix drove fast growth in China and especially India during the year. Operations in South Korea and the ASEAN countries also reported a very strong performance. In Japan, Nikon-Essilor gained ground in a market that declined in value. After a difficult first-half, business in Australia turned sharply upwards in the second six months of the year.

→ An improved product mix in **Latin America (up 17.6% like-for-like)**

Operations in Brazil, Mexico and Argentina experienced strong growth thanks to rising sales of anti-reflective coatings and of progressive lenses.

**Appendix: quarterly revenue data**

€ millions	Q4 08	Q3 08	Q2 08	Q1 08	Q4 07	Q3 07	Q2 07	Q1 07
<b>Consolidated revenue</b>	<b>796.7</b>	<b>757.6</b>	<b>758.1</b>	<b>762.2</b>	<b>707.8</b>	<b>723.3</b>	<b>741.2</b>	<b>735.6</b>
<i>Europe</i>	339.7	325.5	350.7	346.4	330.3	311.3	341.2	334.5
<i>North America</i>	322.9	319.6	307.2	318.3	281.8	310.0	310.7	311.7
<i>Asia-Pacific</i>	71.3	74.6	67.9	69.2	65.9	72.3	63.3	65.3
<i>Latin America</i>	28.7	37.9	32.3	28.3	29.8	29.7	26.0	24.1
<i>Satisloh</i>	34.1	-	-	-	-	-	-	-
<b>Growth excluding the currency effect</b>	<b>10.8%</b>	<b>8.8%</b>	<b>9.0%</b>	<b>10.2%</b>	<b>10.7%</b>	<b>12.9%</b>	<b>13.1%</b>	<b>11.0%</b>

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**A conference call in French will be held today at 9:00 a.m. CET.**

The number to dial is: +33 (0) 1 70 99 42 84

The conference will be available for later listening at:

<http://hosting.3sens.com/Essilor/20090129-6ABF3746/fr/>

**A conference call in English will follow at 10:00 a.m. CET.**

The number to dial is: +44 (0) 2071 38 08 45

The conference will be available for later listening at:

<http://hosting.3sens.com/Essilor/20090129-6ABF3746/en/>

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Next financial announcement: **2008 earnings will be released on March 5, 2009.**

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