

2004

ANNUAL REPORT

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THE WORLD LEADER IN CORRECTIVE LENSES

Since 1959, when the Varilux® progressive lens and Orma® plastic lens were introduced, Essilor has been an innovation-driven company.

Over the years, we've played a major role in the successive advances that have made the corrective lens such a high value-added product.

Today, Essilor is the world leader in ophthalmic optical products with operations in more than 100 countries. This performance reflects our proactive responsiveness to changing markets and the effectiveness of our strategic vision. More importantly, however, it is nurturing our ambition and providing the resources to drive continuous improvement in each of our areas of excellence – designing and manufacturing corrective lenses and delivering products and services that enable eye care professionals around the world to offer personalized solutions that restore perfect vision.



4 R&D centers

17 plants

183 prescription
laboratories

1,600 lenses sold
every minute
around the world

25,886 employees

LETTER to SHAREHOLDERS

4
5



Philippe Alfroid : Chief Operating Officer

Xavier Fontanet : Chairman and Chief Executive Officer

2004 was a very good year for Essilor. Excluding the currency effect, our sales, operating income and net income after minority interests increased, respectively, by 10.4 percent, 15.4 percent and 18 percent. This performance demonstrated once again our ability to adapt effectively to an environment in which the competitive landscape, technology and marketing practices are all changing very quickly.

Our customers responded enthusiastically to the new products introduced and deployed during the year. 2004 will be remembered for the extraordinary surge in Crizal® Alizé™ sales, the global rollout of Varilux® Ipseo™, the first generation of progressive lenses adapted to the specific head and eye movements of individual wearers, and the growing popularity of ultra-high index materials. These successful products were the result of a research and development strategy that focuses on the design of thin, high value-added lenses with sophisticated surface features.

Geographically, significant advances were made across the globe, especially in Asia, where we enjoyed the fastest growth. In Europe, we did better than expected after successfully offsetting the forecast collapse in German demand following the phase-out of national healthcare system reimbursements for ophthalmic lenses. We continued to progress in North America, which made a large contribution to earnings growth, while in Japan, Nikon-Essilor reported faster growth, with very good margins.

Above all, 2004 justified our years of hard work in emerging markets. Thanks to fast sales growth in Asia and Latin America, where increases of more than 20 percent were reported in many countries, these markets now make a substantial contribution to sales and earnings. When Eastern Europe is included, nearly 30 percent of sales in volume are generated in these regions, where our product lineup is constantly expanding and our margins are now solid. Clearly, these markets have demonstrated their potential as powerful drivers of future growth.

We also pursued our acquisitions strategy in 2004, acquiring 12 companies with aggregate full-year sales of €78 million. Although this was fewer than in 2003, the quality of the companies joining us in 2004 attests to the capabilities we have acquired in managing joint ventures and integrating acquisitions. This expertise provides us with a significant advantage in expanding our business in addition to organic growth, which must remain strong.

To pave the way for this anticipated organic growth, last year we invested nearly 7 percent of sales in our plants and prescription laboratories. The myriad of new technologies emerging from scientific advances offers an incredible opportunity to expand our capabilities. That's why we've accepted this new challenge and launched an extensive engineering project to integrate these technological gains while shortening time-to-market.

Our leadership would be worthless if it did not enable us to improve the service we offer every day to every customer around the world. This improvement process is being led by the dedication of our teams, as well as by our sustained investment in information technology.

One of the things that make Essilor unique is that, for more than 30 years, employees have held a substantial stake in their Company.

Employee ownership is a core component of our culture, and Essilor's inclusion in the CAC 40 stock index was perceived as a great honor by all our team members. It was a tribute to our pioneering founders who laid the foundations of our Company, as well as to our employees who are committed to constantly improving Essilor around the world. As well, it was a recognition of the importance of our industry and the many partners—opticians, optometrists and ophthalmologists—who support our vision. They too should feel part of this historic event.

Our confidence in the future is rooted in the motivation of our teams, without whom we would never have risen to where we are today. Their energy, creativity and common sense are the surest guarantee of success in the years ahead.

Although created in Europe, Essilor has long been well established in the United States. More recently, we have successfully set up operations in Asia. This geographic development is an extraordinarily enriching experience for our Company and our employees, enabling all of us to enhance our skills as we expand our horizons. Thanks to the diverse talents of our people around the world, our organization has become a fabulous human and technological melting pot. Driven by this powerful trend, Essilor is evolving, adapting and preparing for the horizons that are opening before us.



Xavier Fontanet



Philippe Alfroid

CORPORATE GOVERNANCE

The Board of Directors

In 2003, the Board of Directors adopted internal rules prepared in accordance with the recommendations of the AFEP/MEDEF corporate governance report. Based on the criteria stipulated in the rules, seven of the Board's twelve members are independent, more than the required one-third minimum. Directors are elected to renewable, three-year terms.

In compliance with the rules, the Board conducted a formal assessment of its operating procedures in 2004, which found that the Board is functioning satisfactorily and that major issues were adequately prepared and discussed.

Adopted in 2003, the Directors' Charter, which describes the rights and obligations of directors, was modified in 2004 to take into account:

- 1 - The provisions of the January 28, 2003 Market Abuse Directive (2003/6/EC) on insider trading and market manipulation, which came into effect on October 12, 2004.
- 2 - The new requirement for corporate officers to disclose any trading in the company's shares by themselves and their close relations, which took effect on November 25, 2004.

In 2004, the Board of Directors met five times, with an average attendance rate of more than 86%.

The Strategy Committee

The Strategy Committee is comprised of Xavier Fontanet, Chairman, Philippe Alfroid, Michel Besson, Jean Burelle, Philippe Germond, Igor Landau, Olivier Pécoux and Bertrand Roy. Five of the eight members are independent directors. Its main mission is to support the Board by reviewing the Company's product, technology, geographic and marketing strategies.

The Committee met twice in 2004, to review strategic acquisition opportunities, the detailed quarterly consolidated financial statements (which are not released) and, with the Vice President Operations, the Company's production, logistics and engineering strategy.

The Compensation Committee

The Compensation Committee is comprised of Jean Burelle, Chairman, and Michel Besson, both independent directors. Its main purpose is to:

- Make recommendations concerning senior management compensation and stock option grants.
- Review the Company's general compensation policies.
- Assist the Chairman and the Board in preparing executive succession plans.
- Discuss the composition of the Board.

In 2004, the Committee met once to discuss the compensation of corporate officers for 2005 and the granting of stock options to senior executives, depending on shareholder-approved authorizations. The Committee presented its report to the Board on November 17, 2004.

The Audit Committee

Comprised of Yves Chevillotte, Chairman, Alain Aspect, Michel Besson, Olivier Pécoux and Bertrand Roy, the Audit Committee's role is to ensure that senior management has the resources to identify business, financial and legal risks facing the Company and to examine the procedures implemented to anticipate, analyze and manage these risks. Four out of five of its members are independent directors.

Meeting twice in 2004, and once in 2005 to review the 2004 consolidated financial statements, the Audit Committee reviewed:

- The interim and full-year financial statements.
- The impact of IFRS on the financial statements.
- The revision of the currency hedging strategy and the main impacts of IAS 39.
- The analysis of the organization and purpose of internal audits, and the options chosen to comply with France's Financial Security Act.
- The summary of the findings of the internal audits conducted in 2004 and the audit plan for 2005.

The BOARD of DIRECTORS

FOUNDING CHAIRMEN

René GRANDPERRET - Alternating Chairman from 1972 to 1980

Anatole TEMKINE - Alternating Chairman from 1972 to 1980

HONORARY CHAIRMEN

Bernard MAITENAZ - Chairman from 1980 to 1991

Gérard COTTET - Chairman from 1991 to 1996



Xavier Fontanet
Chairman and Chief Executive Officer
(1996-2007)

Xavier Fontanet, 56, is Chairman and Chief Executive Officer of Essilor. He began his career as Vice President of the Boston Consulting Group and was appointed Chief Executive Officer of Bénéteau in 1981. He managed food service operations for the Wagons-Lits Group from 1986 until 1991, when he joined Essilor as Chief Executive Officer. He has been Chairman and Chief Executive Officer since 1996.



Michel Besson
Independent Director
(1997-2006)

Michel Besson, 70, was Executive Vice President of Compagnie de Saint-Gobain from 1994 until his retirement in December 1997. He joined Saint-Gobain in 1962 and was appointed head of the Paper/Wood division in 1976. In 1980, he moved to the United States where he served as Chairman of Certainteed Corp., the Norton Company and, from 1990 to 1996, Saint-Gobain Corp.



Philippe Germond
Independent Director
(2001-2006)

Philippe Germond, 48, was Deputy Chief Executive Officer and a Member of the Executive Committee of Alcatel from 2003 until April 2005. He started his career with Hewlett Packard in France and abroad, before joining SFR, serving as Chief Executive Officer beginning in 1995 and Chairman and Chief Executive Officer beginning in 1997. He was appointed Chairman and Chief Executive Officer of Cegetel in 2000.



Jean-Pierre Martin
Director representing
employee shareholders
(2004-2005)

Jean-Pierre Martin, 54, joined Essilor in 1972. After several years in instruments production and the prototypes workshop, he was made a shop manager in 2000.



Philippe Alfroid
Chief Operating Officer
(1996-2005)

Philippe Alfroid, 59, is Chief Operating Officer of Essilor. He began his career with PSDI in Boston before joining Essilor in 1972. He has held executive positions in different operational departments, including contact lenses and frames. He was appointed Vice President Financial Control in 1987 and promoted to Chief Financial Officer in 1991. He was appointed Chief Operating Officer in 1996.



Jean Burelle
Independent Director
(1997-2006)

Jean Burelle, 65, has been Chairman and Chief Executive Officer of Burelle SA since 2001. He began his career with L'Oréal and joined Burelle-Plastic Omnium in 1967, serving as division Director, then Director of Development and, beginning in 1981, Chairman and Chief Executive Officer. In 1987, he was appointed Chairman and Chief Executive Officer of Plastic Omnium SA and Vice Chairman and Chief Executive Officer of Burelle SA.



Igor Landau
Independent Director
(2001-2006)

Igor Landau, 60, was formerly Chairman of the Aventis Management Board and, since the merger with Sanofi in August 2004, has been a member of the Sanofi-Aventis Board of Directors. He began his career with McKinsey & Co. in Paris. In 1975, he joined Rhône-Poulenc's health care division, of which he was named President in 1980. Appointed Rhône-Poulenc Chief Executive Officer in 1992, he became a member of the Aventis Management Board in 1999 and was elected Chairman in 2002.



Olivier Pécoux
Independent Director
(2001-2006)

Olivier Pécoux, 46, joined Rothschild & Cie in 1991. Today, he is a Managing Partner, sharing responsibility for the Group's investment banking business in Europe. He began his career at Peat Marwick and then served as a financial advisor at Schlumberger in Paris and New York. In 1986, he joined Lazard Frères in Paris and was named Vice President of the investment bank's New York office in 1988.



Alain Aspect
Independent Director
(1997-2005)

Alain Aspect, 57, is head of research at France's National Scientific Research Center (CNRS) and a professor at the Ecole Polytechnique engineering school. Since 1993, he has managed the Atom Optics group at the Optics Institute in Orsay, France. Before then, he conducted experiments on the quantum properties of light (1974-1984) then on the laser cooling of atoms (1985-1993).



Yves Chevillotte
Independent Director
(2004-2007)

Yves Chevillotte, 61, was Executive Vice President of Crédit Agricole SA from 2002 until his retirement in 2004. He joined Crédit Agricole in 1969 and was appointed head of the bank's regional branches in 1985. In 1999, he joined the national office as Executive Vice President for Market Development.



Louis Lesperance
Director representing
employee shareholders
(2004-2007)

Louis Lesperance, 46, has been head of production for Essilor laboratories in British Columbia and Alberta since 2000. After joining Essilor Canada Ltd. in 1977, he served first as head of the surfacing plant, then of the entire Montreal production facility.



Bertrand Roy
Director representing
employee shareholders
Chairman of the Valoptec Association
(2001-2005)

Bertrand Roy, 49, has been head of Essilor France since 1999. After ten years with Renault, he joined Essilor in 1987 as head of planning and financial control before moving to Essilor of America as Senior Vice President Administration, in charge of finance, logistics and information systems. He was appointed Chief Executive of Transitions Optical Inc. in 1992.

The **EXECUTIVE COMMITTEE**

Chaired by Xavier Fontanet, the Executive Committee is made up of senior corporate and operational executives, who have either worldwide responsibility in, for example, research and development or series production, or regional responsibility for a major market, such as Europe, North America, Latin America and Asia.



Fabienne Lecorvaisier
Chief Financial Officer

Philippe Alfroid
Chief Operating Officer



Jean-Luc Schuppiser
Vice President, Research
and Development

Bertrand de Limé
Executive Vice President
Vice President, Europe

Didier Lambert
Vice President, Information Systems



Hubert Sagnières
President, Essilor of America

Carol Xueref
Vice President, Legal Affairs
and Corporate Development



Thierry Robin
Vice President, Strategic Marketing

Claude Brignon
Vice President, Operations

The Executive Committee meets once a month to review the short-term performance of the Company and its businesses.

It also reviews medium and long-term forecasts and objectives and recommends appropriate action plans.



Patrick Cherrier
Vice President, Asia

Xavier Fontanet
Chairman and Chief Executive Officer



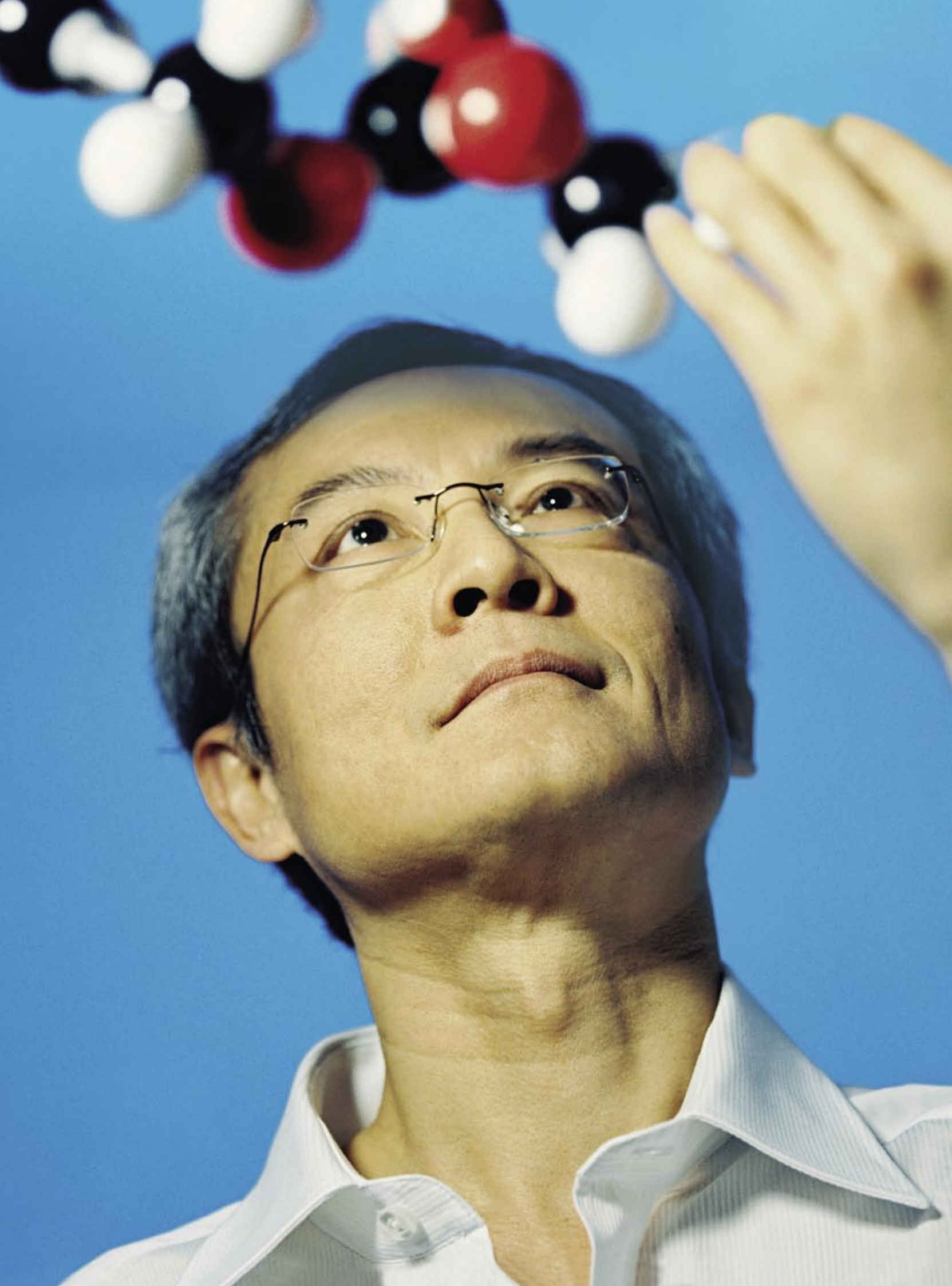
Olivier Mathieux
Vice President, Latin America

Henri Vidal
Vice President, Human Resources



A SUSTAINABLE GROWTH MODEL

Our organic growth is being spearheaded by innovation, which is sustaining our leadership of the global ophthalmic lens market.



A close-up, profile view of a woman's face, looking upwards and to the right. She is wearing round, dark-rimmed glasses. The image is the background for the entire page.

A STRATEGIC FOCUS on GROWTH

12
13

Essilor has gradually achieved global leadership in ophthalmic optical products, thanks to a consistent, determined strategic focus on a single business-corrective lenses. Year after year, our strategic objectives remain the same: to broaden and deepen our global positions, deliver regular earnings growth and reaffirm our long-term viability to customers and shareholders.

Essilor's strategy is built on two major foundations: innovation to drive organic growth and carefully controlled international expansion to respond to the needs of eye care professionals around the world.

Innovating to Outpace the Market

Our research and development strategy is based on observing and anticipating the behavior of lens wearers. Because lens wearers are increasingly sensitive to visual comfort and technological innovation, we have enhanced the value added in our lenses by regularly increasing the R&D budget, which now represents nearly 5% of sales.

Progress has been steady over the years since the invention of the Varilux® corrective lens and the Orma® plastic lens in 1959. Strong, lightweight plastic lenses have gradually replaced glass lenses, while lens performance has improved thanks to increasingly sophisticated surface treatments resistant to scratching, smudging and reflected glare. Our growth has been led by these deep market trends, which we have largely helped to spark with our innovation strategy. This capacity for continuous renewal is why 30% of our sales are generated from products that are less than three years old.

Ophthalmic lenses still offer considerable potential for innovation. In the coming years, we expect to continue making advances, especially in the area of surface treatments and lens personalization.

At the same time, we are expanding our technological intelligence capabilities. We have always taken a keen interest in technological advances developed by ophthalmic lens manufacturers and other companies. Examples include the expertise in the manufacture of polycarbonate materials acquired from Gentex; Transitions Optical Inc., the joint partnership created with chemicals company PPG Industries to produce photochromic lenses; the alliance in Japan with Nikon, an expert in high refraction index lenses; and the acquisition of manufacturers of polarized sun lenses. At the same time, our research teams are increasingly working on processes from other industries, including microelectronics, mechanical engineering, nanotechnologies and bio-industry. One example is the partnership forged in 2004 with France's National Scientific Research Center (CNRS) and the University of Toulouse. In this way, we're developing a solid capability for integrating new technologies that improve lens performance and expand the product lineup.

Strengthening our International Presence

Essilor is enhancing its presence in regions with high growth potential. Today, nearly 90% of sales are generated outside France, our home market. In Western Europe and the United States, our already solid positions have been further strengthened with the introduction of a growing number of high valued-added lenses.

Expansion has also been stepped up in Eastern Europe, Latin America, India and other parts of Asia through solutions adapted to their sizeable, largely unmet needs for corrective lenses. Through subsidiaries or partnerships, competitive products have been developed in response to demand and average income in these markets. Examples include the partnership with South Korea's Samyung Trading Co. Ltd., which will supply China in addition to its domestic market, and the creation of a prescription laboratory network in India, the region's other very large country.

We have also strengthened distribution networks to opticians in our host regions. To serve more than 200,000 opticians around the world, we are actively integrating our production chain, from upstream plants that mass produce lenses to downstream laboratories that finish and personalize the final product. The primary objective is to be able to adapt the products and services portfolio to the specific needs of each optician, whether they are independent, member of a central purchasing organization or part of an integrated optical chain.

We are therefore strategically committed to strengthening our positions, mainly by acquiring prescription laboratories-opticians' preferred partners. Around 30 laboratories have been acquired in the past two years and this strategy will be pursued in the years ahead, with the goal of establishing, all around the world, a network of local prescription laboratories capable of delivering personalized lenses and services.

WORLDWIDE BENCHMARK BRANDS

Essilor's innovation strategy would be inconceivable without powerful brands that consistently deliver superior performance and quality. These brands symbolize our commitment to opticians and to everyone who wants to recover perfect vision.

VARILUX®

By focusing the product development process sharply on wearer needs, Varilux® has been the leading progressive lens brand since its introduction in 1959. By 2004, more than 300 million Varilux® lenses had been sold worldwide, led by the deployment of the Varilux® Ipseo™ lens and the rollout of the latest generation Varilux® Ellipse™ and Varilux Liberty™ lenses.

The Varilux® lineup now comprises a comprehensive range of progressive lenses capable of meeting every wearer's needs. These include "personalized" solutions provided by the Varilux® Ipseo™ lens for demanding customers looking for a unique, customized, contemporary product.

There are also "universal" products, such as the Varilux® Panamic®, Varilux® Ellipse™, Varilux Comfort® and Varilux Liberty™ lenses, which target a wider range of consumers with multifunctional solutions for daily use and deliver optimal visual comfort in all situations.

Lastly, there are "specialty" solutions, comprising the Varilux® OpenView™ and Varilux® Polarized lenses, for users who need corrective sun lenses.



Advertising for the Varilux® Ellipse™ in Japan.

Crizal®

Since its launch in 1993, the Crizal® anti-reflective, scratch-resistant, smudge-proof coating has become the benchmark for lens wearers demanding clear vision. The coating's main advantage is that it eliminates glare, making lenses perfectly transparent. In 2003 and 2004, however, the brand was strengthened with the launch and global deployment of Crizal® Alizé™, the third generation of Crizal® lenses, developed using nanotechnologies that prevent water and fingerprints from sticking, making the lenses more smudge-resistant and easier to clean. Crizal® Alizé™ represents a distinct competitive advantage in the growing market for anti-reflective coated lenses.



**It's incredible what you miss
when you're always cleaning your glasses.**

New **Crizal Alizé** eyeglass lenses by Essilor. Finally, reflection free lenses that are virtually care free.

Crizal Alizé

www.essilor.com

A print advertisement for Crizal® Alizé™ in Canada.



**How well your patients see in the future
depends on the lenses you recommend today.**

Recommend TRANSITIONS LENSES
Protect your patients' eyes all day, every day.

PROTECT EYE HEALTH: UV radiation can cause serious diseases such as macular degeneration and cataracts. Transitions Lenses block 100% of the sun's harmful UV rays.

• **OPTIMIZE VISUAL QUALITY:** Too much or too little light diminishes contrast. Transitions Lenses help your patients see clearly by improving visual contrast in all light conditions.

• **ENHANCE VISUAL COMFORT:** Glare decreases visual acuity, causing squinting and eye fatigue. Transitions Lenses effectively reduce glare, performing even better when combined with an anti-reflective coating.

Help your patients make the healthy choice for their eyes, recommend Transitions Lenses today.

Transitions
Healthy sight in every light™

www.transitions.com

Advertising for Transitions® in the United States.

Transitions®

Transitions® is the brand of Transitions Optical, Inc., a joint partnership created in 1990 by Pittsburgh, Pennsylvania-based PPG Industries and Essilor International that employs over 1,000 people worldwide. Variable-tint Transitions® lenses contain photochromic pigments that darken the lens when exposed to sunlight, blocking UVA and UVB radiation, and make it clear again once the radiation declines. This photochromic effect makes the lenses very comfortable to wear and protects the eyes from harmful UV radiation. The fifth-generation Transitions® lens made of 1.67 very high-index and polycarbonate materials was launched in early 2005.



Varilux® is a registered trademark of Essilor International.

“I WILL
OPEN FOR
INDIA
AGAIN.”



Introducing
Varilux® Progressive Lenses for
your spectacles. Stay young.

Presbyopia affects you as you age naturally. Especially after forty. Of course there are bifocal lenses and reading glasses to correct it, but they have a downside. Bifocals have a visible separation line, forcing an abrupt transition and proving to be an obstacle to clear vision. Reading glasses on the other hand cater just to the near vision problem. Worst of all, they both give away your age, making you look and feel old.

Fortunately there's Varilux from Essilor, France, the inventors of the progressive lens. Years of research have made for a revolutionary lens that enables sharper vision at all distances. And that too with a comfortable head posture, without an annoying dividing line. Varilux also makes you look a lot younger. And feel the same. You can now look at life, the way you once used to. Visit your optician today.



VARILUX®
only from **ESSILOR**

www.essilorindia.com

Essilor chose Kris Srikkanth, former captain of the cricket Indian team, to be its Varilux® ambassador in India in 2004 and 2005.

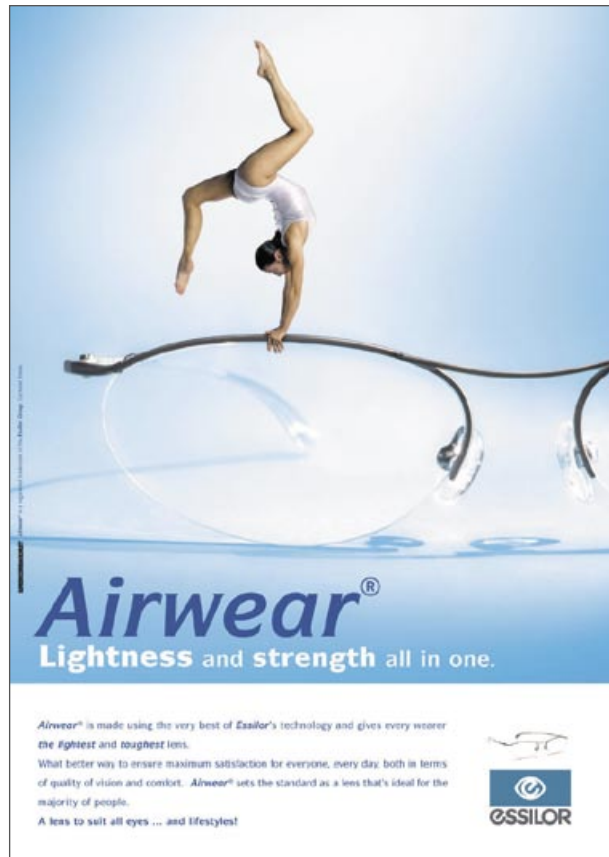


In 2000, Nikon and Essilor created Nikon-Essilor Co. Ltd., an equally-owned Japanese company that consolidates our operations in Japan (including domestic rights to the Varilux® brand) with Nikon's ophthalmic optics assets, including worldwide rights to Nikon® lenses. The partnership is dedicated to strengthening the presence of the Varilux® brand in Japan and to developing the Nikon® brand and products, especially high refraction index lenses, high-performance surface coatings and innovative designs that benefit from Nikon's expertise in precision optics.

In 2004, the joint venture introduced the Nikon Presio W, the first double-sided progressive addition lens implementing an aberration filter. The Essilor product range was also enhanced with the addition of Fusio™, a plastic lens with a very high refraction index of 1.74, co-developed by Nikon and Essilor.



The Nikon® ad campaign in Europe.



Advertising for Airwear® in the United Kingdom.

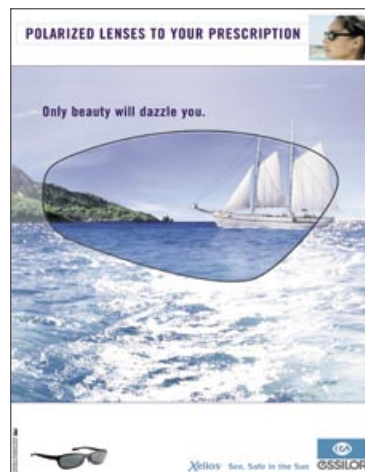
Airwear®

The Airwear® polycarbonate lens represents an important innovation in optics. Twelve times more resistant and twice as light as conventional plastic products, these unbreakable lenses are used for NASA astronaut and fighter pilot helmet visors. They offer all the benefits that wearers expect from their lenses, including comfort, style, impact-resistance, UV protection, durability and visual acuity.

Introduction of the Xelios™ Sun Lens Brand

The Sun Lens Division was created in 2003 in a commitment to enhancing our presence in the sun lens segment. In 2004, the Xelios™ umbrella brand was introduced for our entire range of corrective sun lenses, including polarized lenses (Physiotints®, Varilux® OpenView™) for wraparound frames and Silver Shadow flash mirror tinted lenses.

A poster for Xelios™ in the United Kingdom: a new generation of polarized lenses.



IMPROVED EARNINGS

5.8% Average Organic Growth over the Past Ten Years

Organic sales growth amounted to 5.8% in 2004, while companies acquired in 2003 and 2004 added 4.6%, contributing €96.5 million in sales. Excluding a 3.6% negative currency effect, sales rose 10.4% for the year. A 3.7% increase in unit sales also drove further market share gains.

All regions contributed to sales growth, especially Asia.

In North America, Canada and the United States both reported very good results. As demand for ophthalmic lenses continued to recover, Essilor gained new market share, led by new products and strong business development initiatives.

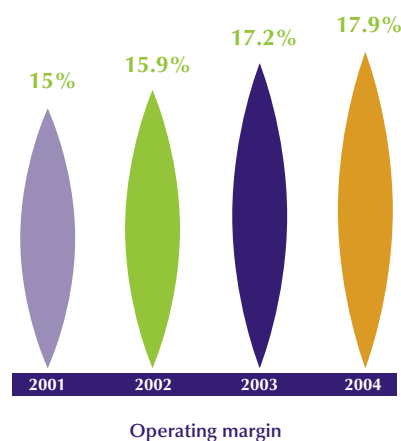
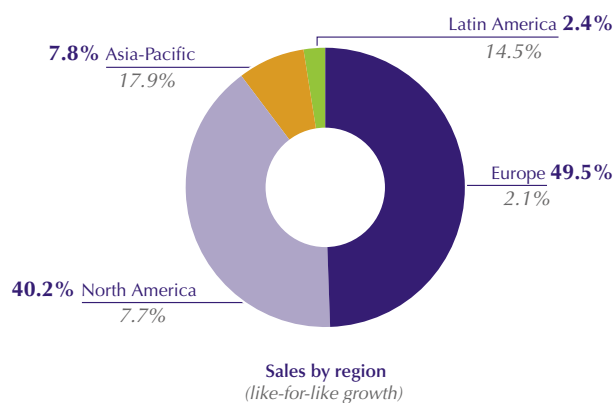
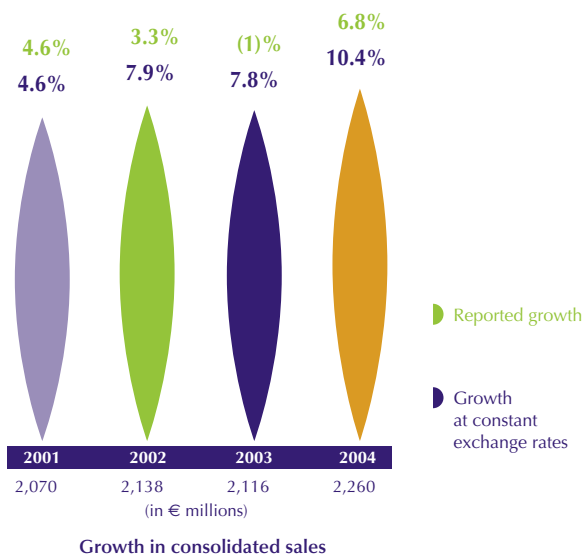
Europe felt the effects of the collapse of the German market following the January 1, 2004 phase-out of national healthcare system reimbursements for ophthalmic lenses. Excluding Germany, like-for-like sales increased by 7.6% in Europe, driven by excellent results in France, the United Kingdom and the countries of Eastern and Southern Europe.

The Asia-Pacific region reported the fastest growth, notably in Japan, where Nikon-Essilor increased its market share, and in emerging markets like China and India, where we significantly strengthened our positions. Lastly, in Latin America, sales improved in Brazil, Argentina and the region's other markets.

Operating Margin at an All-Time High

Operating margin widened by 0.7 points to 17.9%, thanks to:

- A solid gross margin of 60.3%, despite the impact of recently acquired companies.
- Disciplined control over operating costs.
- An increase in profitability in every region, especially the United States.
- An improvement in results from Transitions Optical Inc.

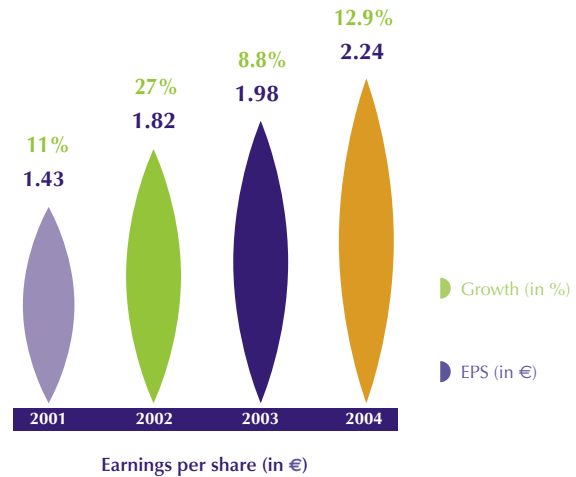


12.9% Increase in Earnings Per Share

Net income before minority interests rose to €227.8 million representing 10.1% of sales versus 9.5% in 2003. Net income came to €227.1 million, an increase of 13.4%.

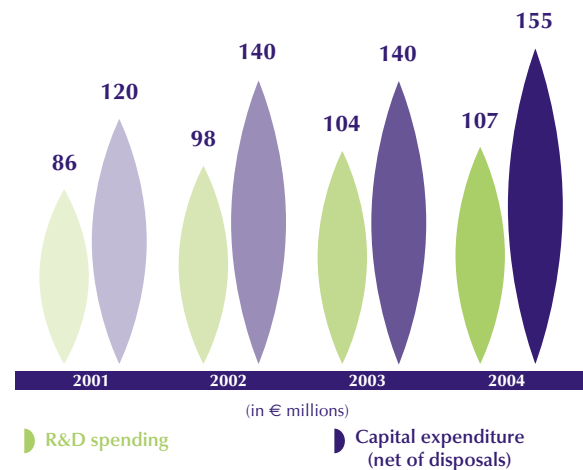
The steady growth in earnings per share reflects the Company's improving profitability and measures to limit the increase in the number of shares outstanding.

Return on equity widened to 17%, compared with 16.6% in 2003.



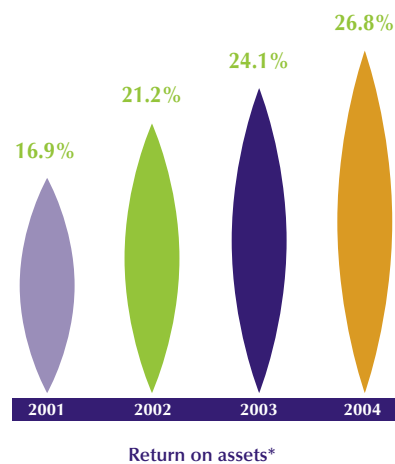
Selective Capital Expenditure

Nearly 5% of sales were allocated to research and development and 6.9% to capital expenditure. Capital outlays were primarily concerned with projects to increase production capacity to keep pace with demand, notably for lenses made of 1.67 index material, and to increase anti-reflective coating capacity in prescription laboratories.



A Stronger Financial Situation

Improved margins, our solid performance and stable working capital helped reduce net debt by €131.3 million, resulting in a net cash position of €34 million at December 31, 2004, equivalent to 3% of shareholders' equity. Thanks to disciplined management of working capital, return on assets* has increased in each of the past five years despite sustained capital expenditure.



* EBIT to net assets

A SOCIAL and ENVIRONMENTAL COMMITMENT

Sustainable development is an integral part of our strategic vision and is intrinsically linked to our business performance. At Essilor, sustainable development has been seamlessly integrated into a commitment to improving the Company's long-term performance and to reporting results, fully and transparently.

The scope of sustainable development reporting was expanded in 2004.

Under France's corporate governance act (loi NRE), the social and environmental data disclosed in the annual report primarily concern companies incorporated in France (i.e. the parent company). Aware of the need for more extensive data, we decided to gradually extend the reporting base beyond the legally defined minimum core to include virtually all of our consolidated units. This process was initiated in 2003, when Essilor's first sustainable development report was published. As a benchmark, we selected the Global Reporting Initiative (GRI) indicators that were deemed most meaningful for our business. In 2004, the reporting system for these non-financial indicators was integrated into the information system, using the same application as for financial reporting.

Environmental Responsibility

Pursuing the ISO 14001 and OHSAS 18001 certification processes.

Although our business has only a limited impact on the environment, we've long been voluntarily involved in accurately gauging the effects, however slight, of our operations, based on the ISO 14000 standard. Building on this underlying principle, 15 of our upstream production facilities are implementing ISO-14001 environmental management systems and OHSAS-18001 health and workplace safety management systems.

Plants certified (total)	2003	2004	2005 ^(e)	2006 ^(e)
ISO 14001	8	13	15	
OHSAS 18001	5	7		15

(e) estimates.

Responsibility to Employees

Sharing and enhancing skills as we expand across the planet.

Essilor is a highly diversified company, with more than 25,800 employees around the world and certain processes, such as production and R&D, are already entirely globalized. To facilitate the cross-border management of all our skills and expertise, a new human resources organization was introduced in 2002, while international seminars are regularly organized to support change and promote cross-fertilization. One example was the second "Worldwide Rx Benchmarking Meeting" held in 2004 outside Toronto for more than 70 prescription laboratory employees from Asia, North America, Latin America and Europe.

In addition, the practice of assigning multicultural teams to manage projects is now in wide use across the organization. For more than seven years, new product development has involved cross-functional teams, led by the New Product Projects Unit in the Research and Development Department.

Promoting employee share ownership: an Essilor cornerstone.

A significant number of Essilor employees are responsible shareholders, who are independently represented and led by the Valoptec Association, a French non-profit association. Our largest shareholder, Valoptec is comprised of 2,569 employees from around the world, who at year-end 2004 held a combined total of more than 15% of voting rights.

More than 6,000 of the group's employees own Essilor shares through one of a number of other corporate savings plans.

Successfully supporting employees of the recently closed Park Street plant.

In a global enterprise like Essilor, new businesses are constantly being created, while older ones are being phased out. The closing of the Park Street plant in St. Petersburg, Florida was both an economic necessity and part of a commitment to rationalizing and improving the organization. The closure process was spread over three years and managed with a great deal of professionalism and understanding by our US teams, with all 500 concerned employees benefiting from outplacement services.

Corporate Social Responsibility

Demonstrating the correlation between vision and development.

Essilor's products and services for eyecare professionals are in themselves an expression of sustainable development values. Ophthalmic lenses facilitate access to education, understanding and culture. As a result, integrating the concept of sustainable development into our corporate strategy means realizing that good eyesight is important to the development of a society and its people, that the deployment of vision-testing resources needn't be costly or complicated, and that a pair of glasses is the easiest, most efficient and cost effective way to improve vision. That's why we support the development of eyecare specialist networks in all our host countries, including those with the greatest potential for long-term growth.



In 2004, Essilor and UNESCO joined forces to organize the first international forum in observance of World Sight Day.

Entitled "Vision and Development: Changing our View," the forum explored the inter-relationship between vision and development, taking both terms in the broadest sense, with the goal of raising awareness of the link among UNESCO delegates. The forum brought together social and healthcare professionals and representatives from civil society as well as artists from a number of countries to discuss how sight influences learning and socializing and how educating our visual perception impacts the way we relate to the world.



The alliance with UNESCO was in line with our other results-oriented partnerships. In 2004, for example, **Helen Keller International presented Essilor with the Spirit of Helen Keller award, in recognition of our support for child blindness prevention programs in Mali.** Founded in 1915, Helen Keller International (HKI) is one of the oldest non-profit organizations involved in the area of preventable blindness. Essilor also supports HKI's Childsight® programs in the United States and Mexico. In addition, Essilor do Brasil, Helen Keller International and The Lions Club have created the Varilux® Vision Institute, an eyecare consumer information and education center.

Sustainable Development Indicators

Environmental Indicators

The expanded 2004 scope of reporting covers the parent company (also included in 2003), 15 production facilities (13 in 2003) and 13 prescription laboratories (none in 2003). The percentage that the scope covers is calculated by dividing the number of employees working on the sites reporting data by the total number of employees. **On this basis, the 2004 scope of reporting was 49%.**

GRI ENVIRONMENTAL INDICATOR	SELECTED INDICATOR	2003	2004 comparable scope	2004 expanded scope
EN 1 Total raw materials use other than water, by type. <i>Note: data rounded up to the nearest hundred. Concerns only production sites.</i>	Total raw materials use other than water, by type. > Standard raw materials > Other raw materials	4,300 T 4,700 T	4,500 T 5,400 T	4,500 T 5,400 T
EN 3 Direct energy use segmented by primary source.	Direct energy use segmented by primary source > Electricity > Gas > Liquid fuel	250.3 GWh 35.9 GWh 3.1 GWh	229.6 GWh 33.5 GWh 2.5 GWh	268 GWh 33.9 GWh 2.9 GWh
EN 5 Total water use.	Total water use	1,727,820 cu.m	1,929,492 cu.m	2,167,399 cu.m
EN 7 Description of the major impacts on biodiversity associated with activities and/or products and services in terrestrial, fresh-water and marine environments.	Description of the major impacts of activities on biodiversity.	No reported impact. As part of the ISO 14001 certification process, measures have been taken to prevent and avoid any harm to the biological balance, natural environment and protected animal and plant species, wherever environmental studies indicate the existence of even a minor risk.		
EN 11 Total amount of waste by type and destination.	> Total quantity of solid waste > Number of sites that sort waste	6,571 T 89%	6,308 T 92%	7,947 T 89%
EN 13 Significant spills of chemicals, oils and fuels in terms of total number and total volume.	> Significant spills of chemicals, oils and fuels > Sites equipped with retention equipment	0 74%	0 79%	0 76%
EN 14 Significant environmental impacts of principle products and services.	Products that have a significant impact on the environment	Using materials and technological processes that break with the industry's traditional methods, Airwear® lenses are made with optimized formula thermoplastics that are recyclable. Their refraction index makes it possible to produce a thinner, lighter lens that nonetheless offers outstanding impact resistance. Airwear® lenses pave the way for used lens recovery and recycling systems each time new lenses are delivered by eyecare professionals.		

Social Indicators

The expanded 2004 scope of reporting covers the parent company (also included in 2003), 15 production facilities (13 in 2003) and 13 prescription laboratories (none in 2003), Essilor of America and Essilor Canada (not included in 2003). The percentage that the scope covers is calculated by dividing the number of employees working on the sites reporting data by the total number of employees. **On this basis, the 2004 scope of reporting was 71%.**

GRI SOCIAL INDICATORS	SELECTED INDICATOR	2003	2004 comparable scope	2004 expanded scope
LA 1 Breakdown of workforce, where possible, by region/country, status (employee/non-employee), employment type (full time/part time), and by employment contract (indefinite or permanent/fixed term or temporary) (...)	Breakdown of workforce <ul style="list-style-type: none"> > Women > Men > Total 	5,357 (57%) 3,932 (43%) 9,289	5,474 (57%) 4,153 (43%) 9,627	10,210 (56%) 8,092 (44%) 18,302
LA 3 Percentage of employees represented by independent trade union organizations or other bona fide employee representatives broken down geographically OR percentage of employees covered by collective bargaining agreements broken down by region/country.	Employee representation	Employees are represented by a variety of organizations: In Brazil, the Union of Glass, Crystal, Mirrors, Ceramic Wares and Porcelain Industry Workers in Manaus. In China, the Trade Union Committee. In India, Karmika Sangha. In Ireland, the Services, Industrial, Professional, and Technical Union. In the Philippines, the Confederation of Filipino Workers. On these and other sites, various Employee, Activity, Welfare, Safety, Communication and Factory Committees.		
LA 7 Standard injury, lost day, and absentee rates and number of work-related fatalities (including subcontracted workers).	Industrial accidents <ul style="list-style-type: none"> > Lost-time accidents > Accidents without lost time > Days lost > Absentee rate 	207 37 3,543 4.7%	123 122 2,758 4.2%	198 374 4,634 4.1%
LA 9 Average hours of training per year per employee by category of employee. * Excluding Essilor of America and Essilor Canada.	Training <ul style="list-style-type: none"> > Number of hours for operators* > Number of hours for managers* 			178,868 66,813
HR 4 Description of global policy and procedures/ programs preventing all forms of discrimination in operations, including monitoring systems and results of monitoring.	Description of policy prohibiting all forms of illegal discrimination in the company.	Essilor and its subsidiaries respect the fundamental conventions of the International Labour Organization regarding discrimination, freedom of association, child labor and forced labor. Compliance with these conventions is ensured by global coordination of human resources at the Executive Committee level, supported by correspondents in the regions or businesses, as well as by the gradual deployment of a sustainable development reporting system covering these indicators.		
HR 5 Description of freedom of association policy and extent to which this policy is universally applied independent of local laws, as well as description of procedures/programs to address this issue.	Description of policy regarding freedom of association.			
HR 6 Description of policy excluding child labor as defined by ILO Convention 138 and extent to which this policy is visibly stated and applied, as well as description of procedures/programs to address this issue, including monitoring systems and results of monitoring.	Description of policy prohibiting child labor.			
HR 7 Description of policy to prevent forced and compulsory labor and extent to which this policy is visibly stated and applied, as well as description of procedures/programs to address this issue, including monitoring systems and results of monitoring See ILO Convention 29, Article 2	Description of policy designed to prohibit forced labor.			

FAVORABLE MARKET TRENDS

Glasses are the principle means of correcting vision for three out of four wearers worldwide. The market for ophthalmic lenses is estimated at 800-850 million units a year, of which 90% are replacement products. Following a flat 2003, in 2004 the market moved back in line with its long-term trend of 1.5-2% annual growth in volume. For lens manufacturers, this represents total sales of €7-9 billion a year.

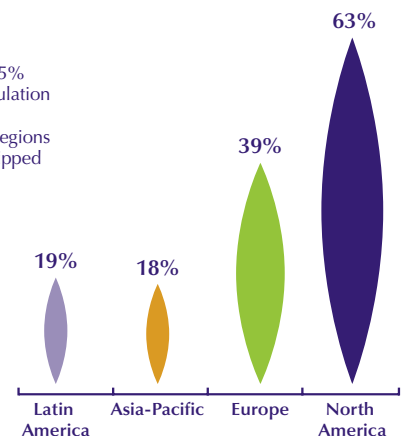
Potential Growth in Volume

Growth reservoirs: Eastern Europe, Latin America and Asia.

Of a global population of more than six billion people, an estimated four billion, or 65%, need corrective lenses, although only 1.5 billion (24%) wear glasses. This percentage varies from one region to another. People in North America, Japan, Australia and Western Europe are generally well equipped, but a high proportion of the population in Eastern Europe, Latin America and Asia are still in need of correction. These countries represent a major source of growth for Essilor in the years ahead.

Percentage of the population with corrective eyewear

With an average 65% of the world's population in need of optical correction, many regions are still under-equipped



People over 45 represent a growing percentage of the population.

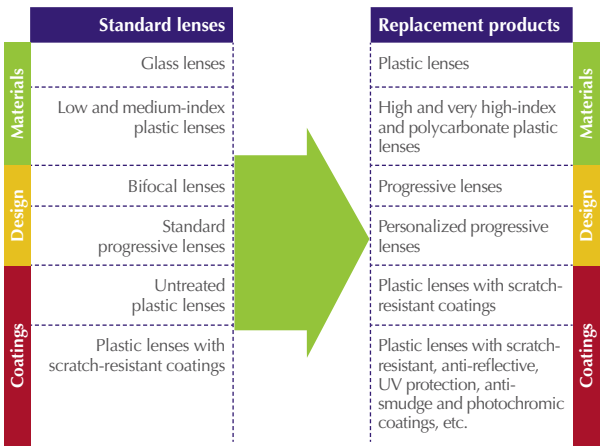
Today, 23% of the world's population is over 45, but by 2025, that figure is expected to increase to 31% of a total population of eight billion. Nearly everyone over 45 develops presbyopia, a physiological condition caused by the natural aging of the eye, which is corrected mainly by wearing progressive lenses.

The worldwide market for corrective lenses

	Single vision lenses	Bifocal lenses	Progressive lenses
Worldwide market share	75%	13%	12%
Description	Identical correction regardless of vision distance	Two separate correction areas for near and distance vision	Clear, accurate vision at all distances
Correction	Ametropia (hyperopia, myopia and astigmatism)	Presbyopia	Presbyopia

Much Faster Growth in Value-Added Lenses

While the market as a whole is expanding by roughly 3-4% a year in euro terms, the high value-added segment in which Essilor is positioned is experiencing much faster growth. These products, which include progressive, antireflective, polycarbonate and high-index lenses, are intended mainly for developed markets but also for a number of emerging countries whose economic development is driving the rapid replacement of early generations of lenses.



Materials: rising demand for plastic lenses.

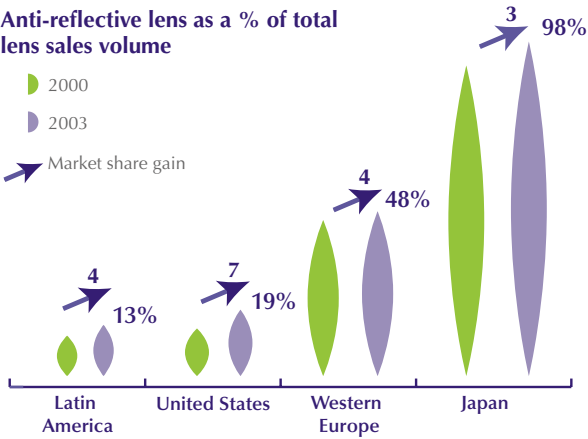
Year after year, glass lenses are giving way to plastic lenses. Similarly, low and medium index lenses (LI-MI) are gradually being replaced by lenses made of more resistant polycarbonate and high and very high-index materials (HI) that allow for thinner lenses.

Design: progressives are replacing bifocals.

More comfortable and efficient, progressive lenses are gradually replacing bifocals and trifocals for the correction of presbyopia. The segment is expanding rapidly, albeit with regional differences. Progressives already account for more than 95% of multi-focal lens sales in Japan, although still only 49% in the United States and less than 30% in the Asia-Pacific region as a whole.

Coatings: growing popularity.

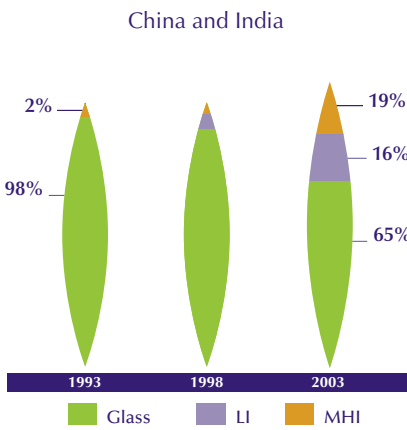
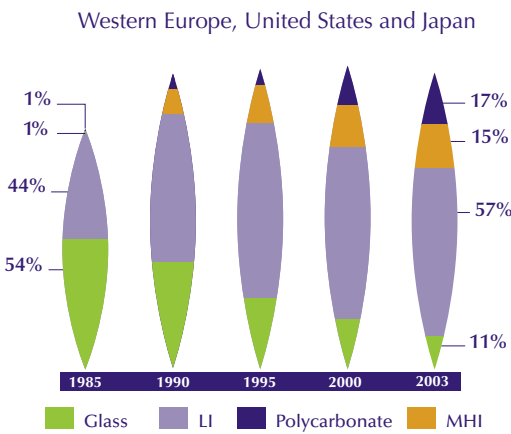
Special coatings are being applied to more and more lenses, mainly to enhance anti-reflective properties and smudge resistance. While only a third of all lenses sold today have anti-reflective coatings, Japan leads the way with 98%. Sales of anti-reflectives are expanding quickly around the world, especially in the United States, where the market still enjoys significant growth potential.



Sun lenses: a promising market.

Customer demand for fashionable eyewear that also provides a high level of protection is driving annual growth of nearly 12% in the corrective sun lens segment.

Lens sales by material (in volume)





Essilor has built an integrated production chain, from plant to prescription laboratory, in a commitment to delivering competitive quality around the world.

A close-up photograph of a person's hand holding a magnifying glass. The hand is positioned in the center-right of the frame, with the thumb and index finger gripping the handle of the magnifying glass. The lens of the magnifying glass is held up, reflecting light. The person is wearing a light blue long-sleeved shirt and a silver-toned metal link bracelet on their wrist. The background is a light blue surface with various mechanical components, including what appears to be a transparent protective cover over some internal wiring or machinery. The overall lighting is bright and even.

CHALLENGES for the FUTURE

INNOVATING to ADD VALUE

Innovation is the foundation of our organic growth and a key priority in our commitment to outperforming the market.

Organic growth has averaged more than 5% a year over the past ten years.

In 2004, nearly 5% of sales were allocated to research and development, the highest rate in the ophthalmic lens industry.

Major technological innovations have emerged from our research laboratories.

Every year, important improvements have been made to corrective lenses, transforming them into high-tech products. Essilor has played a significant role in all these improvements and, indeed, has been the initiator of most of the innovations that have reshaped the industry over the past half-century:

1959 : The first Varilux® progressive lens and the Orma® 1000 plastic lens.

1976 : The first Varilux® plastic lens.

1991 : The first Transitions® photochromic lens.

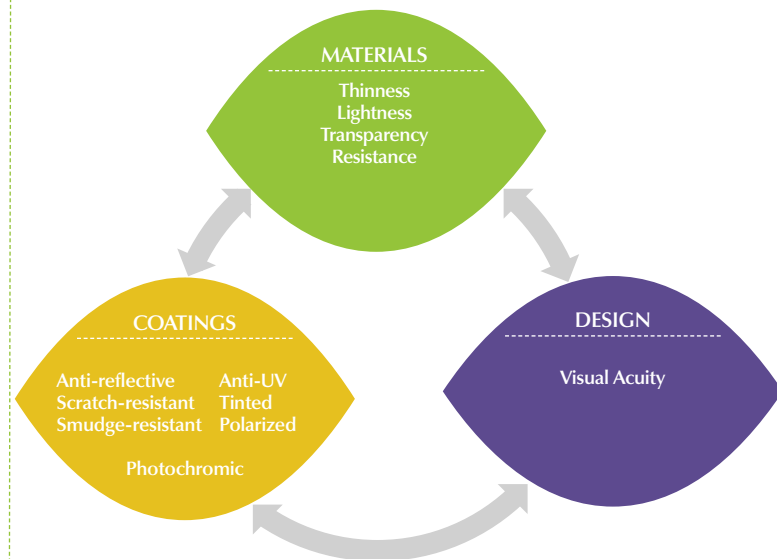
1992 : The Crizal® anti-reflective, scratch and smudge-resistant lens coating.

1998 : The Varilux® Airwear® polycarbonate lens.

2003 : The Varilux® Ipseo™, the first progressive lens adapted to each wearer's unique head and eye movements.

2003 : The Crizal® Alizé™ coating, a major innovation developed through nanotechnologies.

In addition to optical performance, R&D programs also focus on comfort, appearance and protection, building on the limitless combinations of the three core lens components—materials, design and coatings.



This sustained focus on innovation was apparent again in 2004, when new products made a major contribution to sales growth. Developed using digitally controlled surfacing techniques, the innovative **Varilux® Ipseo™**, was rolled out in a large number of markets in Europe, Asia and Canada, helping to strengthen our technological edge in the promising segment of progressive lenses adapted to a wearer's physiological behavior. At the 10th Silmo trade show in Paris, eye care professionals chose the Varilux® Ipseo™ over 55 other entries as the most innovative product of the past ten years. It is being introduced in the United States in 2005.

Currently marketed in Europe, North America and Australia, the **Crizal® Alizé™** has proven highly popular with opticians and consumers alike. Its outstanding smudge-resistance responds to a powerful customer demand that is often hard to meet because of the difficulty in cleaning anti-reflective lenses. The new product's performance and benefits have expanded the anti-reflective lens market in a number of countries, driving new market share gains. It is being launched in Argentina and Asia in 2005.

2004 also saw a sharp improvement in the productivity of the new product development process.

Each generation of lens can be produced in a number of versions, depending on materials, optical surfaces and treatments. In this way, 40 new products were rolled out in 2004, compared with 30 in 2003 and 22 in 2002.

Among the year's most important launches was the **Varilux® Ellipse™**, progressive lens for small frames. The latest fashion trend, small frames are attracting more and more presbyopes and account for roughly 7% of the global progressive lens market. With Varilux® Ellipse™, our R&D teams have developed a progressive lens that delivers the widest field of vision and the shortest fitting distance (14 millimeters) on the market today.

Developed in partnership with Nikon, the plastic Fusio® lens features the market's highest refraction index (1.74), enabling a corrective lens that is thinner and flatter. Introduced in Europe in 2004, the Fusio® will be deployed in other markets in 2005.

R&D teams have been reinforced around the world.

A new research center was inaugurated in Singapore in June, underscoring our commitment to strengthening positions in Asia and actively tracking regional technological developments in order to respond more effectively to local needs. An R&D laboratory was also opened in Toulouse in partnership with France's National Scientific Research Center (CNRS) and the University of Toulouse to develop new technologies.



Varilux® Ipseo™ ad campaign in the United States.

The future: increasingly personalized lenses.

More than anything else, our research and development commitment is shaped by a focus on understanding wearer behavior. Over the past 20 years, a unique database has been compiled containing comprehensive physiological data acquired by observing and analyzing such behavior, enabling R&D teams to demonstrate the fundamental importance of each wearer's unique eye/head coefficient for optimal correction. This knowledge should make it possible to identify other relevant parameters so that we can produce increasingly personalized lenses and continue to expand the product lineup.

**NEW PRODUCTS
ARE DRIVING GROWTH**

- ▶ **50%** of sales are generated by products less than five years old and 30% by innovations less than three years old.
- ▶ **4** R&D centers in France, the United States, Singapore, and in Japan for Nikon-Essilor.
- ▶ **500** employees.
- ▶ More than **100** new patents in 2003 and 2004.
- ▶ A portfolio of **2,300** patented or patent pending products in 2004.

ENHANCING INTEGRATION of the PRODUCTION CHAIN

Manufacturing and delivering lenses worldwide, with consistent quality, on-time performance and the required volumes represents a major strategic challenge for Essilor. In 2004, our 17 plants, 183 prescription laboratories and 12 logistics centers produced and delivered 180 million lenses to 200,000 opticians, within 24 hours for standard lenses and in less than four days for more complicated prescriptions. It's easy to understand that integrating the entire production chain has become a major challenge in our commitment to supporting and shortening the new product launch cycle.

Pursuing our integration strategy.

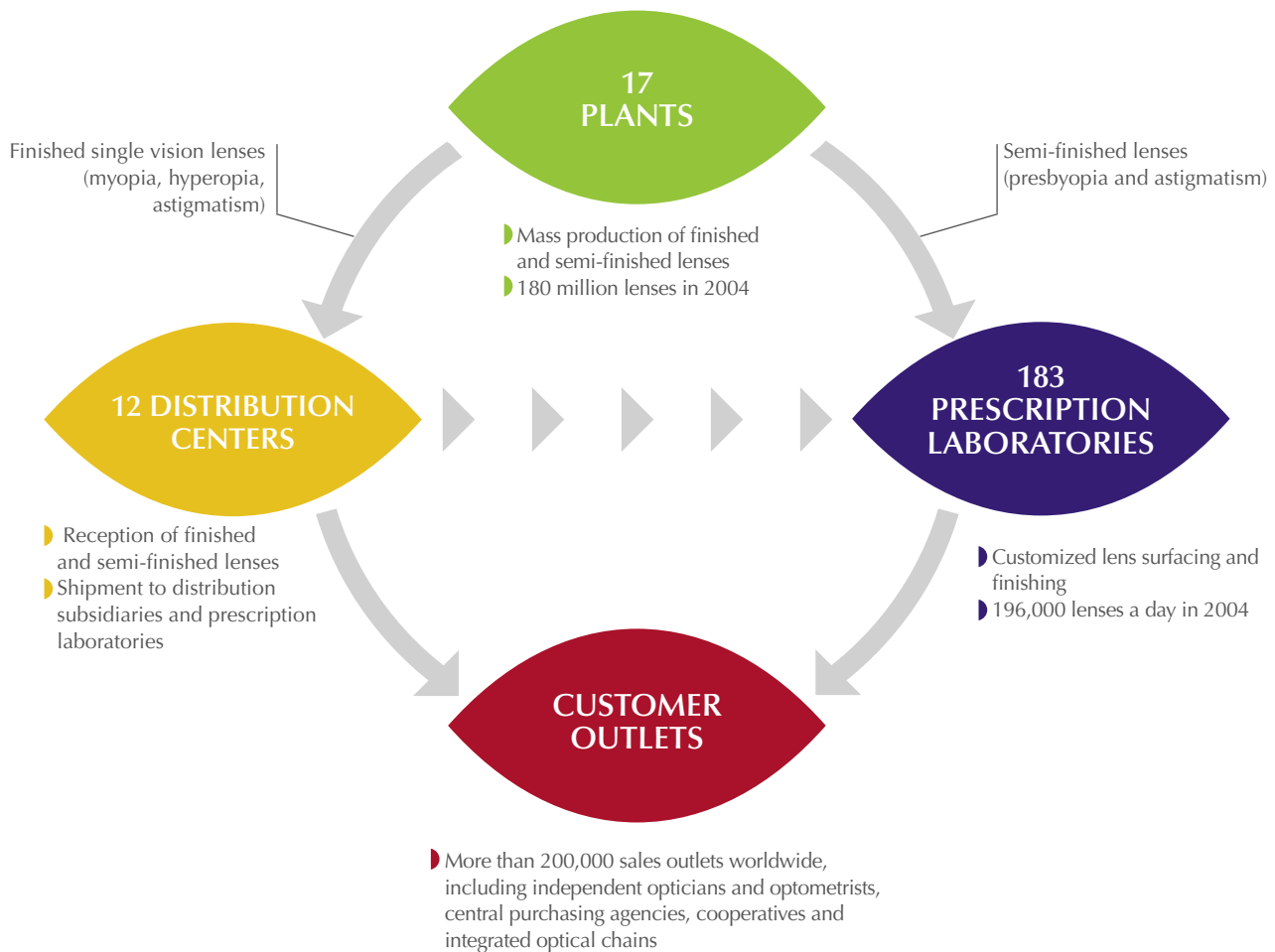
The Essilor business model is based on an integrated production chain, from upstream plants that make finished and semi-finished lens to downstream prescription laboratories that personalize lenses to specific wearer needs.

Controlling the entire chain as well as optician distribution networks provides critical competitive advantage, by enabling us to get new products to the optician faster and more effectively, supported by services adapted to each type of customer. That's why we've made a large number of downstream acquisitions, especially in the United States since 1996, to develop the same dense network of local prescription laboratories as we have in Europe.

PURSuing THE DOWNSTREAM ACQUISITION STRATEGY IN 2004

- **Europe:** LTL, a distributor of finished lenses, and Delamare-Sovra, a manufacturer of surfacing consumables.
- **United States:** Six prescription laboratories, 21st Century Optics, Tri Supreme, Select Optical, Opal-Lite, Dunlaw Optical Laboratories Inc. and Spectrum Optical Inc.
- **Canada:** Two prescription laboratories, Tech Cite, acquired by Nikon-Essilor, and Optic Lison.
- **Australia:** A prescription laboratory, City Optical.
- **India:** A prescription laboratory, Vijay Vision Private Ltd.

An integrated production chain, from upstream plants to downstream prescription laboratories and distribution centers



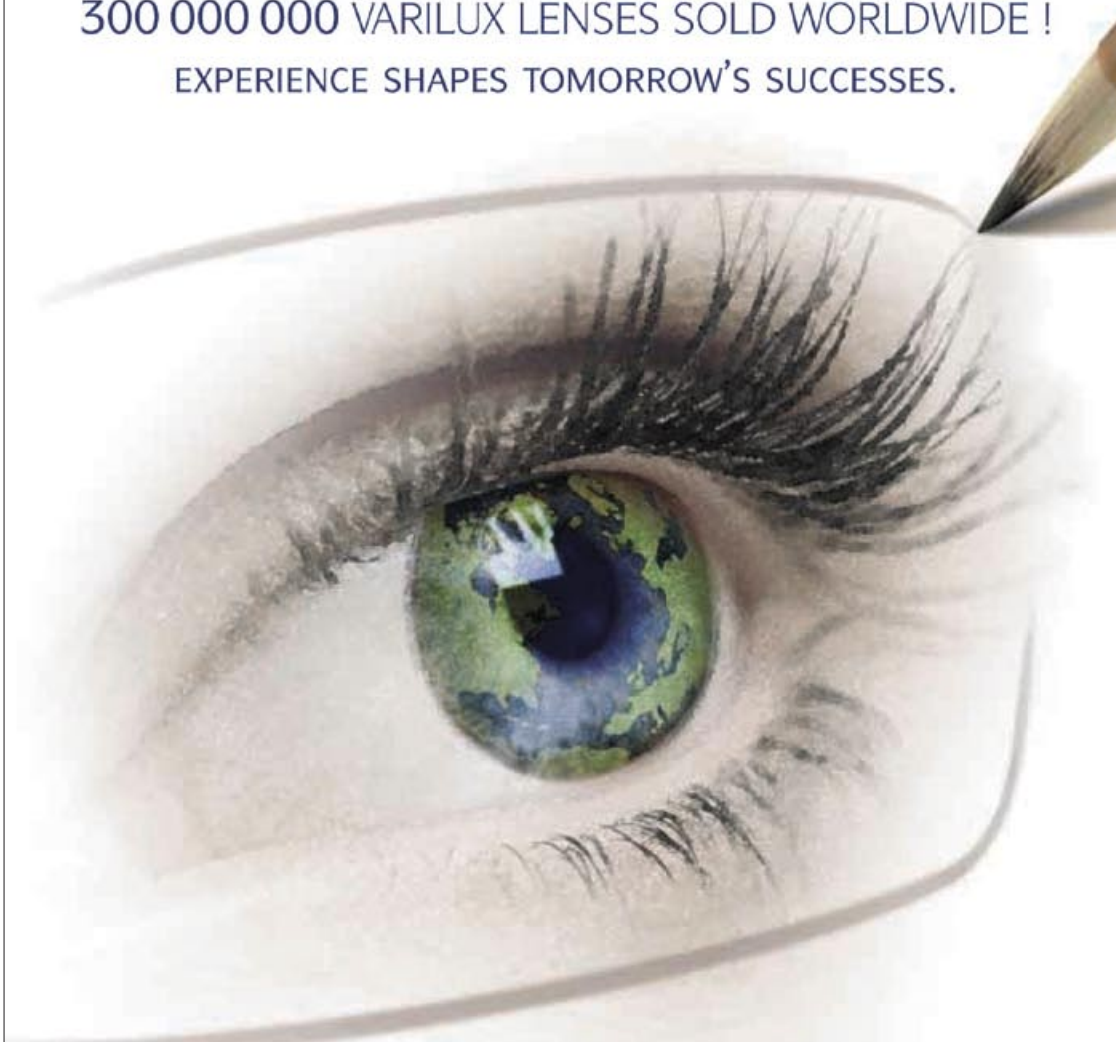
Upgrading worldwide plant production capacity.

For many years, we've been adapting production capacity and manufacturing facilities to respond to a changing marketplace and support new product deployment. The major trends we anticipated remained operative in 2004, with sales of plastic lenses continuing to rise and, in particular, polycarbonate and high-index lenses taking market share from low-index lenses. To meet demand, plant output was increased by more than 5%, led by developments and enhancements in polycarbonate and 1.67 high-index production that improved both quality and productivity. Capital projects focused on increasing

polycarbonate lens production in Thailand, developing 1.67 high-index lenses, whose production got under way in Ireland, and boosting capacity for anti-reflective lenses.

These changes also prompted an adjustment in the manufacturing organization to integrate critical new product development technologies. Even as new production capacity was being brought on stream, the Park Street plant in St. Petersburg, Florida, which was built in 1972 to provide a production base in the United States, was closed in 2004.

300 000 000 VARILUX LENSES SOLD WORLDWIDE !
EXPERIENCE SHAPES TOMORROW'S SUCCESSES.



Varilux®, the ultimate reference for presbyopes :



Inventor of the progressive addition lenses
45 years of expertise



300 000 000 Varilux lenses sold worldwide
20 new wearers every minute



Industry standard-setting technology
5% of the total turnover invested in R&D



Varilux keeps progressing. You will too.

VARILUX®



Varilux is a registered trademark of Essilor International

A trade press advertisement in the United Kingdom.

By 2004, more than 300 million Varilux® lenses had been sold worldwide.

Strengthening plant and laboratory engineering capabilities worldwide to shorten time-to-market.

Around the world, our laboratories are focused on providing opticians, as quickly as possible, with high quality lenses that fully comply with wearer prescriptions. They are constantly enhancing their ability to leverage the new technologies needed to expand our product catalogue, which included more than 240,000 items in 2004. This year, for example, the Varilux® Ipseo™ digital surfacing technology has been introduced in three laboratories in Europe and Japan, and the Crizal® Alizé™ technology was deployed in an additional thirty-one laboratories in Europe, the United States and Brazil. At the same time, the market is becoming increasingly segmented, since demand varies greatly from one country or customer to another.

To further improve the organization, **the engineering department was reinforced** so that it can more effectively function as a conduit from R&D to the plants and laboratories that share the same technologies. Its main mission is to design technical equipment to enable these facilities to increase product personalization while remaining price and time competitive. The new organization will foster greater innovation and improve efficiency by shortening time-to-market. It will be supported by regional technical platforms that will integrate customer needs and develop appropriate technological solutions. Interconnecting laboratories – a practice already established in Europe – will be increased to enable customer orders to be allocated more efficiently.

To support these changes, engineering teams were redeployed and reinforced with internal transfers from R&D units as well as by outside hiring. This process will continue in 2005.



Each stage of production is subject to quality controls.

Readjusting the five-year logistics plan to improve responsiveness and eye care professionals service reliability.

The Essilor production model is supported by two integrated supply chains. Upstream, the production supply chain focuses on reducing inventory and the cost of products delivered to finishing laboratories. Downstream, the distribution supply chain manages the flow of customized products, which it agilely adjusts to eye care professionals' day-to-day needs. This logistics organization enables us to sell the equivalent of 800 pairs of glasses a minute worldwide.

Customer satisfaction is a priority in the supply chain process, which has to ensure that each customer receives the product, with the right service, at the right time. In recent years, inventory flows and management have been increasingly optimized, in particular by regularly allocating 4% of sales to information system upgrades.

To continuously adjust to the growing number of products and inter-regional deliveries, a Company-wide action plan was introduced in 2004 to redefine the respective roles of plants and laboratories. In this way, we can rationalize and streamline product flows, thereby enhancing upstream and downstream supply chain performance for years to come.

DESIGNING SEAMLESS PRODUCTS and SERVICES

While the traditional value proposition of delivering the right product to the right place at the right time will always be the top priority, it is no longer sufficient in itself. In a market that is steadily moving toward ever-more personalized products, it is essential to help ECP's secure their growth with an increasingly diversified range of support services. To meet this ambitious challenge, Essilor is constantly broadening and tailoring the product and services portfolio to respond to each customer's specific needs.

Developing and adapting the product line to each type of customer.

The first service that eye care professionals expect from a global industry leader is an extensive product portfolio capable of providing the best possible response to every visual correction need. With more than 240,000 products available in an infinite variety of personalized versions, Essilor offers the market's broadest, deepest range of visual correction solutions. We're also present and competitive in every type of market and in every segment, serving independent opticians, central purchasing agencies and integrated chains.

The product segmentation strategy was pursued in 2004, with a growing number of increasingly sophisticated, very high value-added lenses sold in such markets as the United States, Western Europe, Japan and Australia. A prime example of this process was the Varilux® Ipseo™ lens, which was deployed worldwide in 2004.

At the same time, thanks to our multi-network strategy, we're developing a competitive portfolio of products for emerging economies, which are still price-driven, and gradually shifting these markets to value-added products by actively supporting the development of a local optical industry.

SUPPORTING THE DEVELOPMENT OF THE OPTICAL PRODUCTS MARKET

In all its markets, Essilor is helping to develop the entire ophthalmic optics chain by supporting visual acuity screening campaigns. The Instruments Division designs screening systems for all age groups, which are used worldwide wherever vision is tested, such as in schools, occupational health centers, military facilities and driving schools. In the United States, where eyes are also tested by state departments of motor vehicles, our Stereo Optical subsidiary supplies most states with vision testers.



The Essilor Kappa CT, the latest in our line of automatic tracer/blockers. Gold medal at the 2004 Silmo trade show in Paris.

Supporting ECP's in expanding their business.

We are constantly adapting to the changing needs of our customers, with a wide array of services that enable them to differentiate their business on more than products alone.

Large optical chains now represent a significant portion of the global market, albeit with major differences from one country to the next. They are all positioned differently and want to offer their customers just the right product. That's why we're continuing to forge partnerships with leading optical companies, offering them dedicated product ranges, the possibility of outsourcing all or part of their production of complex technology products to Essilor prescription laboratories, or management services for part of their supply chain.

With independent opticians, as well, we have a long tradition of developing and refining our marketing strategy. Because they're locally based, independents need to listen carefully to customer expectations, provide one-on-one service and high value-added products, and ensure regular after-sales follow-up. So while they primarily ask us to supply ophthalmic lenses, they also expect a multitude of services, such as new product displays and sales support materials, web-based software to efficiently manage order placement and tracking, up-to-date market information and training programs.

Fostering a service culture across the organization.

Over the years, Essilor has evolved into a service-centered organization by focusing clearly on customer concerns. Every time we develop a new product, marketing teams devise sales support tools to present and explain the innovation to eye care professionals.

This services portfolio was considerably enhanced in 2004. For example, by leveraging the development of order support software, an EDI (Electronic Data Interchange) solution was introduced enabling opticians to place orders and track their



Point-of-sale promotions for the Essilor Junior line in Portugal.

production, using the VisionWeb portal in the United States and the Mars and Opsys sites in Europe. In five years, VisionWeb has gone from the quasi-experimental phase to generating more than 16% of all orders placed with Essilor laboratories in the United States. In Europe, 25% of 2004 orders were placed via EDI systems.

ECP's also have to regularly upgrade their workshop processes as increasingly innovative new lenses push back the technological envelope. That's why the Instruments Division reinvests a substantial portion of sales to design and develop systems that are easier to use despite the growing complexity of lens edging and mounting. In May 2004, we presented the Kappa CT, the latest in our line of automatic tracer/blockers, equipped with a sophisticated video analysis system. The new device won a gold medal at the 2004 Silmo trade show in Paris last October.

Lastly, to help ECP's hone their professional skills, Essilor conducts training programs, either locally or at the Varilux® University. In 2004, the second version of the Varilux® University website was brought online. Available in five languages, it provides information about the University and upcoming training sessions. Since its founding in March 1998, more than 3,000 opticians, ophthalmologists, optometrists and optics store employees representing 30 nationalities have taken part in the University's training courses. Varilux® University is the first international training center for continuing education dedicated to presbyopia.

A man and a woman in business attire are looking at a computer screen in an office setting. The woman is on the left, with long blonde hair, wearing a black top. The man is on the right, wearing a dark suit and a white shirt. They are both smiling and looking towards the right. In the background, there is a white printer on a desk and a window with blinds.

FINANCIAL and INVESTOR Information

In a market trending towards greater lens personalization, Essilor is developing a seamless range of products and services for eye care professionals.



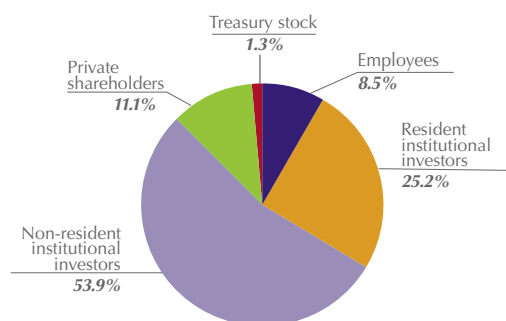
Investor Information

Information about Issued Capital

Shares issued, cancelled and bought back in 2004

- New shares issued on exercise of stock options: 987,533
- New shares issued to the Essilor Group 5 and 7-year corporate mutual funds: 382,842
- Treasury stock canceled: 800,000
- Shares bought back: 986,277
- Treasury stock at December 31, 2004: 1,382,788 shares

Ownership structure (as of December 31, 2004)



Essilor Securities

Essilor has issued two types of securities, shares of common stock and bonds convertible into or exchangeable for new or existing shares of common stock (Océane).

Share Data

Par value: €0.35

Number of fully paid shares of common stock outstanding at December 31, 2004: 103,310,483

Listing: Euronext Paris

Eligible for the SRD deferred settlement system

Codes and symbols: ISIN: FR 0000121667, Reuters: ESSI.PA, Bloomberg: EF.FP

Essilor shares are included in the following main stock market indices: ASPI, FTSE4GOOD and CAC 40 (since January 3, 2005)

2005 Investor Calendar

First-half sales: July 21

First-half results (first IFRS accounts): September 8

Third-quarter sales: October 20

Investor Information

www.essilor.com - Shareholders/Investors section

Investor Relations

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Share Performance

In €	2004	2003	2002	2001
High	57.75	42.50	45.57	35.80
Low	39.20	30.85	31.20	25.00
Closing (on December 31)	57.65	41.00	39.25	33.95
Shares outstanding at December 31	103,310,483	102,740,108	102,683,613	101,075,891
Market capitalization at December 31 (in € millions)	5,932	4,188	3,975	3,417

Dividend

In €	2004	2003	2002	2001
Net dividend per share	0.76 ⁽¹⁾	0.56	0.50	0.41
Payout rate	34%	28.4%	28%	29%

(1) Subject to approval at the Annual Shareholders' Meeting on May 13, 2005.

Share Performance 2001-2004 : +66%



14,45% – Total Shareholder Return⁽¹⁾, January 2001 to December 2004

⁽¹⁾ Annualized return taking into account growth in the share price and dividends (excluding tax credit), which are assumed to be reinvested on the money market at 3%.

* Index based on adjusted Essilor share price.

Financial Information

Consolidated Results

(€ thousands)	2004	2003	2002
SALES	2,260,376	2,116,419	2,138,269
Cost of sales	(897,600)	(834,175)	(861,757)
Other operating expenses	(958,832)	(917,391)	(935,930)
OPERATING INCOME	403,944	364,853	340,582
NET INTEREST EXPENSE	(34,132)	(33,518)	(36,670)
NON-OPERATING EXPENSE, NET	(6,347)	(14,961)	(26,183)
PRE-TAX INCOME AFTER NON-OPERATING ITEMS	363,465	316,374	277,729
Corporate income tax	101,691	90,319	78,289
NET INCOME FROM CONSOLIDATED COMPANIES	261,774	226,055	199,440
Net income/(loss) of companies accounted for by the equity method	(8,117)	(2,880)	6,637
Amortization of goodwill	25,884	22,517	23,670
Minority interests	666	327	54
NET INCOME	227,107	200,331	182,353
Earnings per share (€)	2.24	1.98	1.82
Weighted average number of common shares (thousands)	101,483	101,099	100,141
Diluted earnings per share (€)	2.15	1.95	1.81
Diluted weighted average number of common shares (thousands)	108,180	104,331	100,667

Cost of Sales – Operating Expenses

Gross margin – corresponding to sales less cost of sales – dipped to 60.3% of sales from 60.6% in 2003. The overall product mix improved in 2004, but the effect was cancelled by the inclusion of newly-acquired companies whose product mix and margins generally fall short of the Company average. At the same time, however, acquisitions fuelled a 0.9-point improvement in the operating expense ratio (operating expenses expressed as a percentage of sales), because of their leaner structure and resulting lower overheads.

Operating Income and Operating Margin

2004 increase in operating income	Reported	Like-for-like	Acquisitions	Currency
In € millions	39.1	49.2	7.1	(17.2)
In %	10.7%	13.5%	1.9%	(4.7)%

Operating income increased 10.7% to €403.9 million, while operating margin rose 0.7 points to 17.9%.

Net Interest Expense

Net interest expense rose 1.8% to €34.1 million. Interest charges net of investment income declined but cash discounts awarded to customers increased, as a result of higher sales, and write-downs of investments in non-consolidated companies were also up compared with 2003.

Non-Operating Expenses

Non-operating expenses amounted to €6.3 million versus €14.9 million. Costs for 2004 mainly concerned the closure of the Park Street plant in the United States (€1.5 million) and measures to assist employees affected by the closure of the Mouy plant in France (€4.1 million).

Pre-Tax Income after Non-Operating Items

Pre-tax income after non-operating items came to €363.5 million, an increase of 14.9%.

Corporate Income Tax

The effective tax rate paid by the Company stood at 28% versus 28.5% in 2003. The decrease was attributable to the improved performance of several subsidiaries, enabling deferred tax assets to be recognized for their tax loss carryforwards.

Net Income of Companies Accounted for by the Equity Method

The main companies accounted for by the equity method are 44.95%-owned VisionWeb and 15.13%-owned Bacou-Dalloz. In 2004, this item represented a negative €8.1 million, compared with a negative 2.9 million the previous year, reflecting exceptional losses incurred by Bacou-Dalloz.

Amortization of Goodwill

Amortization of goodwill increased to €25.9 million from €22.5 million, reflecting the large number of acquisitions made in 2003 and 2004.

Business Review

Sales by business

€ millions	2004 ⁽²⁾	2003 ⁽²⁾	2002 ⁽¹⁾
Corrective lenses and lens-related products	2,133.4	1,984.9	2,010.0
Instruments and other products	127	131.5	128.3
Total	2,260.4	2,116.4	2,138.3

⁽¹⁾ 2002 figures have been adjusted based on the presentation adopted in 2003 and 2004.

⁽²⁾ Including a significant negative currency effect in both years.

Sales by region

€ millions	2004	2003	Change	Like-fo-like change
Europe	1,120.0	1,048.0	6.9%	2.1%
North America	909.4	869.2	4.6%	7.7%
Asia-Pacific	176.8	149.7	18.1%	17.9%
Latin America	54.1	49.5	9.5%	14.5%

Sales Performance by Geographic Market

Europe

In 2004, the Company once again showed that it was capable of creating its own momentum. In a market that contracted in volume due to the sharp fall in German demand, Essilor reported sales up 2.1% in value (7.6% excluding Germany), attesting to its ability to move forward even in a difficult environment. This performance was attributable to the multi-network distribution strategy, with Essilor, BBGR, Novisia (Nikon products) and now LTL, which was acquired during the year. Last year's performance also reflects the positive impact of new products, including Crizal® Alizé™ anti-reflective lenses, Varilux® Ellipse™ lenses and specific products for optical chains proposed by BBGR.

Sales increased significantly in the Company's domestic market, **France**, fueling market share gains in both volume and value. The Essilor network enjoyed a surge in sales of progressive lenses, leveraging the significant interest shown by ECP's and customers in the latest innovations. The popularity of Crizal® Alizé™ was instrumental in raising the overall market share of anti-reflective lenses. The marketing momentum achieved by several distributors who are significant market players also helped to drive growth in sales by the Essilor network. BBGR also reported sharply higher sales and market share gains, thanks to its increased strategic focus on tailoring its offer to the specific needs of each customer.

The **German market** contracted by 30% following the abolition of reimbursements of ophthalmic lenses in January 2004. The decline in Essilor sales was more limited and swift action to adapt the cost structure to the new market conditions ensured that local operations remained in profit. The Company's resilient performance was attributable to sales of new products and high-index lenses, as well as to BBGR's stronger market position following its acquisition of Rupp und Hubrach in 2003. Having grown its market share and kept its structures intact in a challenging environment, Essilor is now poised to reap the full benefits of a market recovery.

In the **United Kingdom**, Essilor, BBGR and Nikon all significantly improved their product mix. Growth was driven by polycarbonate and anti-reflective lenses, with Dollond & Aitchison, BBGR's partner optical chain, performing particularly well in these segments.

In **Eastern Europe**, sales continued to grow by more than 15% per year, with the shift in demand away from glass lenses, towards organics, playing to Essilor's strengths. 2004 also saw a sharp rise in deliveries of progressive lenses, which still account for only a small portion of the market. In **Russia** too, Essilor increased its market share thanks to the efforts of its distributors.

North America

Like-for-like sales in North America stood at a high 7.7%, reflecting further market share gains.

In the **United States**, the market downturn observed in 2003 proved to be short-lived, with 2004 seeing a return to growth, in terms of both volume and value. The recovery benefited all market players, led by independent eye care professionals. In this favorable environment, Essilor extended its market leadership across all distribution channels, by leveraging its new products and innovative marketing strategies.

Lens sales to optical chains increased, with sales of high value-added lenses boosted by the growing popularity of anti-reflectives. The offer was enriched in a number of areas, including lens edging and mounting, and an entirely new logistics service was introduced for certain chains, including direct deliveries from the Company's plants in Asia.

Essilor also strengthened its position in the independent optician and optometrist markets, with a highly innovative product offer comprising Crizal® Alizé™, Varilux® Ellipse™ and Varilux Liberty™, which were all launched in 2004. These three products were enthusiastically welcomed by eye care professionals and rapidly acquired significant market shares. Crizal® Alizé™ is already the biggest-selling anti-reflective lens and has been a powerful engine for growth in this market in the United States, where more than one-in-five lenses sold in 2004 had an anti-reflective coating. Essilor leveraged this success by continuing to deploy its proprietary anti-reflective technologies, not only in its own laboratories but also with independent laboratories under partnership agreements.

VisionWeb, the Internet platform set up to serve the entire optical industry continued to deepen its presence. A growing number of prescription lenses are ordered on line by opticians and optometrists, prescription laboratories and optical chains, who appreciate the efficiency of a system that eliminates errors and enables optometrists to track the entire process from manufacture to finishing. During the year, VisionWeb also continued to extend its service capability in the area of insurance claim and reimbursement management for opticians and optometrists.

In **Canada**, where the market picked up after two years in the doldrums, Essilor's sales rose 7.2% like-for-like. New products acted as significant growth drivers. The service offer for eye care professionals was extended, including with the introduction of deliveries to major chains from dedicated plants. The virtual prescription lens laboratory, allowing opticians and optometrists to order an exclusive range of products on line for delivery within 24 to 48 hours, enjoyed growing success.

Asia-Pacific

Asia-Pacific was Essilor's fastest-growing geographic market, with like-for-like sales up 17.9%. 2004 was an excellent year throughout the region, characterized by more than 20% growth in many countries and market share gains. Sales were higher in all countries, without exception, and the adverse effects of the SARS epidemic on 2003 performance were more than offset, with fourth quarter sales considerably above those for the year-earlier period which were boosted by the post-SARS catch-up.

Essilor is represented in **Japan** by Nikon-Essilor, which is jointly owned on a 50/50 basis by the two companies. After several difficult years, the market revived in 2004, especially in the second half. Nikon-Essilor significantly outperformed the market, increasing its penetration rate. The Nikon brand premium products are very popular among opticians, helping to drive growth in sales to optical chains. Presio W, a new progressive lens produced using digital surfacing technology, was launched during the year and sales of 1.74 high-index lenses continued to grow.

Outside Japan, Nikon-Essilor's two subsidiaries in Canada and the United Kingdom had an excellent year, helping to further increase the jointly-owned subsidiary's total contribution to Essilor's earnings.

In **China**, the rapid shift in demand away from glass lenses towards organics fueled a sharp increase in sales. A major optician training program boosted sales by the Essilor network of high value-added lenses such as polycarbonates, prescription lenses and Varilux® progressive lenses. Korea-based Chemiglas, owned by Essilor Korea, also reported significantly higher sales in China, particularly in volume, leading the company to double capacity at its Chinese high-index lens plant. These results confirm the value of Essilor's multi-channel strategy in China. 2004 was also a very good year in **Korea**.

In **India**, the creation of a network of Varilux® consultants and the existence of well-trained ECP's led to a sharp rise in sales by the local marketing subsidiary powered by the rapid take-off of progressive lenses. Essilor also benefited from the shift in demand towards plastic lenses, although glass lenses continue to dominate the market, and from significant sales of prescription lenses. During the year, the Company launched its first press and billboard advertising campaign directed at the general public.

In the rest of Asia, sales increased very significantly in **Hong Kong, Indonesia** and the **Philippines**.

Australia and **New Zealand** repeated the good performances achieved in previous years, helped by robust sales of anti-reflective and variable-tint lenses.

Latin America

After several difficult years and the 2000-2001 currency devaluations, the Latin American economy recovered some of its vigor. Essilor expanded rapidly across almost the entire region, and the Varilux® range increased its market share. In all, the Company's sales in the region increased 14.5% like-for-like.

In **Brazil**, sales grew at a satisfactory rate in volume and, above all, in value. Progressive lens sales rose sharply, led by Varilux®, leading to significant market share gains. Anti-reflectives also performed well, thanks mainly to the success of Crizal®.

Sales also increased in **Mexico**, driven by progressive and polycarbonate lenses. A reorganization plan was implemented, to match structures to the size of the business. The market offers good growth potential, with high-value added products still accounting for only a small proportion of total sales.

Argentina, is recovering quickly from the 2002 economic crisis. Plastic lens sales are growing as glass lenses fall out of favor, and progressive lenses are steadily increasing their market share, enhancing the product mix.

Sales were encouraging in the other countries of the region, such as **Colombia, Peru, Venezuela, Ecuador, Guatemala** and the **Caribbean**, where Essilor is present through distributors. The sales force was strengthened and marketing efforts were focused on progressive lenses, leading to a healthy increase in sales.

Instruments

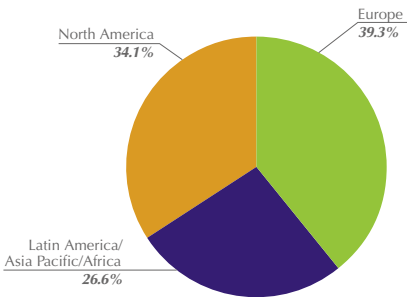
Essilor is also the world leader in lens edging instruments for ECP's and prescription laboratories, and in vision screening instruments for schools and other institutions responsible for performing medical check-ups. In 2004, Essilor Instruments' sales contracted by 6.9%, due in part to the fall in the US dollar and the crisis in the German market which affected the lens edging market as much as the lens market. Excluding Germany, sales in Europe were up slightly compared with 2003. In the United States, lens edging instrument sales declined in relation to a very high basis of comparison in 2003, when an exceptionally large delivery was made to an optical chain. Essilor Instruments recorded outstanding performances in China and the rest of Asia, in Latin America and in Canada.

Facilities at December 31, 2004

	Europe	North America	Latin America	Asia-Pacific	Total
Plants*	6	4	1	6	17
Prescription laboratories	32	116	3	32	183
Logistics centers	2	2	2	6	12
R&D centers	1	1		2	4

* - Including the Mouy facility in France closed on February 28, 2005.
- Not including the two plants in China and South Korea held by Essilor Korea, a 50/50 joint venture set up between Essilor and Samyung Trading Co. Ltd.,
- Excluding the production units of BNL in France and Specialty Lens Corp in the United States, which were both acquired in 2003.

Breakdown of Employees at December 31, 2004



As of December 31, 2004, Essilor had a total of 25,886 employees worldwide, including the 2,845 employees of Transitions Optical Inc., Nikon-Essilor Co. Ltd. and Essilor Korea. The average number of employees for the year 2004 was 24,045 persons.

Consolidated Balance Sheet

ASSETS

(€ thousands)	2004	2003	2002
Intangible assets	109,828	115,787	124,667
Goodwill	310,085	307,934	292,008
Property, plant and equipment	543,132	512,978	526,626
FIXED ASSETS, NET	963,045	936,699	943,301
Investments in companies accounted for by the equity method	57,457	69,175	94,616
Other long-term financial investments	44,894	43,398	50,176
OTHER NON-CURRENT ASSETS	102,351	112,573	144,792
Inventories and work in progress	319,125	309,569	325,239
Advance payments to suppliers	8,315	7,035	8,250
Operating receivables	438,427	441,250	395,735
Deferred tax assets	47,496	40,404	43,515
Other receivables	10,163	18,863	26,830
Treasury stock	449		
Capital subscribed, called, unpaid			
Marketable securities	572,654	516,622	189,483
Cash	107,281	94,999	62,978
Prepayments and other assets	14,798	15,868	13,955
CURRENT ASSETS	1,518,708	1,444,610	1,065,985
Deferred charges	31	1,322	3,712
TOTAL ASSETS	2,584,135	2,495,204	2,157,790
Commitments received	588	3,293	2,980

LIABILITIES

(€ thousands)	2004	2003	2002
Capital stock	36,159	35,959	35,939
Additional paid-in capital	212,449	194,091	189,674
Reserves	1,154,741	1,016,072	892,486
Treasury stock	(63,695)	(47,459)	(45,212)
Cumulative translation adjustment	(231,512)	(192,700)	(42,817)
Net income	227,107	200,331	182,353
SHAREHOLDERS' EQUITY	1,335,249	1,206,294	1,212,423
Minority interests	3,850	2,989	1,728
Minority interests in income	666	326	54
TOTAL SHAREHOLDERS' EQUITY AND MINORITY INTERESTS	1,339,765	1,209,609	1,214,205
Provisions for pensions and other post-retirement benefits	71,179	57,476	53,386
Provisions for contingencies and charges	32,716	37,248	40,166
TOTAL PROVISIONS	103,895	94,724	93,552
Borrowings	646,051	709,034	415,551
Advances and deposits received from customers	7,257	10,172	3,523
Operating liabilities	423,312	422,672	397,044
Miscellaneous liabilities	58,979	44,500	31,247
Deferred income	4,876	4,493	2,668
TOTAL LIABILITIES	1,140,475	1,190,871	850,033
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,584,135	2,495,204	2,157,790
Commitments given	141,444	150,310	123,339

Inventories and Working Capital

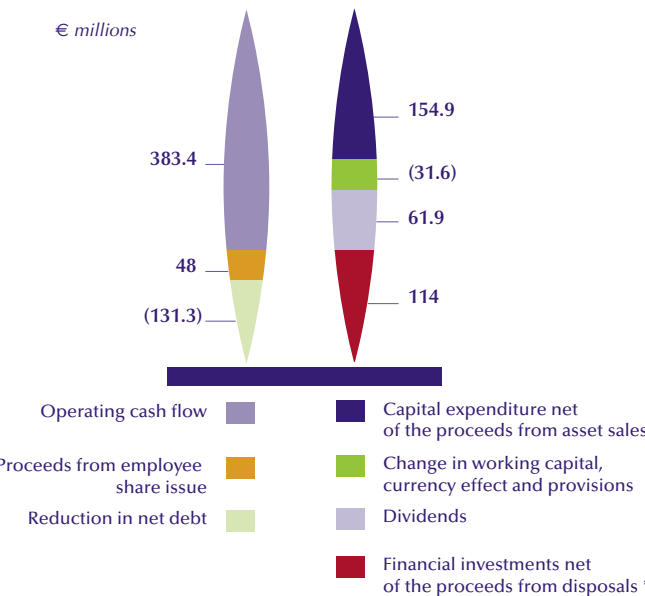
Inventories rose 3.1% to €319.1 million at December 31, 2004 from €309.6 million at end-2003. On a like-for-like basis, the increase was 3.5%, representing less than the growth in sales.

Capital Expenditure and Financial Investments

€ millions	2004	2003	2002
Capital expenditure net of the proceeds from asset sales	154.9	139.9	140
Depreciation and amortization (excluding amortization of goodwill)	118.4	122.8	127.4
Financial investments	115.4	150.2	37.2
Cash flow	385.0	354.0	335.4

Capital expenditure net of the proceeds from asset sales amounted to €155 million in 2004, representing 6.9% of sales. Financial investments totaled €115.4 million. Of the total, €69.7 million was spent on acquisitions and €45.7 million mainly on share buybacks.

Debt



*In all, the proceeds from disposals of property, plant and equipment and investments totaled €5.6 million in 2004.

Transition to IFRS

In accordance with European regulation 1606/2002 dated July 19, 2002, Essilor will prepare its consolidated financial statements for the year ending December 31, 2005 in accordance with the International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and related interpretations applicable at that date that have been endorsed by the European Union.

The 2005 IFRS consolidated financial statements will include comparative 2004 data prepared in accordance with the same standards, except for IAS 32 and IAS 39, which will be adopted by the Company effective from January 1, 2005.

In preparation for the publication of 2005 IFRS financial statements with comparative information for 2004, and as recommended by the French securities regulator (AMF) concerning financial communications during the transition period, preliminary information has been prepared on the main effects of the transition to IFRS on:

- The opening IFRS balance sheet at the transition date (January 1, 2004), which will include in equity the effects of the changes of method arising from the transition to IFRS (except for the effects of applying IAS 32 and IAS 39 which will be recognized in equity in the opening balance sheet at January 1, 2005).
- The Company's consolidated financial position at December 31, 2004 and its results of operations for 2004.

The main effects of the conversion to IFRS on the opening balance sheet at January 1, 2004 and the 2004 income statement, as determined based on current standards and interpretations, are described in Section 5.1.7 of the Reference Document.

The actual effects may differ from the estimates presented at this stage, if any new standards or interpretations are published between now and December 31, 2005.

Five-Year Financial Summary

<i>In € millions</i>	2004	2003	2002	2001	2000
RESULTS					
Sales	2,260	2,116	2,138	2,070	1,978
Gross margin ⁽¹⁾	60.3%	60.6%	59.7%	56.7%	(*)
Operating income	404	365	341	311	274
Operating margin	17.9%	17.2%	15.9%	15%	13.9%
Non-operating expense, net	6.3	15	26.2	29	9.5
Net income before amortization of goodwill	253	223	206	166	164
Net income	227	200	182	143	135
Net margin	10.1%	9.5%	8.5%	6.9%	6.8%
CASH FLOWS					
Cash flow	385	354	335	286	273
Capital expenditure	160	150	145	127	182
Financial investments	115	150	37	57	335
Dividends paid ⁽²⁾⁽⁵⁾	62	59	46	41	36
Increase (decrease) in net debt	(131)	(66)	(158)	(145)	302
BALANCE SHEET					
Shareholders' equity	1,335	1,206	1,212	1,207	1,047
Net non-current assets	1,065	1,049	1,088	1,199	1,204
Inventories and work in progress	319	310	325	348	351
Borrowings	646	709	415	417	578
Net debt	(34)	97	163	321	466
RATIOS (as a %)					
Return on assets (ROA)	26.8	24.1	21.2	16.9	15.7
Return on equity (ROE)	17	16.6	15	11.8	12.9
Debt-to-equity	(3)	8	13	27	44
PER-SHARE DATA (in €)					
Net assets ⁽³⁾	13.14	11.92	11.99	12.08	10.66
Net earnings ⁽³⁾	2.24	1.98	1.82	1.43	1.29
Diluted restated net earnings ⁽³⁾	2.15	1.95	1.81	1.43	1.29
Dividend (before tax credit) ⁽³⁾	0.76	0.56	0.50	0.41	0.39
OTHER					
Employees	25,886	23,607	23,269	22,309	22,186
Shares outstanding at year-end ⁽³⁾⁽⁴⁾	103,310,483	102,740,108	102,683,613	101,075,891	106,677,800

* Not calculated before 2001.

⁽¹⁾ Sales less cost of sales.

⁽²⁾ Dividends paid for the previous year.

⁽³⁾ Restated for the 10-for-1 stock split in 2001.

⁽⁴⁾ Including shares held in treasury.

⁽⁵⁾ Including précompte dividend equalization tax in the years 2000-2003. Abolished in 2004.



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