essilor

Seeing the world better

2013 REGISTRATION DOCUMENT

Seeing the world better

REGISTRATION DOCUMENT

& Annual Financial Report

2013

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

The French version of this Registration Document was filed with the *Autorité des Marchés Financiers* (AMF) on March 25, 2014, in accordance with Article 212-13 of the General Regulations of the AMF. It may only be used in support of a financial transaction if accompanied by an offering memorandum approved by the *Autorité des Marchés Financiers*. This document has been prepared by the issuer and is binding on the signatories.

KEY FIGURES

Revenue

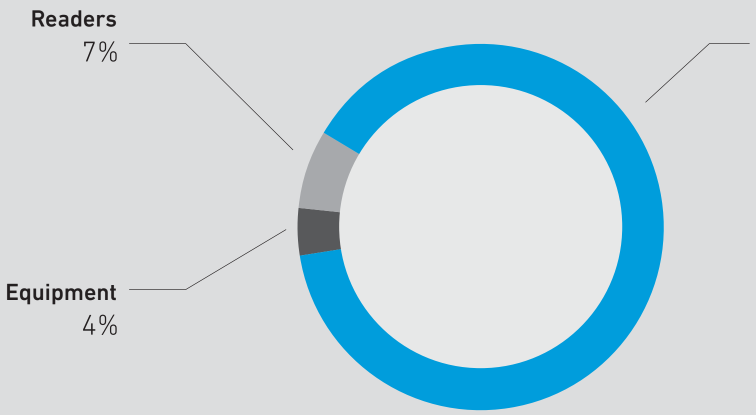
€5,065M

Net profit

€593M

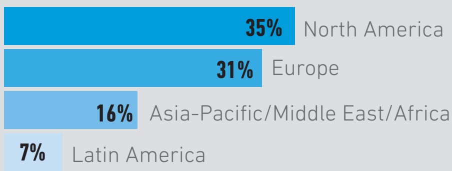
28 plants worldwide

Revenue by operating segment and by region



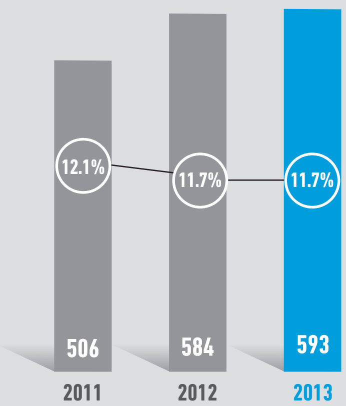
Geographical breakdown of the Lenses and Optical Instruments Division

As a % of total Group revenue



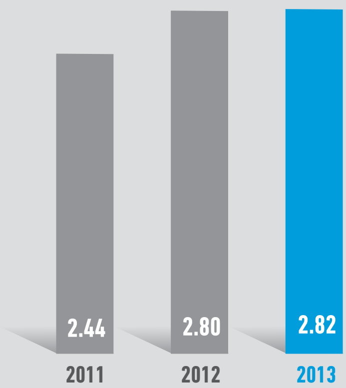
Profit attributable to Group equity holders +1.6%

In millions of euros and as a % of revenue



Net earnings per share +0.6%

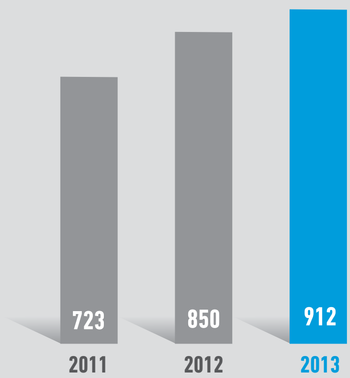
In euros



Operating cash flow*

In millions of euros

** Operating cash flow excluding change in working capital requirements*



55,129
employees in **62 countries** across five continents

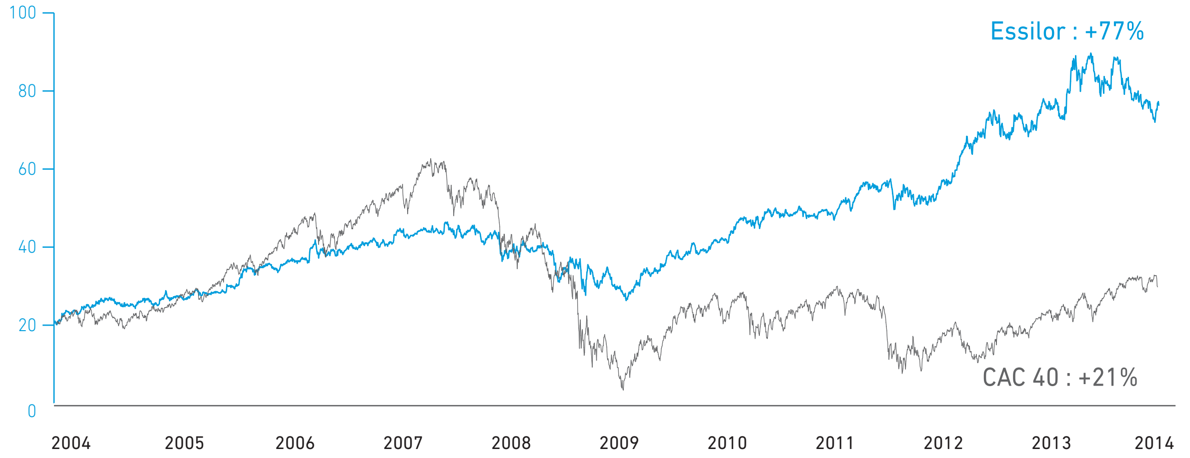
more than **450**
prescription laboratories and edging centers

28 new partnerships around the world (representing a combined full-year revenue of €254M)

Share price

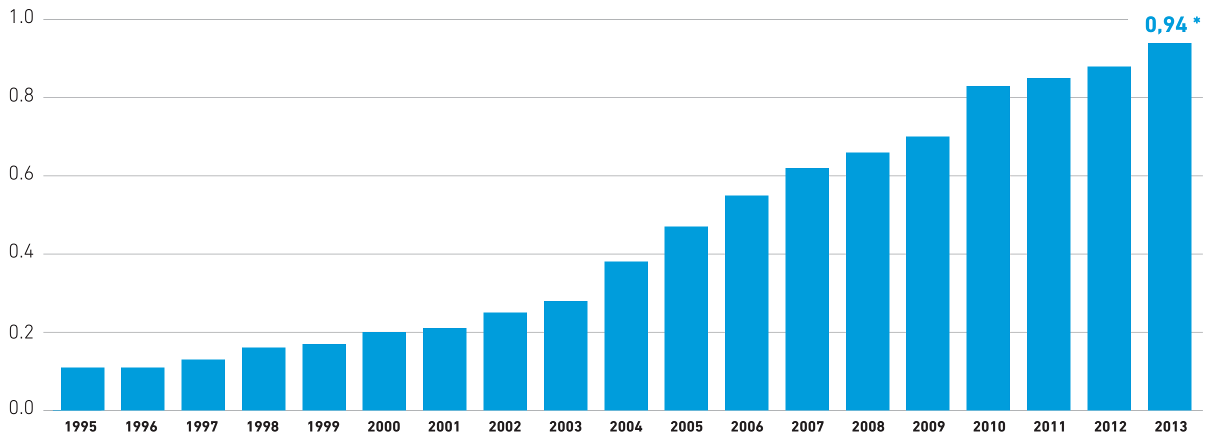
The CAC40 graph has been rebased to the Essilor share price at January 1, 2004

In euros



Dividend

In euros



** Subject to shareholders' approval at the May 7, 2014 Annual Meeting.*

1 ESSILOR AT A GLANCE

IN BRIEF

ESSILOR: THE WORLD'S LEADING OPHTHALMIC OPTICS COMPANY

From design to manufacture, Essilor markets a wide range of lenses to **improve and protect eyesight**. The Group also develops and markets equipment for prescription laboratories and instruments and services for eye care professionals. Essilor is the non-prescription reading glasses leader in North America and also sells non-prescription sunglasses.

The Group owes its success to a strategy in which innovation has been the driving force **for more than 160 years**. As a result, the Group allocates more than €150 million to research and **innovation** every year to continuously bring new, more effective products to market.

Essilor's mission is to improve lives by improving sight. Of the 7 billion people living on the planet, **4.3 billion** need vision correction and only 1.8 billion actually receive it. Another 2.5 billion people worldwide do not receive any correction. Accordingly, the Group strives to provide products tailored to the needs of every person.

Essilor reported consolidated net revenue of over **€5 billion** in 2013. The Group distributes its products in more than **100 countries** and has **over 55,000** employees.

The Group has **28 plants**, more than **450 prescription** laboratories and edging centers as well as several research and development centers around the world.

The Essilor share trades on the NYSE Euronext Paris market and is included in of the **Euro Stoxx 50** and **CAC 40** indices.

“Our mission is to improve lives by improving sight”

THE GROUP'S FLAGSHIP BRANDS

Note: Acquisition of Costa announced on November 8, 2013 and finalized on January 30, 2014 (see Section 3.2.3 "Subsequent events").

1.1 Company history

1.1.1 Essilor was created by the merger of two innovative companies

Essilor was formed in 1972 from the merger of two technological and marketing pioneers, ESSEL and SILOR, which dominates the French ophthalmic optics market.

The first one traces its origins to the *Association Fraternelle des Ouvriers Lunetiers*, an eyewear makers' cooperative founded 1849 in the Marais quarter of Paris, soon changing its name to *Société des Lunetiers* (SL) and then to ESSEL. In 1953 it registered a patent for the first-ever progressive lens in the world, launched as Varilux in 1959. ESSEL's original operating structure, which was inspired by workers' cooperatives and involved employees in corporate governance, is the source of the strong employee shareholding culture that is still present in Essilor today.

The second one, which dates back to the 1930s, was founded by Georges Lissac. The industrial division of Lissac group, SILOR was formed in 1969 from the merger of the frame-maker SIL *(Société Industrielle de Lunetterie)* and the lens-maker LOR *(Lentilles Ophtalmiques Rationnelle)* which had launched the first plastic lens, Orma, in 1954.

With the merger that formed Essilor in 1972, the priority became the building of a outstanding group specializing in ophthalmic optics. Secondary activities such as compasses, drawing equipment, topography, its historical heritage, have gradually been sold off.

1.1.2 The 1970s to 1990s: internationalization

In the early 1970s, Essilor was mainly an exporting group with its international business accounting for 45% of revenue. It had inherited ESSEL's presence in Japan and SILOR's commercial development in the United States. A distribution network was gradually built up, first in Europe and the United States and then in Asia. After its successful IPO in 1975 it continued its innovation strategy, launching the first-ever progressive plastic lens Varilux Orma, a strong symbol of the synergy between the two founding entities. In 1979, the construction of a large plastic-lens manufacturing plant in the Philippines was a turning point identifying Essilor's as a true international Group.

The 1980s were marked by stiffening competition particularly in the progressive-lens market, and the development of opticians organizing themselves into groups. To grow its competitiveness, Essilor set up other mass-production sites in Brazil and Thailand. The Group also set up and expanded its local distribution networks by buying up distributors in Europe and intensifying its presence in Asia. In 1986, the American subsidiaries were consolidated under Essilor of America. By the end of the 1980s, Essilor had become the world's leading manufacturer of ophthalmic optics.

1.1.3 Essilor the world's leading manufacturer of ophthalmic optics

In the early 1990s, the ophthalmic optics market was reshaped by a wave of mergers and acquisitions and an increase in competition. Essilor consolidated its world-leading position through a global strategy based on three key vectors, the first of which was industrial specialization in corrective lenses as well as in instruments for opticians. The second was innovation in lens treatments and their combinations. Launched in 1992, the Crizal lens with anti-reflective, smudge-proof and scratch-proof properties, and the variable-tint Transitions lenses launched one year later on the back of a new joint venture with PPG, became a high-added-value major growth segment. At the same time, Essilor strengthened its market share in very light and unbreakable lenses with the takeover of Gentex in 1995, which brought it the polycarbonate lens. The Group also invested in optics design, launching a new progressive lens, Varilux Comfort, in 1993. Last but not least, having until the mid-1990s achieved most of its revenue in Europe, Essilor now set up a global network. The Group put down roots in China and India and also acquired more independent prescription laboratories, mainly in the United States and Europe, to ensure that its network reached local customers. Production was also set up in China with the opening of a plant near Shanghai in 1998, as part of a dynamic expansion strategy that included the consolidation of distribution subsidiaries, particularly in Eastern Europe in the last years of the decade.

1.1.4 The 2000s were marked by a true globalization of high technology and strategic alliances

Technological innovation accelerated at the turn of the 21st century with a growing number of innovations benefiting opticians and consumers. New products targeted both optical quality and wearer-comfort thanks to new and increasingly effective designs such as the Varilux S Series launched in 2012. In addition to correction, Essilor was also positioning itself in UV protection, and in clear lenses. The E-SPF index (Eye Sun Protection Factor) was created in 2012 to guarantee the protection level for consumers on both faces of the lens. Prevention, with lenses selectively protecting against harmful blue light, such as Crizal Prevencia, constituted a new development line for the Group. But Essilor also set out to supply solutions that would cover the entire range of needs in all circumstances, by developing new more-affordable products to offer visual correction to as many consumers as possible. In this respect, the Group is also pushing back the limits of science thanks to new technologies that today allow visually impaired people to test eyeglass prototypes under augmented reality conditions.

The Group also continues to grow through acquisitions and strategic partnerships that allow Essilor to reaffirm its leading position in fast-growing countries such as India, China and Brazil. This strategy also allows the integration of new technologies and new distribution networks on a group-wide basis.

The decade was marked by major strategic partnerships, in particular: the Japanese group Nikon as the joint venture Nikon Essilor Co. Ltd. (1999); the South Korean group Samyung Trading Ltd. as the joint venture Essilor Korea Ltd. with subsidiaries in South Korean and China (2002); GXB Rx in India (2006); Wanxin Optical in China (2010); Signet Armorlite which notably has the worldwide production and distribution license for Kodak, in the United States (2010); and Shamire Optical in Israel (2011). Over the period, Essilor developed its positions in many new countries, particularly in South America, Asia and Africa, aided by a score of new acquisitions and partnerships each year.

At the same time, Essilor pursued to broaden its scope of activities in the optics world with the formation of two new divisions. The Equipment Division was created in 2008 following the acquisition of Satisloh, a world leader in prescription laboratory equipment. In 2010, Essilor took over FGX International, the North American leader in non-prescription reading glasses. This acquisition gave to the creation of the Readers Division. It was supplemented in 2011 by the takeover of Stylemark, another major player in the United States with a substantial portfolio of licensed brands of non-prescription sunglasses and reading glasses.

In 2013, the Group accelerated the development of its sunglasses range with the acquisition of new companies specializing in mid-range products and high-tech sunglasses, such as Polycore, Xiamen Yarui Optical/Bolon, Suntech Optics and Costa (the latter's acquisition completed in early 2014).

Lastly, 2013 was marked by the creation of a Social and Environmental Responsibility Committee within Essilor's Board of Directors and the position of Chief Corporate Mission Officer in charge of coordinating and strengthening all of the Group's CSR initiatives. The objective: to contribute, through new product and distribution solutions, notably Essilor's goal of equipping 50 million new people around the world a year.

1.2 Ophthalmic optics industry

The mission of the players in the ophthalmic optics industry is to correct and protect vision. Consumers purchase glasses about every three years to correct defects such as myopia, hypermetropia, presbyopia and astigmatism.

The ophthalmic lens industry is organized into four distinct businesses, which correspond to the phases in the transformation of the product ordered by consumers: raw materials suppliers, lens manufacturers, prescription laboratories and edging centers, and distributors.

<table>
<tr><td>Raw materials suppliers</td><td colspan="3">Chemical companies and glass manufacturers</td></tr>
<tr><td>Lens manufacturers</td><td>Integrated manufacturers with laboratories</td><td>Non-integrated manufacturers – Essilor</td><td></td></tr>
<tr><td>Lens finishers</td><td>Essilor</td><td>Independent laboratories</td><td rowspan="2">Optical chains with integrated laboratories</td></tr>
<tr><td>Retailers</td><td colspan="2">Independent opticians – Non-integrated optical chains</td></tr>
<tr><td>End customers</td><td colspan="3">Consumers</td></tr>
</table>

According to the data available to the Group, the world market for ophthalmic optics represents approximately 1.2 billion lenses per year or approximately 590 million consumers per year.

1.2.1 Chemical companies and glass manufacturers

Raw materials are developed and produced by glass manufacturers for glass lenses and by chemical companies for the polymerizable thermoset resins and injectable thermoplastic resins used in plastic lenses.

Essilor is a customer of chemical companies and glass manufacturers around the world.

1.2.2 Lens manufacturers

Using these raw materials, lens manufacturers produce in their plants single-vision finished lenses and a variety of semi-finished lenses.

Finished lenses are for simple eyesight corrections, while semi-finished lenses allow for the production of more complex eyesight corrections.

Essilor manufactures both single-vision finished lenses and semi-finished lenses.

1.2.3 Prescription laboratories and edging centers

Prescription laboratories transform semi-finished lenses (only the front surface is finished) into finished lenses corresponding to the exact specifications of an optician or optometrist's order. This customization enables them to deliver the broadest possible array of correction combinations, especially for presbyopia. In the process, they surface and polish the semi-finished lenses and then apply tinting, anti-UV, anti-scratch, anti-reflective, anti-smudge, anti-static, light-filtering, anti-fog and other coatings.

Essilor operates in this segment and owns more than 450 prescription laboratories and edging centers around the world.

In addition, Essilor's Equipment business designs equipment ranges (primarily machines for surfacing and anti-reflective coatings) and sells consumables to prescription laboratories.

1.2.4 Retailers and optical chains

Lenses are marketed through a number of channels, including independent eye-care professionals, cooperatives, central purchasing agencies and retail optical chains.

The primary role of eye-care professionals is to advise customers on the choice of lens, based on the prescription, as well as the choice of frame. They then send the prescription data to the lens manufacturer or prescription laboratory.

The interaction among these players differs from one country to another.

In the United States and the United Kingdom, for example, laboratories and edging centers usually fully mount the lenses and frames and deliver ready-to-wear eyeglasses to the eye-care professional.

In countries such as France and Germany, laboratories deliver round lenses to opticians, who then adjust them to fit the frame.

Essilor is a supplier for optical retailers and chains worldwide.

1.3 Group businesses

1.3.1 Lenses and Optical Instruments

1.3.1.1 Business overview

Essilor designs, manufactures and customizes corrective lenses to meet each person's unique vision requirements.

Through a wide range of lenses that offer greater comfort, Essilor provides solutions for correcting myopia, hypermetropia, astigmatism and presbyopia to enable people to regain perfect vision, and preserve and protect their eyesight.

Essilor serves every segment of the ophthalmic lens market with globally recognized brands, such as:

- Varilux and its variants for progressive lenses, including the Varilux S series, a new range of lenses launched in 2012;
- Crizal and its range of anti-reflective, anti-smudge and anti-static lenses, including Crizal Prevencia, a new generation of lenses launched in 2013 (see Section 1.5.2.5, "More than 200 new products launched in 2013");
- Optifog for anti-fog lenses;
- Xperio for polarized lenses;
- Nikon, Transitions (photochromic lenses), Kodak and Polaroid, brands used under agreements with Nikon Corporation, Transitions Optical Inc., Kodak and Safilo.

Essilor also designs, develops, distributes and maintains a range of optical instruments with two specialties: a range of lens edging instruments for opticians and prescription laboratories, and vision screening instruments for eye-care professionals, schools, occupational medicine centers, the military and other institutions.

In 2013, the Lenses and Optical Instruments business represented 89% of the Group's revenue.

1.3.1.2 Market and competitive position

According to the Group's estimates, 4.3 billion people worldwide are in need of vision correction. Among them, 1.8 billion, or 25% of the global population, already have equipment to correct and protect their vision.

The world market for ophthalmic optics represents a total of 1.2 billion lenses per year or approximately 590 million consumers per year, with an estimated manufacturing value of approximately €10 billion. Its long-term growth, traditionally ranging from 3% to 4%, is primarily based on the demand from fast-growing countries with an under-equipped population, on the ageing global population, and on the increasing number of unmet visual needs.

In a highly fragmented market comprised mainly of small local competitors, the Group estimates Essilor's market share to be 37% in terms of volume. Essilor's main competitors are Hoya (Japan) and Carl Zeiss Vision (Germany).

In 2013, according to estimates produced by the Essilor group, the global optics market grew by 2%, with volumes driven primarily by fast-growing countries in Asia and Latin America.

The long-term development of the different market segments is characterized by:

- The replacement of mineral lenses with organic lenses, primarily in the emerging countries;
- The growth in new organic materials which make it possible to produce very thin lenses, including the high and very high indices and polycarbonate;
- The replacement of bifocal lenses with progressive lenses;

- The development of surface coatings and multi-layer lenses, essentially anti-reflective, anti-smudge and variable tint lenses;
- The growth in the developing countries supported by the growth in their middle class.

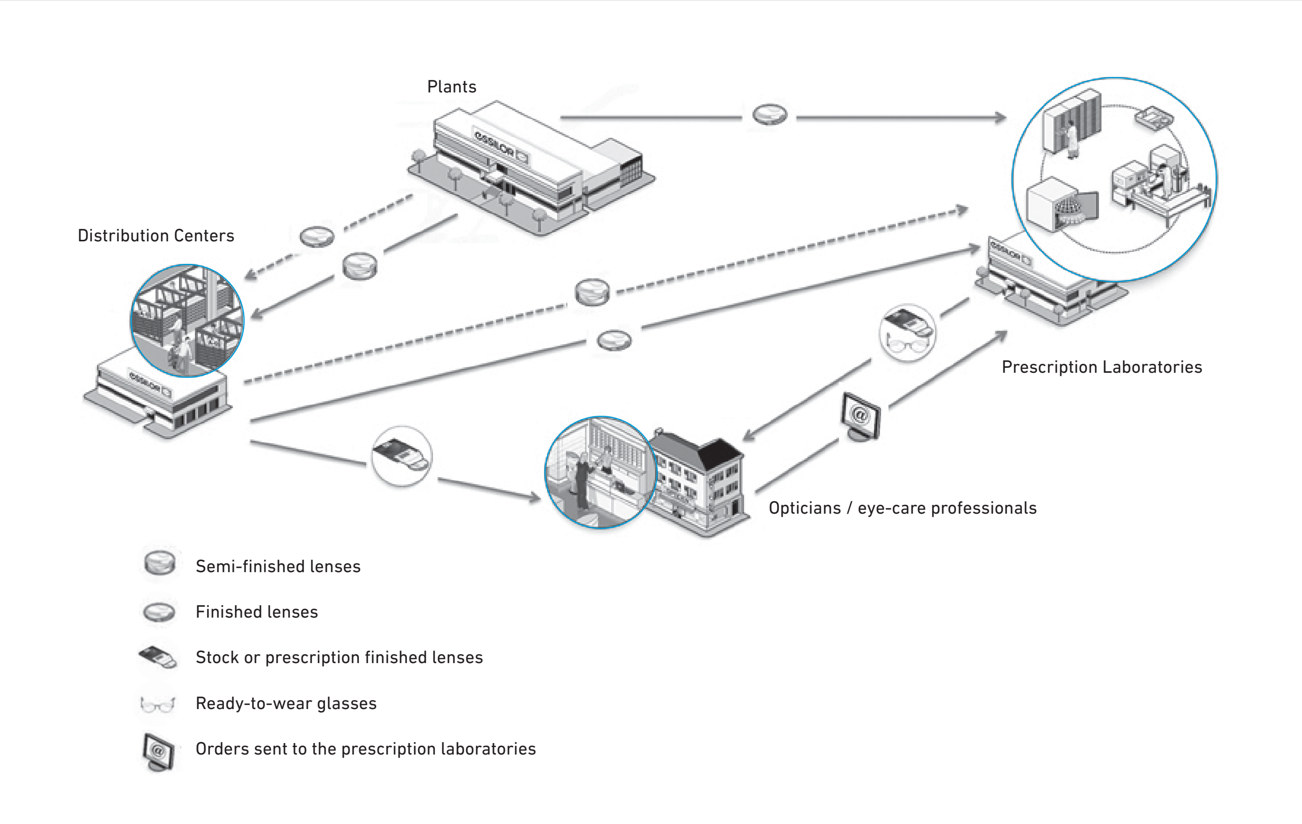
Essilor's customers are:

- Opticians/optometrists for ophthalmic lenses and edging-mounting instruments directly or indirectly through distributors;
- Prescription laboratories for lenses and edging-mounting instruments.

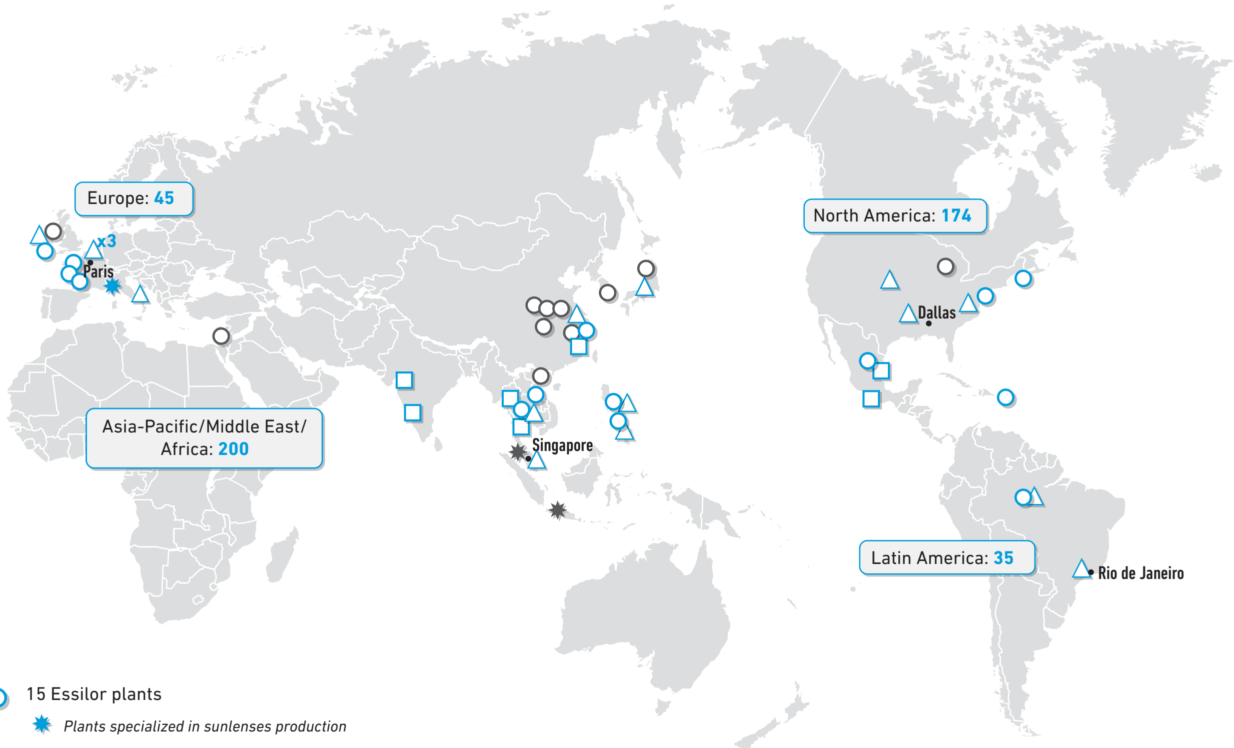
1.3.1.3 Organization and facilities

Business process

Essilor's business process is designed as a complete network. The Group is involved in every step, from product manufacture to delivery to stores. It has a global network of plants, prescription laboratories, edging centers and distribution centers serving eye-care professionals (optical retailers and chains) throughout the world.



A unique global network



- 15 Essilor plants
  - *Plants specialized in sunlenses production*
- 13 Plants operated in partnership or recently acquired
  - *Plants specialized in sunlenses production*
- 454 local prescription laboratories and edging centers
- 7 Export prescription laboratories
- 16 Distribution centers

Production plants

Their role is to ensure the secure supply of finished and semi-finished lenses to subsidiaries and direct customers, on-time, per specifications and at the best cost.

The Group had a total of 28 plants as of December 31, 2013.

The 15 Essilor group plants (consolidation year)

North America: 4	Latin America: 1	Europe: 5	Asia-Pacific: 5
United States ▪ Carbondale, Pennsylvania (1995) ▪ Dudley, Massachusetts (1995) **Mexico** ▪ Chihuahua (1985) **Puerto Rico** ▪ Ponce (1986)	**Brazil** ▪ Manaus (1989)	**France** ▪ Ligny en Barrois – Les Battants (1959) ▪ Dijon (1972) ▪ Sézanne (1974) ▪ Bellegarde sur Valserine (2003)[a] **Ireland** ▪ Ennis (1991)	**China** ▪ Shanghai (1997) **Laos** ▪ Savannaketh (2013) **Philippines** ▪ Marivelès (1980) ▪ Laguna (1999) **Thailand** ▪ Bangkok (1990)

(a) Plants specialized in sunlenses production.

The 13 plants operated in partnership or recently acquired by the Group (consolidation year)

North America: 1	Europe: 1	Asia / Middle East: 11
United States ▪ X-Cel Optical – Sauk Rapids, Minnesota (2012)	**United Kingdom** ▪ Crossbows Optical (2010)	**China** ▪ Essilor Korea via its subsidiary Chemilens – JiaXing (2006) ▪ ILT Danyang – Danyang (2010) ▪ Wanxin Optical – Danyang (2010) ▪ Youli Optics – Danyang (2011) ▪ Seeworld Optical – Danyang (2012) **Korea** ▪ Essilor Korea via its subsidiary Chemiglas – Yangsan (2002) **Israel** ▪ Shamir Optical – Kibbutz Shamir (2011) **Indonesia** ▪ Polycore – Karawang (2013)[a] **Japan** ▪ Nikon-Essilor – Nasu (2000) **Malaysia** ▪ Polycore – Johor Baru (2013)[a] **Vietnam** ▪ Essilor Korea via its subsidiary Chemiglas – Dai An (2013)

(a) Plants specialized in sunlenses production.

Prescription laboratories and edging centers

Prescription laboratories transform semi-finished lenses into custom-made finished lenses.

At year-end 2013, the Group's prescription laboratories and edging centers were located as follows:

North America	174
Europe	45
Asia-Pacific/Middle East/Africa	200
Latin America	35

Distribution centers

Distribution centers take delivery of finished and semi-finished lenses and ship them to distribution subsidiaries and prescription laboratories. Sixteen centers are located throughout the world: six in Asia, five in Europe, three in North America and two in Latin America.

The distribution of products produced by Essilor and its subsidiaries is done:

- either by the Group's subsidiaries or networks in the countries where Essilor is located; or
- by distributors if the Group does not have its own subsidiaries.

1.3.2 Equipment

1.3.2.1 Business overview

The Equipment business consists primarily of Satisloh, which manufactures and sells equipments and consumables used by prescription laboratories.

In 2013, the Equipment business represented 4% of the Group's revenue.

1.3.2.2 Market and competitive position

In value, the Group estimates the market for equipment and consumables used by prescription laboratories at around €500 million.

Satisloh is the world's leading supplier of surfacing machines and anti-reflective coating units. Its global market share is substantial, particularly in digital surfacing machines, small machines that produce anti-reflective lenses in one hour, and consumables.

Satisloh's customers are prescription laboratories, integrated optical chains and lens manufacturers.

Its main competitors are Schneider (Germany) in surfacing and Leybold (Germany) in anti-reflective coating machines.

1.3.2.3 Organization and facilities

Satisloh, whose headquarters are in Baar in Switzerland, owns production units in Germany (Wetzlar), Italy (Milan), the United States (Charlottesville and Concord), Brazil (Petropolis) and China (Zhongshan), and has representative offices in many other countries.

1.3.3 Readers

1.3.3.1 Business overview

The Readers business, which consists mainly of FGX International, markets non-prescription reading glasses and non-prescription sunglasses.

The Group has a portfolio of well-known brands such as Foster Grant, Bolon, Molsion, Ryders Eyewear, Magnivision, Gargoyles, SolarShield, Infokus, Solair and Corinne McCormack. It also holds licenses for trademarks such as Ironman®, Nine West®, Dockers®, Reebok®, Hello Kitty® and various Disney® trademarks.

In 2013, the Readers business represented 7% of Group revenue.

1.3.3.2 Market and competitive position

The Group estimates the Readers market at 220 million pairs per year in volume and close to €1.1 billion per year in value. The Group holds a market share of around 22% in volume.

The non-prescription sunglasses market represents approximately 550 million pairs per year in volume and €6 billion in value. The Group holds a market share of around 12% in volume.

FGX International is the North American leader in non-prescription reading glasses. Internationally, the competitors of FGX International are small local players.

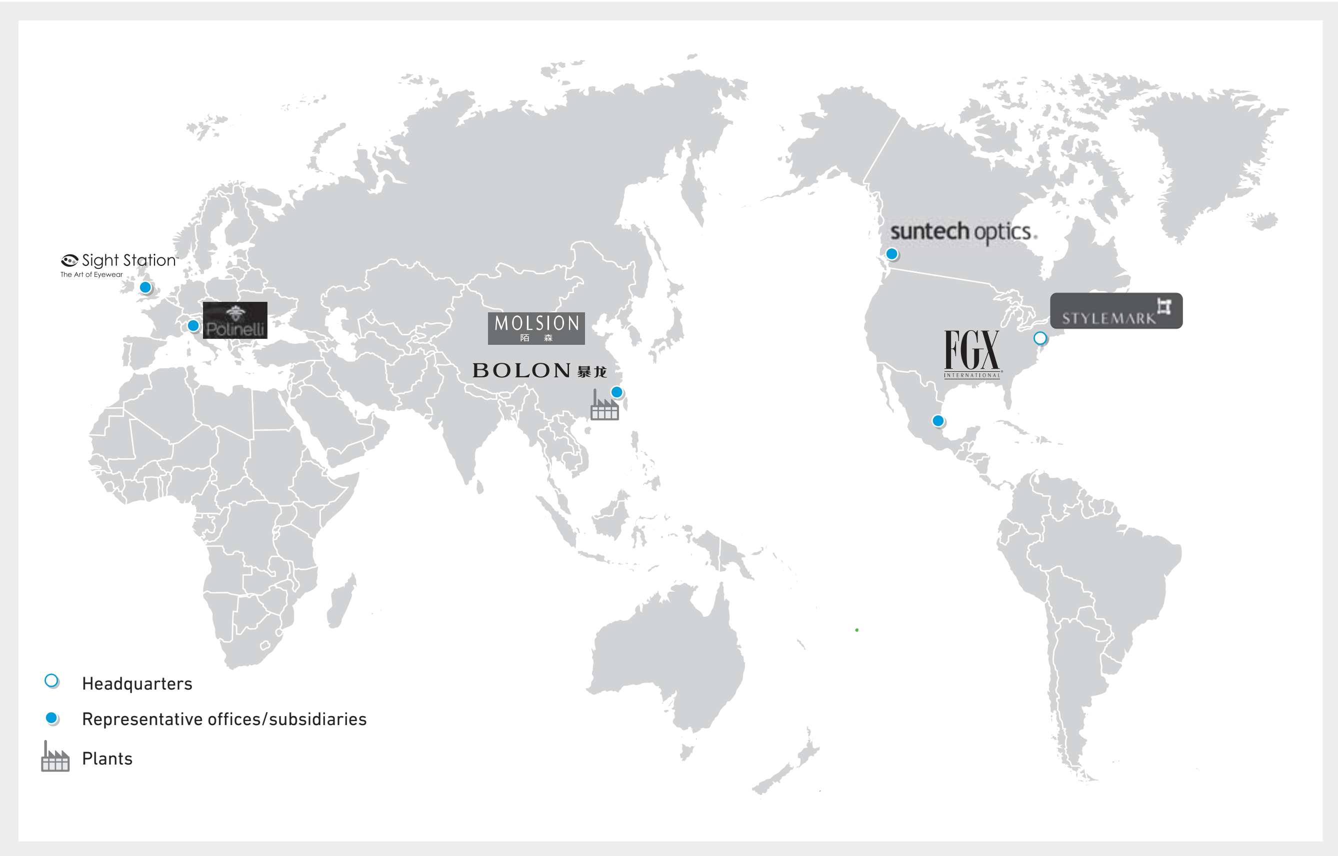
Products in the Readers Division are sold to large retail companies (*e.g.,* Wal-Mart and Target), pharmacies (*e.g.,* Walgreens and CVS) and specialized retail outlets (*e.g.,* Barnes and Noble), as well as to eye care professionals and department stores.

1.3.3.3 Organization and facilities

FGX International's headquarters are in Smithfield, Rhode Island, United States.

It has representative offices and subsidiaries in the United States, Canada, Mexico, the United Kingdom, Italy and China.

Since the acquisition in 2013 of 50% of Xiamen Yarui Optical, the Chinese leader in mid-range sunglasses and owner of the Bolon brand, the Readers Division has a production plant in Xiamen in southeast China.



1.4 The Group's strategy

For all of its businesses, Essilor's strategy is based on four key pillars:

- Innovation in terms of products, services and technology, reflected in particular in the launch each year of a large number of products with improved performance and new benefits for wearers to resolve vision problems (see Section 1.5.2 "Innovation and major launches of products and services in 2013").
- The development of offers tailored to all market segments and all regions to meet the various needs of eye care professionals and consumers (see Section 1.5.2.5 "More than 200 new products launched in 2013").
- An active acquisitions and partnership strategy with industry stakeholders, allowing the Group to strengthen its local presence or enhance its asset portfolio (see Section 1.5.4.1 "Acquisitions and partnerships in the year").
- Stimulating demand through the development of vision information and screening campaigns, plus initiatives to make visual correction accessible to as many people as possible (see Section 1.5.4.2 "2.5 New Vision Generation").

These four pillars rely on the Group's ongoing industrial and operational efficiency and on a strong commitment to corporate, social and environmental responsibility (see Section 4).

1.5 Performance of the Group in 2013

In 2013, Essilor consolidated its positions after two years of strong growth and despite an unfavorable exchange rate climate. The Group improved every indicator, laid extensive groundwork in such future shaping areas as visual health, sunlens strategy and brand development, while further expanding in fast-growing countries.

Highlights in the year included:

- A further improvement in the Company's share of the worldwide lens market, to 37% of units;
- A sharp increase in the contribution from fast-growing countries, which accounted for 21% of consolidated revenue for the year;
- A rise in the Group's contribution margin, to 18.1%;
- Launch of the Crizal Prevencia lens, confirming Essilor's strong innovation drive and marking its entry into the promising visual health and preventive lens segment;
- Acceleration of the acquisition strategy, with the announcement of the Company's largest acquisition to date – Transitions Optical for US$1.8 billion – and the signature of 28 partnership agreements representing full-year revenue of €254 million;
- Ramp-up of a sunlens range combining Essilor and FGX International's expertise in prescription sunwear, polarization, UV protection and distribution with the positions and brands of the companies acquired in 2013 (Polycore, Xiamen Yarui Optical/Bolon and Suntech Optics) and early 2014 (Costa Inc) in the mid-range and performance sunlens segments.

Change in revenue from 2012 to 2013

	Reported	Like-for-like	Change in scope of consolidation	Currency effect
€ millions	76	105	165	-194
As a%	1.5%	2.1%	3.3%	-3.9%

In 2013, consolidated revenue totaled €5,065 million, an increase of 1.5% over the previous year (+5.4% excluding currency effect).

The growth in 2013 revenue reflects:

- A 2.1% like-for-like increase in revenue over the year, demonstrating an improvement in sales between the first half (up 1.2%) and the second (up 3.0%);
- A 3.3% impact from changes in scope of consolidation, led by the growing quarter-by-quarter contribution from the acquisitions strategy;
- A 3.9% negative currency effect attributable to the rise in the euro against most of the other billing currencies.

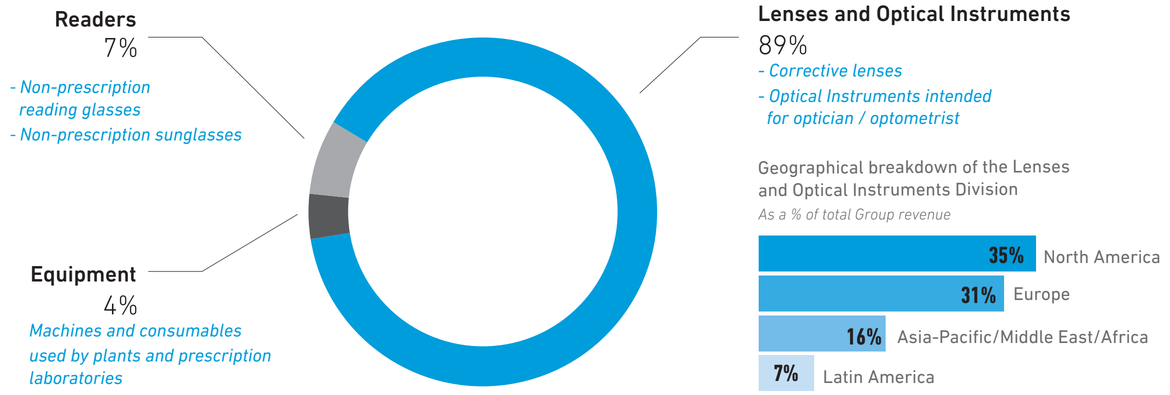
In 2013, Essilor's robust innovation drive led to the deployment of such major new products as the Varilux S series progressive lens, the Crizal UV antireflective lens and, at year-end, Crizal Prevencia, the first lens that filters harmful blue light. The popularity of these products with eyecare professionals, combined with the assertive acquisitions strategy, enabled Essilor to broaden and deepen its global market positions during the year. Nevertheless, organic growth was dampened by fierce competition and, in certain regions, by a lackluster economic environment that weighed on demand for eyecare solutions.

1.5.1 Highlights by business and region

Revenue € millions	2013	2012[1]	Reported	Like-for-like	Change in scope of consolidation	Currency effect
Lenses and Optical Instruments	**4,505**	**4,445**	**+1.3%**	**+1.8%**	**+3.5%**	**-4.0%**
North America	1,770	1,775	-0.3%	+0.5%	+2.8%	-3.6%
Europe	1,572	1,570	+0.1%	+0.5%	+0.4%	-1.0%
Asia-Pacific/Middle East/Africa	812	778	+4.5%	+4.2%	+8.2%	-7.9%
Latin America	351	322	+8.9%	+9.7%	+10.7%	-11.5%
Equipment	**205**	**199**	**+2.9%**	**+7.3%**	**-1.5%**	**-2.9%**
Readers	**355**	**345**	**+3.0%**	**+2.7%**	**+3.7%**	**-3.4%**
TOTAL	**5,065**	**4,989**	**+1.5%**	**+2.1%**	**+3.3%**	**-3.9%**

(1) Nikon-Essilor sales in North America (€39.5 million in 2012) and Europe (€11.5 million) had previously been posted to the Asia-Pacific/Middle East/Africa region.

Breakdown of Essilor 2013 revenue by operating segment and by region



Revenue generated by fast-growing countries amounted to €1,062 million, or 21% of the Group's revenue.

1.5.1.1 Lenses and Optical Instruments

North America

In 2013, revenue in North America rose 0.5% like-for like. Over the year, buoyant customer and product trends enabled the Company to successfully counteract a number of temporarily unfavorable effects in the region.

In the **United States**, 2013 was shaped by solid volumes with major optical chains. A leading retailer enjoyed very strong demand for the NikonEyes line-up, while the new supply contract signed last year with a major national chain continued to ramp up in 2013. In the independent laboratory segment, initiatives to give new impetus to the sales force delivered positive results. Among mutual insurance companies, a new supply contract with the nation's no. 2 provider took effect in the last months of the year. These factors offset the non-renewal of two supply contracts with mid-sized chains during the year, as well as the unfavorable basis of comparison resulting from the number of anti-reflective solutions delivered to LensCrafters in 2012.

Concerning the product line-up, the year saw strong growth for Xperio polarized lenses, lifted by the positive impact of its advertising campaign. The end-2013 launch of Crizal Prevencia helped to revitalize sales in the anti-reflective segment. As for Varilux progressive lenses, the new generation Varilux S series received a very warm welcome but was not rolled out as quickly as planned due to technical factors. This situation was resolved late in the year.

In **Canada**, sales to independent eyecare professionals returned to growth, led by the success of the Varilux Club and the advertising campaigns. In the chains segment, measures to promote multiple-pair sales partially offset the effect of the new marketing strategy initiated by a major customer in 2012. In every channel, demand was buoyed by the popularity of major product innovations, including the Varilux S series, Crizal UV, Crizal Prevencia and Nikon-Essilor's e-Life series for intermediate vision. Lastly, the Company strengthened its presence in the mid-range segment with the acquisition of Riverside, a group of prescription laboratories that operates in Quebec and Ontario.

Europe

Revenue in Europe grew 0.5% like-for-like, attesting to the popularity of product innovations despite persistently weak demand and more intense competition. These conditions led in particular to the loss of a contract with a major optical chain, which significantly impacted fourth-quarter performance.

In this difficult environment, the new Varilux S series progressive lens was a resounding success in most European countries, including France and Germany. Similarly, the Crizal UV anti-reflective lens continued to meet demand in the market, fully replacing previous versions in the range in most European countries. Lastly, sales of Xperio polarized lenses continued to grow rapidly during the year. These innovations enabled Essilor to strengthen its market share in the premium segment.

In addition, Essilor continued to develop integrated frame and lens equipment supply solutions through high value-added contracts with leading optical chains.

The region's overall performance masked contrasting situations in different countries. After a good start to 2013, sales in France were impacted by a difficult economic and regulatory environment in the latter part of the year. The United Kingdom, Switzerland and certain eastern countries, such as Russia, delivered healthy performances, while Italy gradually returned to growth. In contrast, conditions were more difficult in Spain and Portugal, Germany and the Benelux countries.

Asia-Pacific/Middle East/Africa

Revenue in the Asia-Pacific-Middle East-Africa region rose 4.2% like-for-like. This performance reflected sustained growth in the Chinese and Indian domestic markets as well as the improved product mix, both of which were partially offset by a decline in export sales and softer demand in the region's developed economies.

In **China**, domestic business was buoyed by the large number of new product launches, such as the Crizal UV lenses and the mid-range anti-fatigue lenses, which helped to drive noticeable market share gains. The decline in export business reflected more cyclical trends exogenous to China.

All of the networks in **India** delivered double-digit growth, led by the Crizal and Varilux ranges, whose solid results amply exceeded the positive impact from the launches of Crizal UV, Varilux S series and other new products.

Revenue rose across the **Southeast Asian** countries with the exception of Thailand, which nevertheless saw a recovery at year-end.

Among the developed economies, sales in **Japan** ended the year down slightly but with a significant upturn in the fourth quarter, reflecting changes in the competitive environment, more favorable prior-year comparatives and new product-driven market share gains. In **Australia/New Zealand**, sales were dampened by reduced demand in the independent optometrist channel, which was partially offset by optical chain sales.

Operations in a number of countries weighed on the region's overall performance and required special attention during the year. Disappointing results in **South Africa** and **Indonesia**, for example, led to organizational changes. In **South Korea**, demand is suffering from the longer eyewear renewal rate, which was once one of the world's shortest. Nevertheless, the impact of this trend was cushioned by product mix improvements as a large number of opticians continued to move upmarket.

Latin America

Despite a more difficult economic environment than in 2012, Essilor pursued its fast growth in Latin America to report a like-for-like revenue gain of 9.7%. This performance reflected the popularity of new products, with in particular the launch of the Varilux S series and the changeover of the entire Crizal range to the new-generation Crizal UV during the year. In addition, operations in the region benefited from the deployment of a more assertive organization that more effectively segmented the market among the Company's various partners, with a stronger focus on key accounts and optical chains.

In **Brazil**, the network of prescription laboratories was strengthened with three new partnerships during the year, which extended market coverage to Minas Gerais state and the Federal District (Brasilia). Growth was led by robust sales of Varilux and Crizal lenses, with Crizal UV in particular being very quickly deployed across the entire range. At the end of the year, Essilor also introduced Crizal Prevencia in the premium segment and Kodak-brand lenses, which are now the standard-bearers in the mid-range segment. The appeal and name recognition of Essilor brands were enhanced among eyecare professionals, through a carefully targeted promotional campaign, and among consumers, through several waves of print and TV advertising.

Colombia is now the Essilor's second largest market in the region following the acquisition of Servi Optica, the country's leading domestic distributor. During the year, the Company focused on optimizing the product portfolio among its different distribution networks and stepped up marketing of the Varilux and Crizal brands. This process also included the domestic launch of Nikon lenses.

In **Mexico**, operations enjoyed double-digit growth despite a slowdown at year-end due to the economic environment. Business benefited from the introduction of new products in the Varilux progressive and Crizal anti-reflective ranges, strong demand for value-added lenses and the opportunities for optimization created by the partnership with Crystal y Plastico.

Business in **Argentina** was heavily impacted by drastic restrictions on imports.

Lastly, Essilor gained access to the **Chilean** market by partnering with Megalux, a local leader with a solid franchise among independent opticians. This will help the Company to take advantage of the very low penetration rate of value-added lenses in Chile.

Instruments

Despite a still challenging economic situation in Europe, which accounts for the bulk of its revenue, the Instruments Division returned to solid like-for-like growth of 5.5% in 2013, recording particularly strong gains in the second half of the year. The Division's four product lines - finishing instruments (mainly edgers), measurement devices, optometric equipment and small tools and consumables - all contributed to the upturn.

The deployment of Mr Mix, a lens finishing instrument combining the Mr Blue tracer and the Mr Orange edger, helped Essilor to strengthen its market share in Europe. The Company also reaped the initial rewards of its edging system distribution agreement with Topcon in Japan. In China and Brazil, growth was very robust during the year. Lastly, Essilor worked on renewing its mid-range offer with the launch of NeKsia, a finishing instrument that features new interfaces and integrates the latest generation lens centering and blocking technologies.

In measurement devices, revenue was fuelled by strong demand for the M'EyeFit range, particularly in France, Germany and the United States. Sales of the optometric equipment range grew throughout the world, while in the United States, Stereo Optical delivered strong results in vision screening and vision performance measurement instruments.

1.5.1.2 Equipment

The Equipment Division reported like-for-like revenue growth of 7.3%, exceeding the record set in 2012 despite unfavorable prior-year comparatives, which were lifted by exceptional deliveries to a key account in Asia.

Demand for coating machines rose steeply from US optical chains as they automated anti-reflective coating operations in their proprietary laboratories. This trend towards greater automation is supported across the production process by the new On-Block Manufacturing solution, which is enjoying growing success among optical chains in both Europe and North America. Revenue from surfacing machines was stable, excluding the impact of the exceptional deliveries in Asia in 2012.

By region, the division widened its market share in North America and certain European countries, as well as in Latin America, led by a solid performance from lens surfacing subsidiary CMSatisloh.

1.5.1.3 Readers

The Readers Division had a mixed year, generating like-for-like growth of 2.7%, with much more vigorous store sales in the second half. Space gains with a key account and extensive collection renewals drove brisk business in the distribution of non-prescription lenses. Sunglass sales, on the other hand, were hurt by unfavorable weather in the United States, especially in regions where FGX International's large customers have a strong presence.

Internationally, demand was robust despite the economic slowdown seen in certain regions at the end of the year. FGX International began marketing its lineup in Ecuador, Poland and Algeria. Sales rebounded in Europe, with solid growth in the United Kingdom and especially in Italy, where Polinelli widened its market share. The situation was more difficult in Canada, however.

The year was also shaped by Stylemark's successful integration into FGX International and execution of the synergies plan, which helped to strengthen FGX's market leadership and improve its operating performance. FGX pursued its acquisitions strategy, with two major transactions completed in China and Canada (see Section 1.5.4.1 "Acquisitions and partnerships in the year").

1.5.1.4 Exceptional factors

No exceptional factors influenced the Group's main businesses or markets in 2013.

1.5.2 Innovation and key products and services launched in 2013

1.5.2.1 Innovation: at the core of the Group's strategy

Since Essilor's beginnings, innovation has been one of the Group's strategic areas and a major competitive advantage. Essilor was behind two major inventions in the ophthalmic industry: organic lenses and progressive lenses, both launched in 1959.

Every year, the Group devotes a significant percentage of revenue to R&D: €164 million in 2013, before deduction of research tax credit.

To offer innovative technical solutions, products, processes and services to meet individual vision correction needs, Essilor's R&D Department is organized into three branches: Optics, Physics & Chemistry which studies materials and thin films, and Disruptive Technology. They rely on the regional networks built up with the world's leading experts in these fields and on its solid base of international patents that it is constantly developing.

Each year sees innovations in:

- Surface coatings;
- Materials; and
- Designs (primarily in progressive lenses).

Technologies developed by other industries are regularly integrated to constantly improve Essilor's product properties.

Since 2006, Essilor has used digital surfacing technology to develop new generation progressive lenses combining:

- The wavefront management system, a revolutionary method for calculating progressive surface (design);
- A high-precision production technique;
- New personalization options.

1.5.2.2 R&D partnerships focusing on innovation

In developing its products, Essilor networks with many universities, public and private research centers, and R&D teams in other industrial sectors (major groups or innovative SMEs). The Group's R&D work and partnership projects focus on five main lines which are vision health and protection, myopia, customization and segmentation, the challenge of aging vision, and last but not least the brightness management (photochromic properties, dazzle, etc.).

In 2013, the Group created a joint research center with Wenzhou Medical University in China to investigate myopia in children. The goal of this research center is to identify the origins and causes of this vision impairment, the factors that can affect its development, and solutions focused primarily on ophthalmic lenses, to slow its progression. This work will be conducted at the Eye Hospital of Wenzhou Medical University, one of the leading Chinese research centers for vision science.

The Group also renewed its cooperation agreement with Shanghai University for three years. Signed in 2007, this cooperation which has now led to the filing of four international patents, has resulted in a joint research center investigating on how nanotechnology can be applied to surface treatments.

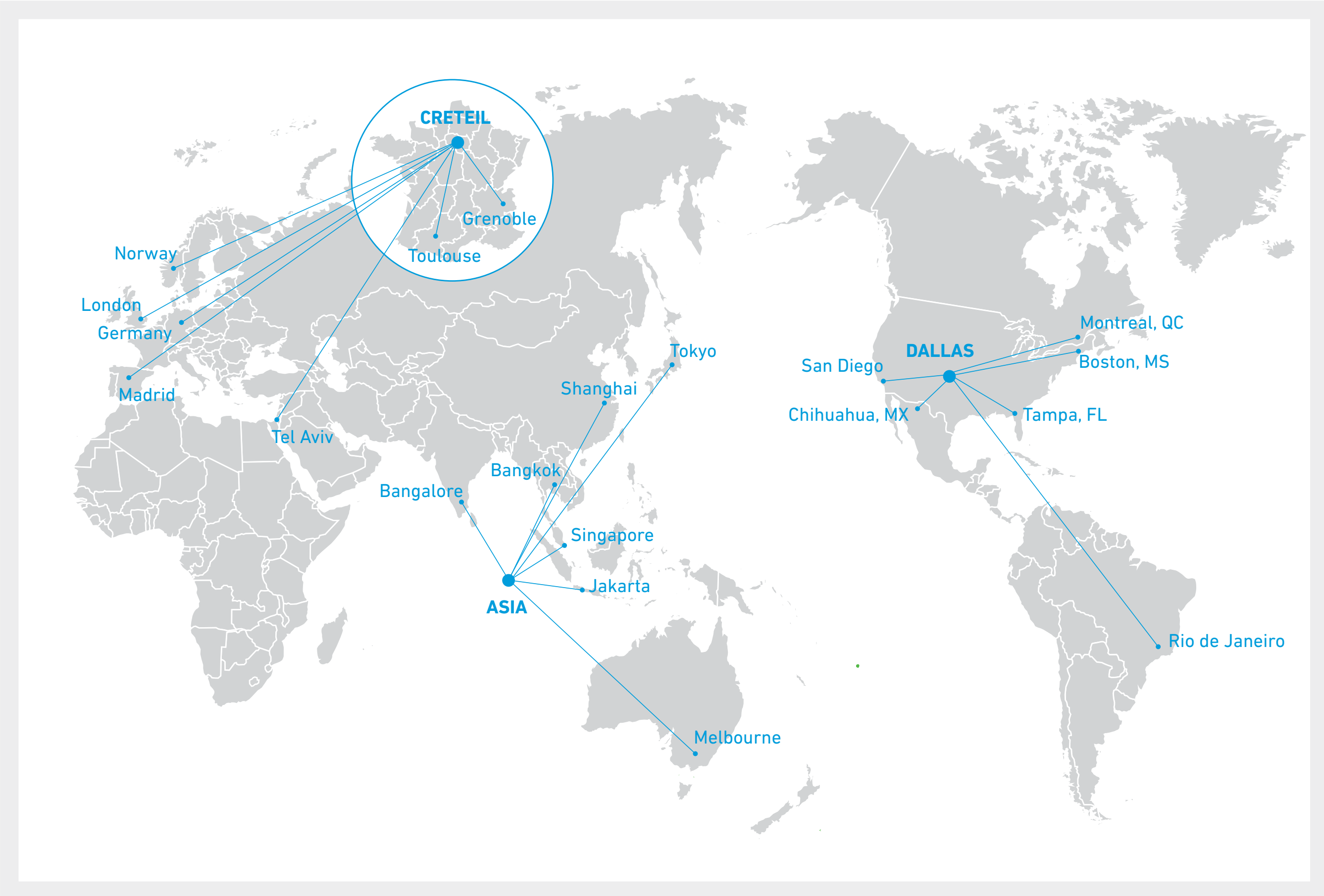
Lastly, in 2013 the Group signed a new 4-year partnership with the Vision Institute in France, one of the leading European centers dedicated to scientific and medical research into eye diseases, and the Pierre and Marie Curie University, Paris, specializing in science and medicine. This partnership led to the creation of a joint R&D laboratory dedicated to the non-pathological aging of vision. The studies conducted by this very highly qualified scientific team were aimed at understanding and assessing the mechanisms involved in age-related vision loss and their consequences on loss of independence.

1.5.2.3 A global structure based on three Innovation and Technology Centers

To strengthen its innovation capacity, in 2011 Essilor brought together the skills and resources of the R&D, and engineering and technical support teams at three Innovation and Technology Centers around the world, in Europe (Créteil, France), North America (Dallas, USA) and Asia (Singapore). The purpose of these centers was to optimize quality, performance, product development and launch time on world markets, in response to customer expectations and the specifics of each market, and to be able to identify and forge the best research partnerships.

In 2013, the Group opened its Innovation and Technology Center in Europe, the final stage in this global project. Bringing together some 900 technicians, this is the biggest private research center in the world dedicated to ophthalmic optics.

The Group has also strengthened its teams at two other Innovation and Technology Centers, especially *in fine* chemistry in Asia and polarizing lenses in the United States.



1.5.2.4 Patents

At the end of 2013, the Group, including the companies in which it owns all the capital (BNL, Gentex Optics, FGX International, Rupp and Hubrach, Satisloh and Signet Armorlite) and their subsidiaries, held 1,100 patent families representing a total of over 5,500 patents and patent applications in France and abroad.

The Group's very active innovation policy is sustained and strengthened by an equally active intellectual property policy, both upstream, to support innovation (by using patents as a tool for innovation) and downstream, to optimize protection for all innovations.

Accordingly, in 2013, Essilor International and its wholly-owned subsidiaries achieved an all-time record in terms of filing new inventions by filing 107 patent applications that year.

It is also Group policy to prevent patent infringements. As such, all Group employees have access to guides, forms and awareness-raising sessions on intellectual property to create, protect and defend the Essilor group's intellectual property around the world.

The commitments given in the context of exclusive or non-exclusive use of patents through licenses are not material.

Essilor International, as the owner of the technology and know-how patents, grants its subsidiaries a non-exclusive license for the use of the technologies to manufacture lenses in a specific territory and to sell the lenses with that technology in a specific territory.

Essilor also cross-charges a portion of the costs of the central functions providing support to Group subsidiaries.

The Group is not dependent on any contracts, patents or licenses or on any one or several customers that currently have a material impact on its operations or that could have a significant impact on expiration. Similarly, it is not dependent on any supply contracts, since purchases are spread among a number of suppliers. All contracts are on arm's length terms.

1.5.2.5 More than 200 new products launched in 2013

Every year, the Group launches more than 200 new products. This high number reflects the increasing customization of lenses and the Group's desire to fulfill special requests.

In 2013 it launched the new anti-reflective lens Crizal Prevencia, the first-ever preventive lens to protect both against harmful blue rays, one of the risk factors in age-related macular degeneration (AMD), and against UVs, implicated in the onset of cataracts. Developed using its exclusive Light Scan technology that filter light, this lens lets beneficial blue light through while blocking the harmful violet-blue rays emitted by the sun as well as by artificial lights such as cold white LEDs, computers and smartphones. This major innovation, thanks to a 4-year research program in partnership with the Vision Institute that included in vitro tests exposing retinal cells to light, is a scientific first in ophthalmic optics. These tests identified 435 nm wavelengths (± 10 nm) as being the most harmful to the retina.

Still in the field of blue light, the Group also launched "blue cut" lenses that block all the blue light responsible for brightness. Called SeeCoat Blue, Neva Blue and I-Relief, these lenses are ideal for occasional use to provide more comfortable viewing when, for example, working on a computer for an extended period of time.

In the mid-range, BBGR's new Intuitiv lens is the first-ever progressive lens to take the posture of right-handers and left-handers into account. It uses two exclusive and patented technologies: Ergonomic Technology identifies the useful field of vision depending on the posture of the eyeglass wearer, and Vision Booster uses new calculation technology coupled with dual surfacing, to offer enhanced optics that provide a wider field of vision and unrivalled comfort for both close work and intermediate vision. This lens won the Silmo d'Or Award in the Vision category at the Paris International Optics and Eyewear Exhibition in September 2013.

The Shamir Autograph III progressive lens was launched at the MIDO International Optics and Eyewear Exhibition in Milan. It relies on four innovative technologies that maximize viewing comfort based on the power of the lens, its position on the person's head, screen clarity, and stability.

In the latter part of the year, the Group also rolled out to its BBGR and Kodak lenses the most complete visual UV protection with an E-SPF (Eye-Sun Protection Factor) of 25.

The Transitions Signature photochromic lens began its European roll-out in 2013 and continued in the rest of the world in 2014. It benefits from the new Chromea7 technology: a new exclusive formulation composed of eight special pigments that activate more molecules to absorb more light. The lens is therefore more reactive to light intensity as well as to indirect light, thereby reacting to darker tints faster than previous versions while returning faster to their clear state.

In the polarized sunglasses segment, reducing brightness and enhancing contrast while preserving the clarity of natural vision, Essilor launched Xpero Gradient Polar, the first-ever polarized gradual color lens. This innovation extends the Xperio range to more-feminine customers. The Group also announced a license agreement with Safilo concerning the design, manufacture and worldwide distribution of polarized corrective lenses under the Polaroid brand, whose reputation is a major advantage in the mass market.

In the Readers segment, FGX International launched Crystal Vision, a new range of reading glasses that reduce visual fatigue and provide optimal clarity of vision while reducing scratching, smudging and brightness.

For people with low vision, Prodigi Duo is the first configurable vision assistant that automatically checks the size and format of the text in each user's field of vision, and suggests an appropriate, voice-delivered adjustment. It is the fruit of the combined expertise of Essilor's Myopia Center, based on an analysis of the needs and visual acuity of visually impaired people and their configuration, and those used in the electronics and image processing of Humanware, a company acquired by Essilor in 2013. Humanware is a world leader in the design and distribution of electronic assistance products for the visually impaired and blind. This product won the Silmo d'Or Award in the Short-Sighted category at the Paris International Optics and Eyewear Exhibition in September 2013.

In 2013 the Group also launched a prototype for augmented-reality smart glasses designed to improve the visual perception of the visually impaired. This prototype is currently being tested by a number of visually impaired people in France and the United States.

As for sales-support instruments for opticians and services, the Group has accelerated its differentiation in customization by distributing ever-more efficient measurement tools. Following the acquisition of Interactive Visual Système, it launched the new measurement feature Visioffice 2 which allows opticians to take all physiological and behavioral measurements using new-generation ergonomics and connectivity. It has also encouraged the use of in-store interactive sales-support tablets and measuring devices.

Lastly, the Marketing, R&D and Engineering Departments have prepared product launches for 2014, in particular the Transitions Signature photochromic lens to be launched in early 2014 outside Europe; the Varilux E series progressive lens which will offer, from the first quarter of 2014, a version of Nanoptix technology reserved until now to high-end Varilux S series lenses; the Optifog Smart Textile lens, a new-generation longlife anti-fog lens whose liquid activator is replenished by a microfiber dry cloth; and the new indices e-SPF 15 and e-SPF 10, offering visual UV protection intensity designed for mid-range.

1.5.3 Operating highlights

1.5.3.1 Production and capital expenditure

Essilor operates 15 plants around the world: four in North America, one in Latin America, five in Europe and five in Asia, including its new plant opening in Laos in 2013. It also has 13 other production plants belonging to companies with whom Essilor has set up partnerships or recently acquired. (see summary tables in Section 1.3.1.3. "Organization and facilities.")

In 2013, Essilor's plants including those of its partners, produced around 432 million lenses. Per material, the volumes of high-index lenses remained steady compared to 2012 and the lens production of 1.56 index continued to grow.

During the year, the Group continued to achieve significant productivity gains, and recorded a decrease in production costs *versus* 2012.

In terms of capital expenditure, the Group's main actions in 2013 focused on:

- setting up and starting up two new production plants in Asia; a first production plant in Laos for making finished polycarbonate lenses and a second in Vietnam, in partnership with Chemiglas, which produces high-index unifocal lenses (finished or semi-finished);
- a proposal for automating the end of the production line (to inspect lenses package them and ship them) at the Dudley plant in the United States;
- setting up a new production line at the Dijon plant in France, intended for manufacturing high-index unifocal lenses for which the Group had obtained the "Origine France Garantie" label.

Lastly, in 2013, Operations produced a new roadmap for the next five years, the challenges being to improve the operating efficiency of the Group's plants and those of its partners, and to implement a "lean manufacturing" program.

1.5.3.2 Global prescription lens production and finishing

Essilor has a network of 454 prescription laboratories and edging centers spread around the world, including seven export laboratories (two in Mexico, two in Thailand, two in India and one in China) making lenses mainly to the European and North American markets.

These laboratories produce custom lenses based on orders from eye-care professionals (opticians, optometrists…) corresponding to the end-consumer's prescription. Using semi-finished lenses, the prescription laboratories and edging centers finish the product with surfacing operations, polishing, treatments (multi-layer coatings) and edging-mounting.

In 2013, the Group's prescription laboratories (excluding acquisitions and partnerships completed in 2013) produced and coated around 108 million lenses.

During fiscal year 2013, the Group continued to forge partnerships with a significant number of laboratories around the world, mainly in North American and fast-growing countries (See Section 1.5.4.1 "Acquisition and partnership in the year". In parallel, Essilor continued to optimize its network and streamline facilities in the United States and Europe.

For prescription laboratories, 2013 was also marked by the continuing roll-out of the Varilux S series range of progressive lenses, in North America in particular, and by the global launch of Crizal Prevencia, the first-ever lens to block the harmful effects of blue light.

Furthermore, in 2013 engineering teams around the world continued to develop technologies and expertise in sunglasses and develop corrective sunglasses that can ajust big-brand sunglasses to the wearer's vision. This range reproduces identically the camber, tint and treatments (especially the mirror effect) of original non-prescription big-brand sunglasses on the fully-UV protective e-SPF 50 corrective sunglasses. Called "SunMax", this range was initially launched in Spain.

The Group's global Engineering Department also developed, in partnership with Satisloh, an anti-reflection machine called "Small Box Coater" designed to perfectly suit small production plants. Satisloh is scheduled to market this machine in spring 2014.

Also in 2013, Group entities continued the DEO (Digital-Surfacing External Offer) roll-out to independent laboratories in the United States and Latin America. DEO is a partnership offer in digital surfacing. It includes the installation of technologies, the supply of semi-finished lenses, training in controlling procedures and technical support, to locally produce the lenses developed by the Group. In 2013, the Group strengthened it offer by licensing its latest innovations, in particular the technologies used in manufacturing Crizal UV and Varilux S series lenses. At the end of the year, more than 100 independent laboratories and partners were equipped with DEO worldwide and the number of lenses calculated and manufactured grew strongly compared to 2012.

1.5.3.3 Logistics

Essilor's Logistics segment covers the Group's entire product flow worldwide: from production sites and central warehouses to prescription laboratories and sales outlets of eye-care professionals customers. In particular, the segment simultaneously manages flows of series productions (finished lenses, mainly single-vision lenses, manufactured at the plant) and flows of prescription lens productions (semi-finished lenses manufactured at the plant and then surfaced and treated at a prescription laboratory).

Among the year's highlights, new-product launches mobilized all Logistics teams, in particular for the Varilux S series in Asia and Latin America, and for Crizal Prevencia, in a synchronized way across all continents, and Transitions Signature in Europe. These launches, associated with the integration of recently acquired companies, entailed an increase in the number of product references managed in 2013. Despite this growth, inventories remained unchanged in terms of value in 2013 (excluding the substitution effects of Transitions products), in line with the Group's objectives.

The year was also marked by the definition and implementation of a 3-year action plan for Logistics, which included in particular the objective of optimizing global supply chain costs. Over the course of the year, this plan led to the implementation of an integrated supply chain in Europe. It covers all the teams working on the distribution of semi-finished lenses at prescription laboratories as well as finished lenses, with the joint objective of optimizing the flows, inventories and capacities of prescription laboratories.

The Group also opened, in August, its second distribution center in the United States, in Dallas, to split lens distribution with its historic distribution hub in Columbus.

During the year, the Group also strived to implement logistics synergies with recently acquired companies and, notably, to internalize some of their lens purchasing that had previously been outsourced.

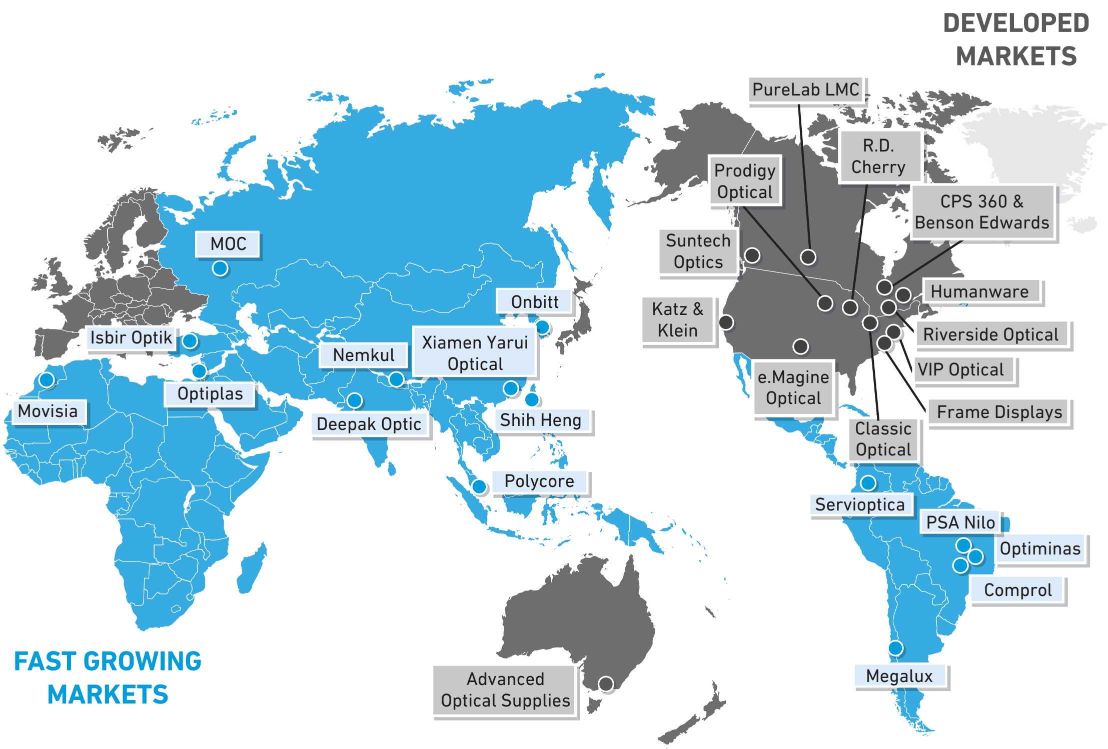
In 2014, the Group will continue to roll out turnkey frame and lens offers to the major distribution chains, particularly in Europe, by implementing intercontinental logistics integrating stock lenses, prescription lenses and frames.

1.5.4 Other aspects of business in 2013

1.5.4.1 Acquisitions and partnerships in the year

In 2013, Essilor pursued its acquisitions and partnerships strategy. The Company acquired interests or increased its stake in 28 companies, representing combined annual revenues of around €254 million. Fifteen of these transactions were in fast-growing economies, enabling the Company to enter two new geographic markets, Chile and Nepal.

28 acquisitions and partnerships completed in 2013



Lenses and Optical Instruments

North America

- In the United States, Essilor of America developed new local partnerships to accelerate the dissemination of cutting-edge technologies while strengthening its local roots. The Group took control of the following prescription laboratories:
  - **Classic Optical,** in Ohio and specializing in health insurance plan members (annual revenue of about US$17 million);
  - **e.magine Optical,** in Oklahoma (annual revenue of about US$3 million) ;
  - **Katz & Klein,** in California (annual revenue of about US$4 million) ;
  - **Prodigy Optical,** in Minnesota (annual revenue of about US$3.5 million) ;
  - **R.D. Cherry,** in Michigan (annual revenue of about US$9.8 million) ;
  - **VIP Optical,** in New Jersey (annual revenue of about US$3.9 million).
- Essilor also acquired a majority stake in **Frame Displays,** a company that designs, manufactures and distributes sales-aid furniture and accessories for optical retailers (annual revenue of about US$4.5 million).
- In Canada, the Group accelerated its presence in the low vision segment by acquiring a majority stake in **Humanware,** a group based in Quebec and world leader in the design and distribution of electronic aids for the visually impaired or blind (annual revenue of about US$35 million). Essilor also strengthened its distribution network by signing a partnership with **Riverside Optical,** a group of prescription laboratories operating in the provinces of Quebec and Ontario (annual revenue of about CAD26 million) and with **Benson Edwards Optical Lab** and **CPS 360 Optical Lab,** two prescription laboratories based in the province of Ontario (annual revenue of about CAD3 million).
- Lastly, Shamir acquired a majority stake in **PureLab LMC,** a prescription laboratory based in the province of Saskatchewan (annual revenue of about CAD2 million).

Europe

- In Russia, Essilor acquired a majority stake in **MOC-BBGR**, a joint venture owned by Marketing Optical Company, BBGR's traditional distributor (annual revenue of about €4 million).

Asia-Pacific/Middle East/Africa

- In India, the Group took a majority stake in **Deepak Optic,** an ophthalmic lens wholesaler and Essilor's traditional distributor (annual revenue of about €1 million).
- Essilor set up operations in Nepal by taking a majority stake in the distributor **Nemkul** (annual revenue of about €0.5 million).
- In Singapore, the Group strengthened its sunlens production with the acquisition of 50% of the capital of **Polycore Optical,** which has two production plants in Asia and three prescription laboratories in Indonesia and the Netherlands (annual revenue of about €30 million).
- In Taiwan, Essilor acquired a majority stake in **Shih Heng,** a major lens distributor with a prescription laboratory (annual revenue of about €6.5 million).
- In South Korea, Essilor Korea acquired a majority stake in **Onbitt,** a producer of polarized films for ophthalmic lenses (annual revenue of about €5 million).
- In Australia, the Group took a minority stake in **Advanced Optical Supplies,** a prescription laboratory in the state of Victoria (annual revenue of about €0.8 million).
- In Morocco, Essilor acquired **Movisia** (annual revenue of about €1 million), a distributor of Nikon and Kodak products.
- In Turkey, Essilor acquired a majority stake in **Isbir Optik,** the leading distributor in its market (annual revenue of about €15 million).
- In Israel, the Group acquired the production and marketing assets of **Optiplas,** Essilor's traditional distributor (annual revenue of about €5 million).

Latin America

- In Colombia, the Group took a minority stake in **Servioptica,** the local leader in distribution (annual revenue of about €29 million).
- In Brazil, Essilor expanded its geographical coverage by forging is first partnerships in the state of Minas Gerais, the second largest state by population. Essilor also acquired a majority stake in **PSA Nilo** (annual revenue of about €6.7 million) and **Optiminas** (annual revenue of about €3.7 million), two prescription laboratories based in Belo Horizonte. The Group also has a base in the Federal District (Brasilia), a state of 2.5 million inhabitants with the highest average per capita income in the country, by signing a partnership with **Comproi** (annual revenue of about €5.4 million).
- The Group entered Chile by taking a majority stake in **Megalux,** the leading distributor in the country (annual revenue of about €7 million).

Readers business

In 2013, the Group also strengthened its Readers Division with the acquisition of Suntech Optics Inc. and by taking a 50% stake in Xiamen Yarui Optical Company Ltd.

- Based in Vancouver, British Columbia, Canada, the **Suntech Optics Inc.** group (annual revenue of about US$15 million) is a leading distributor of sunglasses and reading glasses in Canada. The company markets its glasses mainly under the proprietary brands Infokus and Solair. It also owns and distributes Ryders Eyewear, a Canadian brand of performance sunglasses with an excellent reputation among mountain bike enthusiasts.

- **Xiamen Yarui Optical Company Ltd** (annual revenue of about €42 million) is the Chinese leader in mid-range sunglasses. The company designs, manufactures and markets non-prescription sunglasses in China under various brands including Bolon and Molsion, the two most well-known sunglass brands in the country.[1] The company has a production plant in Xiamen, in southeast China.

Other agreements signed in 2013

Transitions Optical

On July 29, 2013, Essilor announced the signing of an agreement to acquire the 51% stake in Transitions Optical owned by PPG. **Transitions Optical** is a leading provider of photochromic lenses to optical manufacturers worldwide. Following the transaction, Essilor will own 100% of the capital of Transitions Optical. Transitions Optical generated revenue of $814 million in 2012, of which around $310 million with lens manufacturers other than Essilor. Under the agreement, Essilor will also acquire 100% of the capital of **Intercast**, a premium sunlens manufacturer based in Parma, Italy. In 2012, Intercast revenue stood at nearly $34 million.

The consideration for the transaction amounts to $1.73 billion at closing, as well as a deferred payment of $125 million over five years, for 51% of the capital of Transitions Optical and 100% of Intercast.

Subject to various regulatory approvals, the transaction is expected to close during the first half of 2014.

Based on current estimates, the transaction should have a positive impact on Essilor's financial indicators and, in particular, an accretive impact on earnings per share as of year one of the integration and of at least 5% in subsequent years.

Following the transaction, the consolidated debt-to-equity ratio will remain below 40%.

Costa Inc.

On November 8, 2013, Essilor and Costa Inc. announced the signature of an agreement for the acquisition of all outstanding shares of **Costa Inc.,** a US leader in high-performance sunglasses. The transaction was approved by the shareholders of Costa Inc. at the Extraordinary Shareholders' Meeting of January 30, 2014 and was approved by the competent regulatory authorities (see Section 3.2.3 "Subsequent events").

Note:

Pursuant to the acquisition strategy conducted by the Group and in order to retain the management teams of the companies acquired, Essilor frequently acquires only a majority in the first phase, most frequently between 75% and 90%. Cross options generally expiring in three to five years are then set up with the sellers for the remaining percentage. As part of its acquisition programs and particularly in countries with strong growth, Essilor may gradually increase its interest in target companies from 10% to 51% over a three- to five-year period or create a 50/50 joint venture. The exercise value of these options is recognized in the consolidate balance sheet, which is presented in Section 3.3.2.

1.5.4.2 2.5 New Vision Generation

In 2013, Essilor created a new division "2.5 New Vision Generation". Its mission is to develop new business models that will be profitable and deployable on a large scale aimed at promoting access to vision correction for people who do not yet have it.

According to the Group's estimates, 4.3 billion people worldwide are in need of vision correction. Among them, 2.5 billion, 95% of whom live in emerging countries, have no equipment to correct or protect their sight, due to lack of awareness and only limited access to eye care professionals. If nothing is done, estimates are that the number of people concerned will reach 3.2 billion by 2050. The ambition of the "2.5 New Vision Generation" Division is to reverse the trend by contributing to the Group's target to equip 50 million new eyeglass wearers by 2020.

Various business models are currently used by Essilor in China, India and Brazil. These models are based on new distribution channels that allow non-corrected people to have access to professionals who can test their sight and fit them with affordable products appropriate to their needs and budgets. For example, in 2013 the Group launched the Eye Mitra program ("friend of eyes" in Sanskrit) in India, in partnership with one of the local skills development agencies. This program aims to provide local eye care for people in rural and semi-urban areas, by developing local micro-enterprises managed by young rural people trained and equipped to do basic sight tests.

(1) *(Source: 2012 Ipsos Poll: "Sunwear brand perception in China").*

1.5.5 Investments made in 2013 and planned for 2014

1.5.5.1 Investments

€ millions	2013	2012
Property, plant & equipment and intangible (gross of disposals)	297	241
Depreciation and amortization	253	244
Financial investments net of cash acquired	333	171
Purchase of treasury shares	169	112

1.5.5.2 Purchases of property, plant and equipment

Capital expenditure net of the proceeds from asset sales were up at €285 million (or 5.6% of revenue) in fiscal 2013 compared with €232 million the previous year. 2013 was shaped by the implementation of a certain number of large-scale projects, including the ongoing construction and delivery of the Créteil Innovation and Technology Center in France, the opening of a new polycarbonate lens plant in Laos, and the addition of a new manufacturing facility in Vietnam that expanded Essilor Korea's production capacity. In terms of intangible assets, 2013 was marked by the purchase of the Kodak license.

Investments were distributed between Lenses and optical instruments (€229 million, of which €60 million for Europe, €77 million for North America and €92 million for the rest of the world), Readers (€54 million) and Equipment (€2 million).

1.5.5.3 Financial investments

Financial investments net of cash acquired amounted to €333 million in 2013, *versus* €171 million in 2012. These investments mainly related to acquisitions made by the Group.

The Group also spent €169 million (net of disposal proceeds) on share buybacks in 2013, compared to €112 million in 2012.

In early 2014, Essilor made several acquisitions in various parts of the world. These acquisitions are disclosed in detail in Section 3.4, Note 31 "Subsequent events".

1.5.5.4 Principal outstanding investments

Capital expenditure commitments payable represented approximately €68 million at December 31, 2013, corresponding mainly to outstanding orders for equipment, particularly for export laboratories. The construction of the new registered office in Singapore was the focus of another part of the efforts. This amount can be broken down as follows: €20 million in Europe, €19 million in North America and €29 million for the rest of the world.

1.5.5.5 Principal future investments

In 2014, the Group will continue its capital expenditure in production and prescription.

In the area of finance, the Group will continue its external growth strategy.

For more information, refer to Section 3.4, Note 31, "Subsequent events".

1.6 Risk factors

1.6.1 Operational risks

Operational risks are managed by the operating units concerned. They are tasked with anticipating, to the extent possible, and actively monitoring changes in such risks in order to reduce their potentially negative impact and, if necessary, escalate them to the Executive Committee.

The risks set out below can be inherent in our industry (such as substitution risk where raw materials are concerned), or specific to our Group (such as the risks in implementing the Group's external growth strategy).

Risks linked to changing economic conditions

The Group's sales are closely linked to fluctuations in average per capita purchasing power and to the economic conditions in its main markets. Given the persistent economic uncertainty in some of the Group's important markets, particularly Europe, the Group cannot exclude the possibility of a drop in consumer sales or a change in consumption patterns.

To benefit from the opportunities associated with fast growing markets and to diversify its geographic risk, the Group continues to gradually strengthen its new entity covering the "AMERA" region (Asia-Pacific, Middle East, Russia, Africa) and a second entity covering Latin America. Essilor's growth in these regions is especially strong, sustained by demographic fundamentals, the rise in purchasing power and the Group rolling out into those markets an adapted mid-range product offering. As a result, the fast growing markets are an increasing part of the Group's revenue and rose from 18% of revenue in 2012 to 21% of revenue in 2013.

Another line of Essilor's strategy is focused on capturing the full potential of mature markets, primarily through a policy of continuous innovation, stimulating upscale demand by launching new differentiated products, and developing customer services and solutions.

Risks linked to substitutions of raw materials and consumables

Changing regulations (especially in the European Union, regulations governing the Registration, Evaluation, Authorization and Restriction of Chemicals ("REACH")) may force us to find new alternatives for raw materials and consumables. Changing the raw materials or consumables used in our glass manufacturing processes can theoretically lead to the inability to produce, temporarily or permanently, certain types of products or treatments.

In order to anticipate any impact, to define priorities and to review current action plans, a Critical Raw Materials and Consumables Committee ("MPCC") meets on a monthly basis chaired by a member of Essilor Executive Committee. This multidisciplinary committee includes, in particular, the R&D, Procurement, Logistics, Engineering and Health & Safety Departments. It reviews the assumptions underlying our priorities (criticality of change, time available to find a solution, impact on our processes) in terms of possible or confirmed changes, establishes action plans and follows up these plans for key points. It also annually sends an up-to-date list of the main suppliers to Senior Management.

Risks linked to the growing importance of retail chains

Retail chains offering ophthalmic optical equipment to end consumers are playing an increasing role in a certain number of the Group's essential markets. Given the ability of these chains to attract a growing number of consumers into their stores (existing or potential), the Group could lose market shares if it ignores this distribution channel, while respecting its fundamental profitability objectives.

To respond to these challenges, Essilor has a highly diversified portfolio of products and services, as well as a strong capacity for innovation and adaptation, allowing it to offer and implement solutions adapted to these chains' particular needs. In a competitive context conducive to the destruction of value, the Group thus has advantages that give it the capacity to create, offer and implement new innovative business models, thereby creating long-term differentiation against its competitors.

In addition, the Global Department of Key Accounts (under the responsibility of an Executive Committee member) develops a strategic overall vision of the key multinational accounts and provides support to local teams to allow them to develop better-adapted responses to the demands and strategies of their business partners. This organizational structure also allows it to better manage the complexity that some commercial agreements involve.

Risks linked to logistics chain management

The Group's quality of service relies on a sophisticated logistics chain which aims to control, on very short time cycles, complex flows (mass production plants, laboratories, transporters, distribution centers) and an extremely large number of possible product combinations (over 630,000 references to suit indices, materials, the unique prescription of every glasses wearer, treatments chosen, color, personalization markings, etc.).

This logistics chain can experience malfunctions, even temporary blockages, due to external factors (in particular natural disasters, geopolitical events that can translate into blocked transportation capacity in a given country) or internal factors (in particular risks linked to information systems, see below). All told, this could translate into long delivery delays or even a temporary inability to supply certain customers or certain products.

To reduce this inherent risk in our industry, Essilor has implemented a diversified industrial strategy aimed at spreading risk across large network of production plants around the world and at setting up distribution centers on every continent. Furthermore, with over 450 laboratories across all continents, the Group has the capacity to reorient its flows quickly in the event of crisis. Lastly, the Group's Logistics Department as well as its regional counterparts are responsible for implementing substitution and business continuity solutions, especially in regard to what it considers to be the most sensitive sites.

Risks linked to the security of information systems

The Group's activity depends in part on its information systems, particularly for ensuring the proper functioning of production, distribution, billing, reporting and consolidation, as well as for effectively organizing internal and external communications. A failure (whether due to malfunction or malice, internal or external), or even a total system shutdown, could translate into loss or corruption of sensitive data, delivery delays, loss of market shares and could adversely impact the Group's reputation.

The Group's Information Systems Department and its local units contribute, through various strategies, to reducing the possibility that this risk would occur. These include, in particular, publishing an Information Systems security policy, distributing security regulations, especially those concerning compliance with local regulations, such as the protection of personal data and bank data, implementing system backup rules, network access, technical architecture principles aimed at ensuring enhanced system integrity and robustness, and programs to raise awareness of users.

Risks linked to the implementation of its external growth strategy

In the context of increasing concentration in our industry, the Group's strategy consists of acquiring equity interests (generally majority interests) in well-defined target companies, with the objective of helping them grow profitably and to be able to benefit from that growth. Essilor therefore needs to put in place the necessary resources to achieve the projected synergies, and oversee that these acquired partner companies develop in accordance with forecasts and operate appropriate governance policies. Should there be execution problems following an acquisition, the profits from the external growth strategy may not be as high as expected. If the recoverable value of a Cash Generating Unit (see Section 3.4 Note 11) is less than the net book value of the assets, including goodwill, an asset impairment loss is recognized in the income statement.

Although it cannot guarantee to achieve these objectives, Essilor capitalizes on its extensive experience of welcoming new companies into the Group and promoting its values – including entrepreneurial spirit, respect and trust – to maximize its chances of success in fostering its acquisitions. Partners are thus invited, by various means, to invest and participate in the Group's development – including discussion meetings with the Executive Committee. The Group also pays particular attention to the shareholders pact with each acquired company.

With regard to the joint ventures in which it is involved, the Group is not aware of specific risks other than those inherent in such partnerships (partner relationships, political changes in the countries concerned, environmental risk that may affect operations, etc.).

1.6.2 Market risks

Market risks are managed by the Group Finance and Treasury Department, whose director reports to the Chief Financial Officer (member of the Executive Committee).

Liquidity risk, currency risk, interest rate risk, counterparty risk and the corresponding financial instruments are described in Section 3.4, Notes 23 and 26.

1.6.3 Legal risks (material claims and litigation, proceedings, arbitration)

The principal accounting for provisions is presented in Section 3.4, Note 1.32 of the accounting principles in the notes to the consolidated financial statements. Furthermore, Note 5.1 of the financial statements at December 31, 2013 presents other operating income and expenses in detail, Note 21 presents changes in provisions and Note 28 presents Litigation.

Germany

At the end of 2008, the German competition authorities, the "Bundeskartellamt" ("BKA"), launched an investigation into possible breaches of German competition law by major players in the ophthalmic optics market, including two of our subsidiaries, Essilor GmbH and Rupp & Hubrach Optik GmbH.

On June 10, 2010, following the investigation, the BKA sent official notices of fines to the major ophthalmic optic companies in Germany. Accordingly, our two subsidiaries were officially notified of violations representing an aggregate amount of around €50 million.

Essilor GmbH and Rupp & Hubrach Optik GmbH are contesting both the grounds for the BKA's findings and the amount of the fine which they deem to be disproportionate. Two appeals were therefore lodged against the BKA's decisions on June 15 and 16, 2010. None of the fines will be paid while these appeals are pending. The Group is not currently in a position to forecast their outcome or timetable.

Following the receipt of the notices from the BKA, the Group booked provisions of €50.7 million in its 2010 consolidated financial statements.

Since that date, there have been no further developments in proceedings. In the absence of new evidence, the provisions created in the 2010 financial statements were maintained at December 31, 2013.

United States and Canada

Following the settlement of charges brought by the Federal Trade Commission after an investigation into Transitions Optical Inc's business practices in 2009, around twenty motions for authorization to bring class actions have been filed since late March 2010 against Transitions Optical Inc, Essilor International, Essilor of America and Essilor Laboratories of America before US and Canadian courts. The plaintiffs in these motions are alleging that the companies concerned endeavored to jointly monopolize the market for the development, manufacture and sale of photochromic lenses between 1999 and March 2010.

Joinder of the US cases before a federal court in Florida was authorized in late 2010. The plaintiffs' admissibility proceedings began in the first half of 2011 and the discovery phase was completed in late 2012. A court decision is awaited to confirm or deny the qualification of the motions as class actions and determine the procedure's next steps. The claims received contain no claims for damages. At this stage, as of December 31, 2013, the Group had not recorded any provisions in relation to the above.

Japan

Hoya filed a court claim in Tokyo in Japan on July 24, 2013, alleging that Nikon Essilor's product sales in Japan fell within the scope of patents originally registered by Seiko and sold to Hoya on March 15, 2013. Hoya's claim covers Nikon Essilor sales in the period March to July 2013.

As of December 31, 2013, the Group had made a provision in its consolidated financial statements for the amount most likely to be needed to settlement of this dispute.

Other disputes

In 2013, Essilor International was subject to a tax audit for fiscal years 2009, 2010 and 2011. The Company received a notice of adjustment pertaining to those three years and is contesting some of the adjustments requested.

In addition, a provision of €17 million has been made in the consolidated financial statements for various tax audits and disputes underway in the Group.

To the Company's knowledge, there are no other current or pending legal or tax disputes, governmental or judicial proceedings or arbitration which may have or have had in the past 12 months a significant impact on the financial position, income, profitability, operations or assets of the Company or Group.

1.6.4 Industrial and environmental risks

Industrial risks

See Section 1.3 of this Registration Document, for a description of the Company's business activities.

To the Company's knowledge, the nature of its industrial business does not present any particular risk.

To the Company's knowledge, the acquisitions made in activities significantly different from the Company's traditional activities, particularly in instruments and machine tools or pre-mounted glasses, have not led to any specifics in their industrial activities that would expose the Company to any new specific risks.

The Company has set up a system to manage issues related to the European Registration, Evaluation, Authorization and Restriction of Chemical Substances (REACH) Directive. Under REACH, companies that manufacture and import chemical substances are required to assess the risks arising from their use and to take the necessary measures to manage them. To its knowledge, the Company is in compliance with this directive.

Environmental risks

Within the scope of the entities that it controls operationally on a day to day basis, environmental management systems have been implemented and are being maintained at upstream production facilities and, where appropriate, at downstream prescription laboratories. The Company aims to have the environmental management systems of all its sites audited and certified, site by site, to ISO 14001 standards.

These systems help to minimize the environmental impact of our operations and prevent incidents, while also forming the basis for developing action plans based on environmental performance improvement targets.

The starting point in each case is a detailed environmental analysis to identify and qualify the related risks.

As part of the gradual widening of the boundaries of environmental reporting within the Group's consolidated companies, the Company has begun establishing regular relationships with selected new companies and operating departments in the Group.

Notably, but not only with the Global Environment, Health and Safety Department (Global EHS Department) which is in charge of this The Global EHS Department is within the Global Operations Department.

The Group can thus allow these new entities to benefit from its experience and expertise in these fields so as to extend the culture of environmental risk prevention along with oversight of certain management procedures and systems and the sharing of best practices used by the Group.

Ongoing efforts to continuously improve the eco-efficiency of production are gradually decoupling volume growth from resource use.

Thus, two key indicators are part of the "Change Accelerating Program" (CAP) dashBoard: the number of kilowatt hours and the number of liters of water per ophthalmic lens produced.

Information about social corporate responsibility and sustainable development in presented in Section 4 of this document.

1.6.5 Insurance

The Group's wholly-owned subsidiaries have high-level risk prevention programs and the Group follows a risk prevention and protection strategy designed to drive constant improvement in behaviors, procedures and equipment.

Essilor's plants throughout the world are audited by our insurers who issue reports detailing the levels of insurance cover required at each facility and, where applicable, recommending measures to reduce insurance risks. The engineering departments of Essilor's insurers are consulted concerning the design and protection of certain construction projects and other major works as necessary. The projects are reviewed and adjusted to take into account both the needs of the Group and the prevention targets set jointly with the insurers. Physical assets are regularly valued by independent experts.

In addition, the growing geographical diversification of our operations helps to limit the potential impact of a major loss at a given facility on the Group's financial position.

In view of the nature of the business, the Group is not exposed to any specific insurance risks.

Insurance cover is provided mainly by our worldwide insurance programs negotiated at corporate level. The programs comprise a master policy drawn up in France and local policies in other countries, which together provide the same level of cover for all of our controlled subsidiaries throughout the world.

They are placed with leading insurers that have no ties with the Group.

Local insurance policies are taken out by subsidiaries to add to the cover provided by the worldwide programs and comply with local insurance requirements.

The programs cover property and casualty risks (fire, explosion, machine damage, flood, theft, natural disasters), consequential business interruption (loss of gross margin due to the halting of production following an accident), losses due to the interdependence of the various sites, transportation risks (covering all movements of goods) and liability risks (operating, after-sales, clinical trials, professional and environmental liability covering also biodiversity and the cost of depolluting sites, as well as the responsibility incumbent on Essilor and its subsidiaries to transport raw materials, waste and products).

Under the laws of certain countries, insurance cover must be taken out with local insurers, in which case the guarantees may be different from those provided under the worldwide insurance programs. The worldwide master policy covers any excess loss not covered by a local policy.

The Group does not have any insurance policies with a captive insurance company; minority-owned entities manage their insurance needs independently.

The Group's policies have low deductibles and transfer substantially all of the risk to the insurance market.

No major damage was recorded in 2013 and no company of the Group was involved in significant insurance disputes.

To determine the required level of cover for wholly owned subsidiaries, the Group estimated the extent of exposure to major risks, after taking into account the mitigating effects of internal controls, preventive and protective measures and alternative flows.

The maximum insurance cover for property and casualty risks and business interruption was kept at €200 million in 2013 and at €1.5 million for transportation risks.

The total cost of the Group policies was €4.64 million in 2013. This was very slightly higher than the previous year since the scope is constantly expanding as a result of the Group's external growth and actions to integrate subsidiaries into its insurance program.

2

CORPORATE GOVERNANCE

IN BRIEF

Essilor's original governance model is a reflection of its ambition for growth. The **Executive Committee** oversees the proper functioning of operations all over the world. **The Board of Directors** defines the strategy and ensures the management of the company. It is supported by five working committees. The members of the governing bodies are selected based on their character and expertise.

Lastly, **employee shareholding**, Essilor's leading group of shareholders promotes dialogue and involves all employees in the Group's decisions.

MEMBERS OF THE BOARD OF DIRECTORS

Hubert SAGNIÈRES, Chairman and Chief Executive Officer [(a)]

Philippe ALFROID, not completely Independent Director [(a)]

Benoît BAZIN, Independent Director

Antoine BERNARD DE SAINT-AFFRIQUE, Independent Director

Maureen CAVANAGH, Director representing employee shareholders

Yves CHEVILLOTTE, Independent Director

Mireille FAUGÈRE, Independent Director

Xavier FONTANET, not completely Independent Director

Louise FRÉCHETTE, Independent Director

Yi HE, Director representing employee shareholders [(a)]

Bernard HOURS, Independent Director

Maurice MARCHAND-TONEL, Independent Director [(a)]

Aïcha MOKDAHI, Director representing employee shareholders [(a)]

Olivier PECOUX, Independent Director

Michel ROSE, Independent Director [(a)]

(a) Term to be renewed at the Shareholders' Meeting of May 7, 2014.
(b) In application of the AFEP-MEDEF Code of June 2013, Directors representing employee shareholders are not counted when determining the percentage of Director independence. Accordingly, the independence ratio (9 out of 12) is 75%.

15 Directors

of which

9 Independent Directors [(b)]

3 Directors representing employee shareholders

COMMITTEES OF THE BOARD

- an Audit and Risk Committee
- an Executive Directors and Compensation Committee
- an Appointments Committee
- a Strategy Committee
- a Corporate Social Responsibility Committee

2.1 Management and supervisory bodies

2.1.1 Board of Directors

As of December 31, 2013, Essilor's Board of Directors had 15 members, including three members representing employee shareholders.

The average age of Board members in 2013 was 60.

2.1.1.1 Committees of the Board

On the recommendation of the Chairman, the Board of Directors has five special standing committees composed of members of the Board:

- the Audit and Risk Committee;
- the Executive Directors and Compensation Committee;
- the Appointments Committee;
- the Strategy Committee;
- the Corporate Social Responsibility (CSR) Committee.

Each committee reports to the Board on its work and the resulting proposals.

In early 2013, the work of the Audit Committee was extended to cover the monitoring of certain risks, this role being by law the responsibility of the Board, which will continue to monitor strategic risk directly (including reputation risk) and risk associated with governance of the Company.

At its meeting of February 27, 2013, the Board decided to form a Corporate Social Responsibility Committee.

The role, organization, operations and accomplishments of each committee are described in Section 2.2.2.6.

2.1.1.2 List of directorships at December 31, 2013

Hubert Sagnières

58 years old

Number of shares: 61,079

Main position held within the Company: Chairman and Chief Executive Officer (since January 2, 2012)

Business address: Essilor International – 147 rue de Paris – 94227 Charenton Cedex – France

First appointment as Director: May 14, 2008

Current term ends: 2014

Personal information – Experience and expertise
Hubert Sagnières has been Chairman and Chief Executive Officer of Essilor since January 2, 2012. He joined Essilor in 1989 as President of International Marketing. He was appointed President of Essilor Canada from 1991 to 1996, and President of Essilor Laboratories of America in 1996, then President of Essilor of America, a position he held until 2005. From 2006 to 2009, he was President, Essilor Europe and North America before being named Chief Operating Officer in August 2008, then Chief Executive Officer from January 1, 2010 to January 2, 2012.

POSITIONS AND TERMS OF OFFICE HELD AT DECEMBER 31, 2013

Chairman and Chief Executive Officer, Essilor International*

Chairman, Essilor of America, Inc. (USA) United States

Director, Essilor International and subsidiaries
- Essilor of America, Inc. United States
- Transitions Optical Inc. (USA)
- Frames for America, Inc. (USA)(b)
- Transitions Optical Holdings B.V. (Netherlands)
- Essilor AMERA Pte Ltd (Singapour)[a]
- Essilor Vision Foundation (USA)

POSITIONS AND TERMS OF OFFICE HELD OVER THE PAST FIVE YEARS

Chairman and Chief Executive Officer, Essilor International

Chief Executive Officer, Essilor International

Chief Operating Officer, Essilor International

Chairman, Essilor of America, Inc. (USA) United States

Chairman and Chief Executive Officer, Essilor of America, Inc. (USA)

Director, Essilor International and subsidiaries

- Essilor of America, Inc. United States
- Transitions Optical Inc. United States
- Frames for America, Inc. United States
- Essilor Canada Ltee/Ltd (Canada)
- Transitions Optical Holdings B.V. (Netherlands)
- Omics Software Inc./Logiciels Omics, Inc (Canada)
- Cascade Optical Ltd (Canada)
- Reseau Essilor in Canada Inc./Essilor Network in Canada Inc, (Canada)
- Groupe Vision Optique Inc. (Canada)
- Optique de l'Estrie Inc. (Canada)
- Optique Lison Inc. (Canada)
- Vision Optique Inc. (Canada) (Canada)
- Vision Optique Technologies Ltée (Canada)
- Visionware Inc. Canada
- Westlab Optical Ltd (Canada)
- Nassau Lens Co., Inc. (USA)
- K&W Optical Limited (Canada)
- Vision Web Inc. (USA)
- Econo-Optic Ltée (Canada)
- Essilor Vision Foundation (USA)

(a) Term of office started during the fiscal year.
(b) Term of office expired during the fiscal year.
** Listed company.*

Philippe Alfroid

Not completely Independent Director

68 years old

Number of shares: 260,743

Business address: Not applicable – retired since June 30, 2009

First appointment as Director: May 6, 1996

Current term ends: 2014

Personal information – Experience and expertise
Philippe Alfroid was Chief Operating Officer of Essilor until his retirement in June 2009. He began his career with PSDI in Boston before joining the Essilor group 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. Philippe Alfroid, who served as Chief Financial Officer and then as Chief Operating Officer, brings to the Board his very broad knowledge of the company.

POSITIONS AND TERMS OF OFFICE HELD AT DECEMBER 31, 2013

Vice Chairman of the Supervisory Board, Faiveley Transport*

Director
- Eurogerm*
- Essilor of America, Inc. (USA)
- Gemalto N.V. (Netherlands)*

POSITIONS AND TERMS OF OFFICE HELD OVER THE PAST FIVE YEARS

Chief Operating Officer, Essilor International

Chairman
- Essilor of America, Inc. (USA)
- Omega Optical Holdings, Inc. (USA)

Vice Chairman of the Supervisory Board, Faiveley Transport

Director
- Sperian Protection
- Essilor of America, Inc. (USA)
- Gentex Optics, Inc. (USA)
- EOA Holding Co, Inc. (USA)
- EOA Investment, Inc. (USA)
- Omega Optical Holdings, Inc. (USA)
- Essilor Canada Ltee/Ltd (Canada)
- Pro Optic Canada Inc. (Canada)
- Shanghai Essilor Optical Company Ltd (China)
- Faiveley Transport
- Eurogerm
- Gemalto N.V. (Netherlands)

* *Listed company.*

Benoît Bazin

Independent Director

45 years old

Number of shares: 1,000

Major positions:

Executive Vice President, Compagnie de Saint-Gobain

Chairman, Saint-Gobain Distribution Bâtiment, Building Distribution Division

Business address: Saint-Gobain – Les Miroirs – 18 avenue d'Alsace – 92096 Paris La Défense – France

First appointment as Director: May 15, 2009

Current term ends: 2015

Personal information – Experience and expertise
Benoît Bazin is a Senior Vice President and Director of Building Distribution Sector with the Saint-Gobain group and Executive Vice President at Compagnie de Saint-Gobain. He began his career with Saint-Gobain in 1993 as project manager. He was successively Corporate Planning Director from 2000 to 2002, President of the Abrasives – North America division from 2002 to 2005 and Chief Financial Officer from 2005 until 2009. Benoît. Bazin brings to the Board his experience as Chief Financial Officer and senior manager of a major international group.

POSITIONS AND TERMS OF OFFICE HELD AT DECEMBER 31, 2013

Saint-Gobain group

Executive Vice President, Compagnie de Saint-Gobain*

Chairman
- Saint-Gobain Distribution Bâtiment Sas
- Partidis Sas

Chairman of the Supervisory Board
- Point P S.A.
- Lapeyre

Chairman of the Board of Directors
- Projeo
- Saint-Gobain Distribution Nordic AB (Scandinavia)

Director
- Fondation Saint-Gobain Initiatives
- Jewson Ltd (United Kingdom)
- Saint-Gobain Building Distribution Ltd (United Kingdom)
- Norandex Building Material Distribution Inc. (USA)

Member of the Supervisory Board
- Saint-Gobain Building Distribution Deutschland GmbH (Germany)
- Saint-Gobain Distribution The Netherlands B.V. (Netherlands)

POSITIONS AND TERMS OF OFFICE HELD OVER THE PAST FIVE YEARS

Saint-Gobain group

Executive Vice President, Compagnie de Saint-Gobain

Chairman
- Saint-Gobain Distribution Bâtiment Sas
- Partidis Sas
- Saint-Gobain Distribution Bâtiment Suisse AG (Switzerland)

Chairman of the Supervisory Board
- Point P S.A.
- Lapeyre

Chairman of the Board of Directors
- Projeo
- Saint-Gobain Distribution Nordic AB (Scandinavia)

Director
- Fondation Saint-Gobain Initiatives
- Jewson Ltd (United Kingdom)
- Saint-Gobain Building Distribution Ltd (United Kingdom)
- Norandex Building Material Distribution Inc. (USA)

Member of the Supervisory Board
- Saint-Gobain Building Distribution Deutschland GmbH (Germany)
- Saint-Gobain Distribution The Netherlands B.V. (Netherlands)

* *Listed company.*

Antoine Bernard de Saint-Affrique

Independent Director

49 years old

Number of shares: 1,000

Major position: President of Foods at Unilever

Business address: Unilever – 100 Victoria Embankment – Blackfriars – London EC4P 4BQ – United Kingdom

First appointment as Director: May 5, 2009

Current term ends: 2015

Personal information – Experience and expertise
Antoine Bernard de Saint-Affrique is President of Foods at Unilever. He joined Unilever in 2000 after serving as Marketing Director of Amora-Maille (Danone group then PAI), holding the positions of Vice President, Sauces and Condiments Europe until 2003 and of Chairman and Chief Executive Officer of Unilever Hungary, Croatia, Slovenia from 2003 to 2005. He was subsequently Vice President of the Unilever group, in charge of Central and Eastern Europe and Russia from March 2005 until August 2009 and Executive Vice President in charge of skin products for the Group from August 2009 to September 2011. Antoine Bernard de Saint-Affrique brings to the Board his international experience and his expertise in marketing and sales.

POSITION AND TERM OF OFFICE HELD AT DECEMBER 31, 2013

Unilever group
- President of Foods at Unilever*

POSITIONS AND TERMS OF OFFICE HELD OVER THE PAST FIVE YEARS

President of Foods at Unilever

Executive Vice President, Unilever, Skin Care and Skin Cleansing Unilever (Central & Eastern Europe)

Director
- Inmarko (Russian Federation)
- Icosmeticals SAS

* *Listed company.*

Yves Chevillotte

Independent Director

70 years old

Number of shares: 2,257

Business address: Not applicable – retired since January 2004.

First appointment as Director: May 14, 2004

Current term ends: 2016

Personal information – Experience and expertise
Yves Chevillotte was Chief Operating Officer of Crédit Agricole SA since 2002 before 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 Caisse Nationale as Executive Vice President in charge of the Market Development Division. Yves Chevillotte brings to the Board his experience as senior manager of a major international bank and his knowledge of financial matters.

POSITIONS AND TERMS OF OFFICE HELD AT DECEMBER 31, 2013

Chairman of the Board of Directors
- Arvige
- G.A.S.F.O.

Vice-Chairman of the Board of Directors SA Soredic

POSITIONS AND TERMS OF OFFICE HELD OVER THE PAST FIVE YEARS

Chairman of the Board of Directors
- Arvige
- G.A.S.F.O.

Vice-Chairman of the Board of Directors SA Soredic

Vice Chairman of the Supervisory Board, Finaref

Director
- Mission Possible
- F.R.A.C.

Mireille Faugère

Independent Director

57 years old

Number of shares: 1,000

Business address: Not applicable

First appointment as Director: May 11, 2010

Current term ends: 2016

Personal information – Experience and expertise
Mireille Faugère was Chief Executive Officer of *Assistance Publique Hôpitaux de Paris* (AP-HP) until November 13, 2013. A graduate of *École des Hautes Études Commerciales de Paris*, she joined the SNCF in the early 1980s, working in operational positions. She was then given responsibility for the *TGV Méditerranée* network, SNCF's flagship project. Starting in 1996, she took over the Sales and Marketing Action Department and created the voyages-sncf.com website in 2000. From 2003 to 2010, she was General Manager of the high-speed branch of SNCF. Mireille Faugère is also an Independent Director at EDF and chairs the Ethics Committee of the EDF Board of Directors. Mireille Faugère brings to the Board her expertise in marketing and sales and her knowledge of the world of healthcare.

POSITIONS AND TERMS OF OFFICE HELD AT DECEMBER 31, 2013

Chief Executive Officer, Assistance Publique Hôpitaux de Paris (AP-HP)[(b)]
Director, EDF*

POSITIONS AND TERMS OF OFFICE HELD OVER THE PAST FIVE YEARS

Chief Executive Officer
- Assistance Publique – Hôpitaux de Paris (AP-HP)
- SNCF Voyages

Chairman, Voyage-sncf.com

Director
- EDF
- SNCF Voyages Développement
- SNCF Participations

* *Listed company.*
(b) *Term of office expired during the fiscal year.*

Xavier Fontanet

Not completely Independent Director

65 years old

Number of shares: 276 960

Business address: Not applicable - retired since December 31, 2011

First appointment as Director: June 15, 1992

Current term ends: 2016

Personal information – Experience and expertise
Xavier Fontanet was Chairman and CEO of Essilor from 1996 to 2009, then Chairman of the Board of Directors from January 1, 2010 to January 2, 2012. He is still a Director. He began his career as Vice President of the Boston Consulting group and became Chief Executive Officer of Bénéteau in 1981. He managed food service operations for the Wagons-Lits group from 1986 until 1991. He joined Essilor in 1991 as Chief Executive Officer. Xavier Fontanet brings to the Board his extensive knowledge of the ophthalmic optics industry and of the company.

POSITIONS AND TERMS OF OFFICE HELD AS OF DECEMBER 31, 2013

Director
- L'Oréal* (Chairman of the Appointments and Governance Committee)
- Schneider Electric SA*

Permanent representative of Essilor International on the Board of Directors of Association Nationale des Sociétés par Actions (Ansa)

POSITIONS AND TERMS OF OFFICE HELD OVER THE PAST FIVE YEARS

Chairman of the Board of Directors, Essilor International

Chairman and Chief Executive Officer, Essilor International

Chairman
- EOA Holding Co., Inc. (USA)
- Nikon and Essilor International Joint Research Center Co Ltd (Japan)

Director

Essilor International and subsidiaries
- Essilor of America, Inc. (USA)
- Transitions Optical Inc. (USA)
- EOA Holding Co, Inc. (USA)
- Shanghai Essilor Optical Company Ltd (China)
- Transitions Optical Holdings B.V. (Netherlands)
- Nikon-Essilor Co. Ltd (Japan)
- Nikon and Essilor International Joint Research Center Co Ltd (Japan)
- Essilor Manufacturing India Private Ltd (India)
- Essilor India PVT Ltd (India)
- Essilor Amico (L.L.C.) (United Arab Emirates)

External companies
- L'Oréal
- Crédit Agricole SA
- Fonds stratégique d'investissement (SA)

Member of the Supervisory Board, Schneider Electric SA

Permanent representative of Essilor International on the Board of Directors of Association Nationale des Sociétés par Actions (Ansa)

* *Listed company.*

Louise Fréchette

Independent Director

67 years old (Canadian nationality)

Number of shares: 1,000

Business address: Not applicable

First appointment as Director: May 11, 2012

Current term ends: 2015

Personal information – Experience and expertise
Louise Fréchette is Chairman of the Board of Directors of CARE Canada and a member of the Board of Directors of CARE International. She is also a member of the Global Leadership Foundation. From 1998 to 2006, she was the Deputy Secretary-General of the United Nations, the first appointee to this position. Prior to that, she pursued a career in the Public Service of Canada, serving as Ambassador to Argentina, Ambassador and Permanent Representative to the United Nations, Associate Deputy Minister of Finance and Deputy Minister of National Defense. Louise Fréchette brings to the Board, among other things, her UN and non-governmental organizations experience, her knowledge of emerging countries and her experience in sustainable development and governance matters.

POSITIONS AND TERMS OF OFFICE HELD AT DECEMBER 31, 2013

Chairman of the Board of Directors, CARE Canada

Member of the Board of Directors
- CARE CANADA (Canada)
- CARE INTERNATIONAL (Canada)
- Montreal Board of International Relations (Canada)[b]

POSITIONS AND TERMS OF OFFICE HELD OVER THE PAST FIVE YEARS

Chairman of the Board of Directors
- CARE CANADA (Canada)
- Pearson Peacekeeping Centre (Canada)

Member of the Board of Directors
- CARE CANADA (Canada)
- Pearson Peacekeeping Centre (Canada)
- Montreal Board of International Relations (Canada)

(b) Term of office expired during the fiscal year

Yi He

Director representing employee shareholders

60 years old (Chinese nationality)

Number of shares: 16,998

Major position: Chairman of Essilor (China) Holding Company (China)

Business address: Unit D2, 20th Floor – N∞ 398 Huai Hai Middle Road – Luwan District – Shanghai – China P.R.C. 200020

First appointment as Director: January 27, 2010/May 11, 2010

Current term ends: 2014

Personal information – Experience and expertise
Yi He is a Director representing Valoptec Association. Since September 2010, he has been Chairman of Essilor (China) Holding Company (China). After studying Management and Strategy at École des Hautes Études Commerciales, in 1991 he joined Danone group as Chief Executive Officer of the Shanghai subsidiary. He joined the Essilor group in 1996 as Chief Executive Officer of Shanghai Essilor Optical Company Ltd (China).

POSITIONS AND TERMS OF OFFICE HELD AT DECEMBER 31, 2013

Essilor International and subsidiaries

Chairman and Director of Essilor (China) Holding Company (China)

Chief Executive Officer and Director, Shanghai Essilor Optical Company Ltd (China)

Director
- Danyang Sales and Distribution Co. Ltd (China)
- Jiangsu Wanxin Optical Co. Ltd (China)
- Jiangsu Youli Optical Spectables Ltd (China)
- Xin Tianhong Optical Co. Ltd (China)
- Shanghai Nvg Optics Co. Ltd (China)

Member of the Board of Directors, Valoptec Association

Member of the Supervisory Board, Essilor group 7-year FCPE

External company
- Sun Art Retail Group Ltd (China)

POSITIONS AND TERMS OF OFFICE HELD OVER THE PAST FIVE YEARS

Essilor International and subsidiaries

Chairman and Director of Essilor (China) Holding Company (China)

Chief Executive Officer and Director, Shanghai Essilor Optical Company Ltd (China)

Director
- Danyang Sales and Distribution Co. Ltd (China)
- Jiangsu Wanxin Optical Co. Ltd (China)
- Jiangsu Youli Optical Spectables Ltd (China)
- Shanghai Nvg Optics Co. Ltd (China)

Member of the Board of Directors, Valoptec Association

Member of the Supervisory Board, Essilor group 7-year FCPE

External company
- Sun Art Retail Group Ltd (China)

Bernard Hours

Independent Director

57 years old

Number of shares: 1,222

Major position: Deputy General Manager, Danone (S.A.)

Business address: DANONE – 17 boulevard Haussmann – 75009 Paris – France

First appointment as Director: May 15, 2009

Current term ends: 2015

Personal information – Experience and expertise
Bernard Hours has been Co-Chief Executive Officer of Danone since 2008 and Vice Chairman of the Board of Directors since April 2011. He joined Danone in 1985, working first in sales and marketing for Evian and Kronenbourg, then as Marketing Director for Danone France in 1990. He was then President of Danone Hungary (1994) and Danone Germany (1996) before becoming President of LU France in 1998. In 2001, he joined the Dairy Division as President of Business Development and became Vice President of that Division in 2002. Bernard Hours brings to the Board his experience as a senior manager of a major international group and his knowledge in the field of marketing and sales.

POSITIONS AND TERMS OF OFFICE HELD AT DECEMBER 31, 2013

Danone group

Deputy General Manager and Vice Chairman of the Board of Directors, Danone (S.A.)*

Managing Director Danone Trading B.V. (The Netherlands)[a]

Member of the Supervisory Board, Ceprodi[b]

Director
- Danone (S.A.)*
- Flam's
- Danone Industria (Russia)
- OJSC Unimilk Company (Russia)
- Fondation d'Entreprise Danone (Association)

Permanent representative of Danone (S.A.) Danone S.A. (Spain)

External company
- Essilor of America, Inc. (USA)

POSITIONS AND TERMS OF OFFICE HELD OVER THE PAST FIVE YEARS

Danone group

Deputy General Manager and Vice Chairman of the Board of Directors, Danone (S.A.)

Chairman of the Supervisory Board
- Danone Baby and Medical Nutrition B.V. (Netherlands)
- Danone Baby and Medical Nutrition Netherland (Netherlands)

Member of the Supervisory Board, Ceprodi

Director
- Danone (S.A.)
- Flam's
- Danone Industria (Russia)
- OJSC Unimilk Company (Russia)
- Colombus Café
- Stonyfield Farm, Inc. (USA)
- Fondation d'Entreprise Danone (Association)

Permanent representative of Danone (S.A.) Danone S.A. (Spain)

External company
- Essilor of America, Inc. (USA)

(a) Term of office started during the fiscal year.
(b) Term of office expired during the fiscal year.
** Listed company.*

Maurice Marchand-Tonel

Independent Director

69 years old

Number of shares: 1,000

Major positions:

Senior Advisor, BearingPoint France SAS

Advisor Director, Invescorp. Bank B.S.C.

Business address: Not applicable

First appointment as Director: November 22, 2006/May 11, 2007

Current term ends: 2014

Personal information – Experience and expertise
Maurice Marchand-Tonel is an independent consultant. He began his career in 1970 with Boston Consulting group, and then served successively as Chairman of Compagnie Olivier (1979), Chief Executive Officer of Sommer (1984) and Chairman of Givenchy (1987). Next, he headed Ciments Français International and Transalliance. In 2000, he became a partner at Arthur Andersen/BearingPoint where he is Senior Advisor since 2004. He is President of the European American Chamber of Commerce, Advisory Director of Investcorp, Senior Advisor at Newbury Pinet (Boston) and member of the Supervisory Board of Faiveley Transport. Maurice Marchand-Tonel brings to the Board his experience both as a senior manager and as a high-level corporate advisor.

POSITIONS AND TERMS OF OFFICE HELD AT DECEMBER 31, 2013

Chairman, European American Chamber of Commerce (France)

Member of the Supervisory Board, Faiveley Transport*

Director
- European American Chamber of Commerce (Cincinnati, USA)
- European American Chamber of Commerce (New York, USA)

POSITIONS AND TERMS OF OFFICE HELD OVER THE PAST FIVE YEARS

Chairman of the Supervisory Board, Du Pareil au Même

Member of the Supervisory Board, Faiveley Transport

Chairman, European American Chamber of Commerce (France)

Director
- Faiveley Transport
- European American Chamber of Commerce (Cincinnati, USA)
- European American Chamber of Commerce (New York, USA)
- French American Chamber of Commerce (Chicago, USA)

* *Listed company.*

Aïcha Mokdahi

Director representing employee shareholders

58 years old

Number of shares: 13,251

Major position: Essilor Vision Foundation VP – Europe and AMERA (Asia-Pacific, Middle East, Russia, Africa)

Business address: Essilor International – 147 rue de Paris – 94227 Charenton Cedex – France

First appointment as Director: January 24/May 11, 2007

Current term ends: 2014

Personal information – Experience and expertise
Aïcha Mokdahi has been VP of Essilor Vision Foundation – Europe and AMERA (Asia-Pacific, Middle East, Russia, Africa) since October 1, 2013 and President of Valoptec Association. She began her career in 1976 in the Frames Division, where she successively held the positions of product manager, logistics manager and sales development manager. In 1990, she joined the Lens Division, holding various managerial positions in the Global Operations Department including that of Logistics Director Europe until year-end 2003. From 2004 to 2008, she was head of acquisitions at Essilor subsidiary BBGR. From 2008 to the end of September 2013, she was the Essilor Supply Chain Director for Europe.

POSITIONS AND TERMS OF OFFICE HELD AT DECEMBER 31, 2013

Chairman of the Board of Directors, Valoptec Association

Member of the Supervisory Board, Essilor group 7-year FCPE

POSITIONS AND TERMS OF OFFICE HELD OVER THE PAST FIVE YEARS

Chairman of the Board of Directors, Valoptec Association

Member of the Supervisory Board, Essilor group 7-year FCPE

Olivier Pécoux

Independent Director

55 years old

Number of shares: 1,000

Major positions:

Managing Director, Paris-Orléans

Managing Partner, Rothschild et Cie Banque

Business address: Rothschild & Cie – 23 bis avenue de Messine – 75008 Paris – France

First appointment as Director: January 31, 2001/May 3, 2001

Current term ends: 2015

Personal information – Experience and expertise
Since March 2010, Olivier Pécoux has been Managing Partner of Rothschild & Cie Banque, Managing Director for investment banking for Rothschild group, where he started working in 1991 and Managing Director and Member of the Executive Board of Paris-Orléans group since 2012. He began his career at Peat Marwick then at Schlumberger as a financial advisor 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. Olivier Pécoux brings to the Board his experience in financial and banking matters and his extensive knowledge of Essilor for which he has been instrumental since 2001.

POSITIONS AND TERMS OF OFFICE HELD AT DECEMBER 31, 2013

Rothschild group

Managing Director, Paris-Orléans*

Member of the Executive Board, Paris-Orléans*(b)

Managing Partner, Rothschild et Cie Banque

Managing Partner, Rothschild et Cie Banque Managing Director, P.O. Gestion

Director
- Rothschild España (Spain)
- Rothschild Italia (Italy)
- Rothschild GmbH (Germany)

External Company
- Extend Capital

POSITIONS AND TERMS OF OFFICE HELD OVER THE PAST FIVE YEARS

Rothschild group

Managing Director and Member of the Executive Board, Paris-Orléans

Managing Partner
- Rothschild et Cie
- Rothschild et Cie Banque

Director
- Rothschild España (Spain)
- Rothschild Italia (Italy)
- Rothschild GmbH (Germany)

Member of the Supervisory Board Financière Rabelais

(b) Term of office expired during the fiscal year.
** Listed company.*

Michel Rose

Independent Director

70 years old

Number of shares: 1,000

Business address: Not applicable – retired since May 1, 2008

First appointment as Director: May 13, 2005

Current term ends: 2014

Personal information – Experience and expertise
Michel Rose was Co-Chief Executive Officer of Lafarge, where he was mainly responsible for the Cement Division before retiring in 2008. He joined Lafarge in 1970 as an engineer, moved to the Research Center and was later named to lead the group's Internal Communications Department. After managing Lafarge's activities in Brazil from 1980 to 1984, he was named Executive Vice President Human Resources and Communication and later headed the Biotechnologies Division. He was appointed Senior Executive Vice President in 1989, served as Chairman and Chief Executive Officer of Lafarge North America from 1992 to 1995 and was named to manage the company's operations in high-growth markets in 1996. In 2003, he became Chief Operating Officer of the Lafarge group in charge of the Cement Division. Michel Rose brings to the Board his experience in human resources and senior management of a major international group.

POSITIONS AND TERMS OF OFFICE HELD AT DECEMBER 31, 2013

Director
- Lafarge Maroc (Morocco)
- Malayan Cement (Malaysia)

POSITIONS AND TERMS OF OFFICE HELD OVER THE PAST FIVE YEARS

Director
- La Poste
- Neopost
- Lafarge Maroc (Morocco)
- Malayan Cement (Malaysia)
- Unicem (Niger)

Chairman, Fondation de l'Ecole des Mines de Nancy

2.1.1.3 Director whose term began during fiscal year 2013

Maureen Cavanagh

Director representing employee shareholders

50 years old (American nationality)

Number of shares: 1 704

Major position: Chairman of Nassau Lens Co, Inc. (USA) and 00GP, Inc. (USA)

Business address: 13515 N Stemmons Frwy – Dallas, TX 75234 (USA)

First appointment as Director: November 27, 2012 / May 16, 2013

Current term ends: 2016

Personal information – Experience and expertise
Maureen Cavanagh has been Chairman of Nassau Lens Company since December 2009 and of OOGP since May 2012. After working at Johnson & Johnson, she joined Essilor in October 2005. Since May 2012, she represents the Essilor Association of Employee Shareholders in the United States and is a member of the Board of Directors. She brings to the Board her experience and knowledge of the ophthalmic industry. In addition, she contributes to broadening the international representation and diversity on the Board.

POSITIONS AND TERMS OF OFFICE HELD AT DECEMBER 31, 2013

Chairman:
- Nassau Lens Co, Inc. (USA)
- 00GP, Inc. (USA)

Director
- Nassau Lens Co, Inc. (USA)
- 00GP, Inc. (USA)
- Shore Lens Co, Inc. (USA)

Member of the Board of Directors, Valoptec Association

POSITIONS AND TERMS OF OFFICE HELD OVER THE PAST FIVE YEARS

Chairman:
- Nassau Lens Co, Inc. (USA)
- 00GP, Inc. (USA)

Director
- Nassau Lens Co, Inc. (USA)
- 00GP, Inc. (USA)
- Shore Lens Co, Inc. (USA)

Member of the Board of Directors, Valoptec Association

2.1.2 The Executive Committee

Chaired by Hubert Sagnières, the committee is made up of the Company's top corporate and business executives, with either worldwide responsibilities – for example corrective lens manufacturing – or regional responsibilities (Europe, North America, Latin America, Asia-Pacific and Africa).

The Executive Committee holds around nine two-day meetings each year to review the Company's business performance and all of its activities. It plays a unifying role by liaising with the Company's other cross-functional Boards and committees. The Executive Committee is tasked with reviewing, understanding, considering, implementing and organizing the Company's strategy and in some cases, making strategic decisions. It reviews proposed changes and the Group's medium- and long-term outlook and goals. It issues opinions on the actions to be implemented in order to achieve them.

As of December 31, 2013, the Executive Committee has 24 members.

Tadeu	Alves	President, Latin America Region
Eric	Bernard	Chief Operations Officer, AMERA *(Asia-Pacific, Middle East, Russia, Africa)*
Jayanth	Bhuvaraghan	Chief Corporate Mission Officer
Carl	Bracy	Executive Vice President, Marketing & Business Development, Essilor of America
Jean	Carrier-Guillomet	President, Essilor of America
Patrick	Cherrier	President AMERA Region *(Asia-Pacific, Middle East, Russia, Africa)*
Lucia	Dumas-Bezian	Senior Vice President of Corporate *Communications*
Bernard	Duverneuil	Chief Information Officer
Norbert	Gorny	Senior Vice President, Satisloh, Equipment and Consumables activities
Réal	Goulet	President, Essilor Laboratories of America
Lena	Henry	Chief Strategy Officer
Eric	Leonard	President, Europe Region
Frédéric	Mathieu	Corporate Senior Vice President, Human Resources
Eric	Perrier	Corporate Senior Vice President, Research and Development
Géraldine	Picaud	Chief Financial Officer
Patrick	Poncin	Corporate Senior Vice President, Global Engineering
Thierry	Robin	Senior Vice President, Digital Surfacing Strategic Opportunity
Bertrand	Roy	Senior Vice President of Strategic Partnerships
Kevin	Rupp	Executive Vice President, Finance & Administration, Essilor of America
Hubert	Sagnières	Chairman and Chief Executive Officer
Paul	du Saillant	Chief Operating Officer
Eric	Thoreux	Corporate Senior Vice President, Strategic Marketing
Laurent	Vacherot	Chief Operating Officer
Carol	Xueref	Corporate Senior Vice President, Legal Affairs and Development

2.2 Chairman's Report on corporate governance and internal control

To the Shareholders,

Pursuant to Article L.225-37(6) to (10) of the French Commercial Code, I present below my report regarding:

- Board membership and the application of the principle of equal representation of men and women on it;
- the preparation and organization of Board Meetings during the fiscal year ended December 31, 2013;
- the Company's internal control and risk management procedures;
- any restrictions on the powers of the Chief Executive Officer decided by the Board of Directors;
- the Corporate Governance Code adopted by the Company, any provisions of that Code not applied by the Company and the reasons for not applying them;
- specific procedures for shareholder participation in Shareholders' Meetings;
- the principles and rules applied by the Board of Directors to determine the Executive officer's compensation and benefits;
- contracts containing a change of control clause.

The purpose of this report is to help shareholders understand our Company's management processes and methods.

This report was prepared after certain procedures had been performed, in particular by the Corporate Senior Vice President, Legal Affairs. Section 2.2.3 was prepared in close collaboration with the Internal Audit Department, based on written consultations and discussions with the heads of the various departments involved in internal control at the corporate level. It was presented to the Audit Committee (on February 24, 2014) before being presented to the Board of Directors. This makes it possible for priorities and works in progress to be validated and for awareness of the importance of internal controls to the Company to be raised. We also relied on the principles of the AMF *(Autorité des Marchés Financiers)* reference framework for risk management and internal control procedures for listed companies for the preparation of this report. Finally, the contents of this report were approved by the Board of Directors on February 26, 2014.

We are committed to steadily improving our corporate governance, year after year, not only in terms of the practices of the Board of Directors and the Board Committees but also as regards the Company's internal control procedures.

2.2.1 Board of Directors Membership

Article 12 of Essilor's bylaws stipulates that the Company's affairs are to be managed by a Board of Directors of no less than three and no more than fifteen members, not including Board members representing employee shareholders (Article 24.4).

At December 31, 2013, Essilor's Board of Directors had fifteen members, including three members representing employee shareholders. An amendment of the bylaws to allow for the appointment of a Board member representing employees under the Employment Security Law will be subject to the approval of the Shareholders' Meeting of May 7, 2014.

2.2.1.1 Representation of women on the Board of Directors

The Board of Directors currently has four women among its fifteen members and therefore complies with the provisions of Article 5. II of Law 2011-013 of January 27, 2011 applicable to companies whose shares are admitted to trading on a regulated market, according to which the proportion of Directors or members of the Supervisory Board of each sex cannot be less than 20% at the end of the first Ordinary Shareholders' Meeting held after January 1, 2014. See also "Major accomplishments of the Appointments Committee in 2013" in Section 2.2.2.6.

2.2.1.2 Term of office of members of Board of Directors

Board members are currently elected for a three-year term and may stand for re-election. The terms of one-third of the Directors expire at an Ordinary Shareholders' Meeting, so that the entire Board is re-elected over a rolling three-year period. To help make the renewal process smoother, at its meeting of February 26, 2014, the Board of Directors decided to submit a revision of Article 14 of the Bylaws to the Shareholders' Meeting to be held on May 7, 2014.

2.2.1.3 Qualifying shares

In accordance with Article 13 of the Bylaws in force at December 31, 2013, each Director must own at least 1,000 shares in the Company. The Board of Directors, at its meeting of February 26, 2014, decided to submit a revision of Article 13 of the Bylaws to the Shareholders' Meeting to be held on May 7, 2014.

2.2.1.4 Expertise and experience of Directors

Members of the Board of Directors contribute management expertise and/or experience to the Company in a variety of areas, including general and practical business knowledge, expertise in a specific Essilor International business segment or several years of experience in managing international companies and thus contribute their management expertise and/or experience. For more details, see the list of directorships in Section 2.1.1.2.

The Company's Directors have a duty of vigilance and exercise their judgment freely and independently when participating in the decisions and work of the Board and, where applicable, in the special committees of the Board.

2.2.1.5 Independence of the members of the Board of Directors

The criteria for determining the Board members' independence are set out in the Company's internal rules as adopted by the Board on November 18, 2003 and amended from time to time. These criteria, which comply with the AFEP-MEDEF Corporate Governance Code, are as follows:

"A Board member is independent when he or she has no relationship of any kind whatsoever with the Company, the Group or the management thereof which may color his or her judgment. In particular, a Board member does not qualify as an Independent Director if:

- such Board member is an employee or Executive Director of the Company or of a company of the Group (or has been during the previous five years);
- such Board member is an Executive Director of a company in which the Company holds, either directly or indirectly, a seat on the Board or in which Board membership is held by an employee of the company designated as such or by a current or former (going back up to five years) Executive Director of the Company;
- such Board member is a customer, supplier, investment banker or commercial banker – in each case – which is material for the Company or the Group or for which the Company or the Group represents a material proportion of the entity's activity;
- such Board member has any close family ties with an Executive Director;
- such Board member has been a Statutory Auditor of the Company over the past five years;
- such Board member has been a Director for more than 12 years.

Board members representing shareholders who do not have a controlling interest in the Company are considered Independent Directors.

However, if a Board member represents a shareholder holding more than 10% of the share capital or voting rights, the Board of Directors determines whether that Board member is an Independent Director, based on the opinion of the Appointments Committee issued in writing. Such opinion namely takes into account:

- the composition of the share capital of the Company;
- and whether there exists potential for any conflicts of interest."

Each year, the Board of Directors reviews the situation of each of its members with regard to the independence criteria set out in the AFEP-MEDEF Code in force.

The Board of Directors, at its meeting of November 25, 2013, on the recommendation of the Appointments Committee and after having examined the situation of each Director with regard to the independence criteria established by the AFEP-MEDEF Code, concluded that out of the fifteen Directors on the Board of Directors, nine were independent (at least half, as required by the rules), namely:

- Benoît Bazin;
- Antoine Bernard de Saint-Affrique;
- Yves Chevillotte;
- Mireille Faugère;
- Louise Fréchette;
- Bernard Hours;
- Maurice Marchand-Tonel;
- Olivier Pécoux;
- Michel Rose.

The AFEP-MEDEF Code of June 2013 states that Directors representing employee shareholders are not counted to determine percentages of Independent Directors. Accordingly, the rate of independence (9 out of 12) is 75%.

The Board is of the opinion that none of these Directors had any material business relationships with the Company and its group. In particular, it is noted that the Saint-Gobain group, of which Benoît Bazin is an Officer, and *Assistance Publique – Hôpitaux* de Paris, of which Mireille Faugère was Managing Director until November 13, 2013, have no significant business dealings with the Company and that the services provided to Essilor by the companies of the Rothschild group, of which Olivier Pécoux is an Officer, do not constitute a significant part of Group activities or a significant part of the services provided to Essilor in the banking sector.

However, the following Directors did not qualify as independent:

- Hubert Sagnières, Chairman and Chief Executive Officer since January 2, 2012;
- Xavier Fontanet, Chairman of the Board of Directors until January 2, 2012;
- Philippe Alfroid, Chief Operating Officer until June 30, 2009, after his retirement on that date;

and the Directors representing the employee shareholders:

- Maureen Cavanagh;
- Yi He;
- Aïcha Mokdahi.

2.2.1.6 No potential conflicts of interest

Every year, each Board member completes and signs a statement as provided in Annex 1 of European Regulation (EC) 809/2004 of April 29, 2004 implementing the so-called "Prospectus" Directive.

To the Company's knowledge:

- there are no potential conflicts of interest between the duties, with regard to the issuer, and the private interests and/or other duties with regard to third parties, of any of the members of the Company's Board of Directors. To this end, the Directors' Charter stipulates that Directors have an obligation to inform the Board of any conflict of interest, even potential, and must refrain from participating in the deliberations related thereto;

- no member of the Board of Directors or any Chief Executive Officer has a service contract with Essilor or any of its subsidiaries providing for the award of benefits at the end of such contract;
- none of the Executive or Non-Executive Directors have been convicted of a fraudulent offence in the last five years;
- in the last five years, none of the Executive or Non-Executive Directors have been involved in a case of bankruptcy, receivership or liquidation as a member of a Board, a management or supervisory body or as a Chief Executive Officer;
- none of the Executive or Non-Executive Directors have been publicly incriminated and/or sanctioned by statutory or regulatory authorities (including designated professional bodies);
- there are no family ties between the members of the Board of Directors.

2.2.2 Preparation and organization of meetings of the Board of Directors

The operations of the Board of Directors and the special committees are governed by internal rules adopted by the Board at its meeting of November 18, 2003 and revised several times, most recently on November 25, 2013, and, by a Directors' Charter. The main elements of these two documents are reproduced or summarized below. They are reproduced in full, along with the bylaws, on the "governance" pages of the Company's website.

2.2.2.1 Directors' Charter

The Directors' Charter adopted for the first time by the Board on November 18, 2003 and revised several times, most recently on November 25, 2013, describes the rights and obligations of the members of the Essilor Board.

The charter requires each Board member to commit to attending meetings of the Board of Directors and Shareholders' Meetings regularly, to inform the Board of Directors of any potential or actual conflict of interest, and to refrain from participating in the corresponding proceedings, including the work of specialized committees. Board members must also keep the Board informed of directorships held in other French and foreign companies and, in the case of Executive Directors, seek the advice of the Board before accepting a new corporate office. Directors must consider themselves subject to an obligation of professional secrecy – which goes further than the obligation to be discreet provided for in Article L.225-37-4 of the French Commercial Code – with regard to non-public information that comes into their possession in their capacity as a Board member.

The charter also stipulates that each Board member:

- is entitled to receive, when first elected and throughout his or her term, any and all training that he or she considers necessary to independently exercise his or her judgment. The training is organized, offered and paid for by the Company;
- must be given all relevant information about the Group; and
- may participate in meetings to examine in detail the matters put before the Board.

The Directors' Charter states the obligations resulting from Articles 622-1 and 622-2 of the AMF's General Regulations, in particular that each Board member who has access to inside information may not trade in the Company's shares, directly or through a third party or cause any other person to trade in the Company's shares on the strength of that information for as long as this information has not been made public. In accordance with the AMF *(Autorité des Marchés Financiers)* Recommendation of November 3, 2010 on the prevention of insider trading attributable to managers of listed companies, the charter specifies that Board members may not trade in the Company's shares during the period preceding the publication of privileged information of which they are aware and also during the 30-day period that precedes the publication of the annual, half-year and where applicable, quarterly earnings. The day of publication of such information is part of the black-out period.

Executive Directors are required to disclose any trading in the Company's shares by themselves or their close relations. To this end, the charter states that in accordance with Article 621-18-2 of the French Monetary and Financial Code and Articles 222–14 and 222-15 of the General Regulations of the *Autorité des Marchés Financiers* (AMF) and AMF Position N°. DOC-2006-14 of April 16, 2008, Board members undertake to report immediately to Essilor, through the Company's registrar, any and all transactions in the Company's shares or financial instruments carried out by him or her or by any close relation, in order to enable the Company to report these transactions to the AMF and to announce them in a press release, within the required timeframe.

2.2.2.2 Role and responsibilities of the Board of Directors.

The Board of Directors is a collegial body whose role and responsibilities – in addition to those defined by law and regulations – are to:

- decide the criteria to be applied to determine whether Directors are independent and review these criteria each year;
- identify the Directors who meet the independence criteria;
- review and if appropriate, approve major strategic choices;
- review and if appropriate, approve acquisitions and disposals representing over €100 million in the case of strategic investments in new business segments or new geographic markets or over €150 million for all other acquisitions;
- approve material restructuring and investment projects that do not form part of the stated strategy;
- monitor implementation of the Board's decisions;

- review and approve the financial statements;
- assess the performance of Board members (collectively and individually) and of members of senior management;
- ensure that Essilor's tradition of managerial excellence is maintained;
- discuss and if appropriate, approve the choice of candidates for election as Executive Directors and their compensation recommended by the Appointments and Compensation Committee;
- discuss and if appropriate, approve the appointment of the members of the special Board Committees on the recommendation of the Appointments Committee;
- discuss and if appropriate, approve Group senior management succession plans and major organizational changes;
- examine the procedures for identifying, evaluating, auditing and monitoring the Group's commitments and risks;
- monitor the Group's financial reporting so as to ensure that investors receive relevant, balanced and strategic information on the company's strategy, development model and long-term outlook.

On the recommendation of the Appointments Committee and with the approval of the Chairman of the Board of Directors, the Board may create special committees and set the rules governing their remit and composition. These committees act on the authority delegated to them by the Board and make recommendations and proposals to the Board.

2.2.2.3 Self-assessment of the operations of the Board

A formal assessment of the operations of the Board of Directors has been conducted each year since 2004. These have often led to the amendment of the Board of Directors internal rules and the Directors' Charter. The results of the self-assessment are presented to shareholders in the Registration Document. The assessment covers the three objectives set out in Article 10.2 of the AFEP-MEDEF Code of Corporate Governance (review the operating procedures of the Board, ensure that important issues are suitably prepared and discussed, measure the contribution of each Director to the Board's accomplishments).

In 2013, a new formal self-assessment was entrusted to the Corporate Senior Vice President, Legal Affairs under the leadership of the Appointments Committee. The report on the questionnaires showed that the Directors have an overall positive assessment of the Board, which they consider to be "involved and strengthened," and of the relationships with senior management regarding the inclusion of its concerns and freedom of expression in the meetings of the Board and the committees. Improved quality of information, minutes of Board Meetings and committee minutes and the Board's ability to function as a team were acknowledged.

Additional improvements could be made to further continue improving the quality of governance:

- training of Directors and contacts with business leaders;
- anticipation of discussions, including with regard to acquisition projects;
- information on financial market trends (analysis briefs, summaries of roadshows);
- presentation of agendas and increased focus on issues related to human resources and overall corporate strategy.

Other potential topics were suggested, such as the number of Directors.

2.2.2.4 Information provided to the Board of Directors

All necessary documents to inform the Board members about the agenda and any matters to be discussed by the Board are enclosed with the notice of meeting or sent, handed to or otherwise made available to them reasonably in advance of the meeting.

Each Board member is required to ensure that he or she has all the information they deem essential to the proper operation of the Board or the special committees of the Board. If any information is not made available or if a Director believes that information may have been withheld, he or she must ask for it to be supplied. Board members' requests are made to the Chairman of the Board (or the Chief Executive Officer if the two positions are separated), who is under the obligation to ensure that Board members are able to fulfill their duties.

Between meetings, Board members also receive all useful as well as business-critical information about all events or transactions that are material to the Company. In particular, they receive copies of all press releases published by the Company.

As in prior years, Board members were informed of the black-out periods for 2013, during which they may not trade in Essilor International shares or any instruments that have Essilor International shares as their underlying, either directly or through a third party. They were also given a copy of the ethics guidelines drawn up by the Company, which state that Board members are considered as permanent insiders because they regularly receive price-sensitive and other confidential information.

Directors may, if they deem it necessary, receive additional training in the specifics of the company, its business and its industry. Upon their appointment, the members of the Audit and Risk Committee are provided with specific details about the company's accounting, financial and operational practices.

2.2.2.5 Meetings of the Board of Directors

The Board meets as often as necessary in the Company's interest and at least five times per year. The dates of the following year's meetings are set no later than one month before the end of the year, except for Extraordinary Meetings. The Independent Directors meet at least once a year without the Executive Directors in attendance, to conduct the performance evaluation of the Chairman and CEO.

In accordance with the Board's internal rules, calls to meeting were sent to Directors by email, confirmed by letter sent by regular mail, at least seven days before each meeting. The Statutory Auditors are invited to attend the Board Meetings called to review the interim and annual financial statements, as provided for in Article L.823-17 of the French Commercial Code.

In 2013, the Board of Directors held six meetings on the dates planned in 2012 (January 24, February 27, May 16, July 10, August 26 and November 28). The last meeting was held in Shanghai (People's Republic of China). In addition, on July 26 and October 28, the Board held two meetings *via* conference call devoted to the final approval of major transactions (takeover of Transitions, acquisition of Costa). The meetings lasted on average 2 hours and 15 minutes.

Attendance at Board and Committee Meetings

The Company's bylaws state that Directors may participate in certain meetings by videoconference or other telecommunications link, with the exception of those cases explicitly stipulated, such as the approval of the financial statements and preparation of the Management Report. Under the Board's internal rules, Directors who participate in meetings in this way are included in the calculation of the quorum and voting majority for the meeting.

The Company's Auditors attended the two Board Meetings to which they were invited. As in prior years, the Labor-Management Committee representatives on the Board attended all Board Meetings held in 2013.

All the Directors attended the Combined (Ordinary and Extraordinary) Shareholders' Meeting held on May 16, 2013.

The table below shows the number of Board and Committee Meetings held during 2013, as well as their members and the individual attendance at each of these meetings. The average attendance of Directors at Board Meetings was 95.8%

	Board of Directors	Audit and Risk Committee	Executive Directors and Compensation Committee	Appointments Committee	Strategy Committee	CSR Committee
Number of meetings in 2013	**8**	**4**	**3**	**4**	**5**	**3**
Participation (%)						
Hubert SAGNIÈRES	100%				100%	
Philippe ALFROID	100%	100%			100%	
Benoît BAZIN	87.5%	100%			100%	
Antoine BERNARD DE SAINT-AFFRIQUE	100%	100%			100%	
Maureen CAVANAGH	100%				100%	
Yves CHEVILLOTTE	100%	100%		100%	100%	
Mireille FAUGÈRE	100%		100%		100%	
Xavier FONTANET	87.5%			100%	100%	
Louise FRÉCHETTE	100%				100%	100%
Yi HE	100%				100%	
Bernard HOURS	87.5%		100%		100%	100%
Maurice MARCHAND-TONEL	100%		100%	100%	100%	
Aïcha MOKDAHI	100%	75%			100%	100%
Olivier PECOUX	75%				80%	
Michel ROSE	100%		100%	100%	100%	

Major accomplishments of the Board of Directors in 2013

The matters discussed by the Board in fiscal year 2013 and the decisions taken covered a wide range of areas, including:

- business developments: at each meeting (except for those convened at short notice to deliberate on a strategic transaction), the Chairman and CEO presented the Company's general position for the previous period: changes in key financial indicators, "key events" in the commercial and technical fields, state of competition, consolidation of acquired businesses, etc.;
- 2013 budget: this was discussed at two meetings at the beginning of the year;
- 2012 financial statements: they were approved by the Board after hearing the reports of the Audit and Risk Committee and the Statutory Auditors;

- external growth: at each meeting scheduled the previous year, the Board was informed of and discussed acquisitions that were planned or underway; two meetings called on short notice were devoted to the final approval of major transactions (takeover of Transitions, acquisition of Costa); in addition, the Board was informed in advance of the company's general external growth policy, through the Strategy Committee's Reports;
- financial transactions: the Board approved the private placement transactions with US investors (US PP) and the issue of US (US Commercial Paper Notes) and European (European Medium-Term Notes) bonds, delegated its powers to the Chairman and CEO to issue bonds and for the implementation of the share buyback program authorized by the Tenth Resolution of the Shareholders' Meeting of May 16, 2013, and decided to cancel 1.5 million shares pursuant to the Tenth Resolution of the Shareholders' Meeting of May 11, 2012;
- notice of Shareholders' Meeting: at two meetings, the Board reviewed and approved (after discussing dividend policy and hearing a report on the opinion of the main shareholders) the draft resolutions submitted to the Shareholders' Meeting of May 16, 2013;
- governance: the Board approved a reorganization under which the Chairman and CEO will personally assume the presidency of the subsidiary Essilor AMERA, which oversees the Group's development in Africa, the Middle East, Russia and Asia (with no impact on his total compensation), heard reports from the CSR Committee and the Appointments Committee, a report on the main changes introduced by the revision of the AFEP-MEDEF Code and the Employment Security Act, revised its internal rules accordingly, reviewed a report from the Egon Zehnder firm on the role of the Board and governance with regard to strategy, risk control and succession and conducted a self-assessment (see Section 2.2.2.3) and the annual review to determine the independence of its members (see Section 2.2.1.5);
- employee-related issues: the Board heard a report by management on company developments in employee-related matters in 2012 (workforce developments, business combinations of entities and reorganization of the distribution of instruments in France, major trade union negotiations, company policy regarding equal employment opportunity and pay, etc.) awarded "capped" stock options and performance shares to employees in France and the major foreign subsidiaries pursuant to the Twelfth, Thirteenth and Fourteenth Resolutions of the Shareholders' Meeting of May 11, 2012 and a capital increase for employees as part of a company savings plan pursuant to the Eleventh Resolution of the Shareholders' Meeting of May 16, 2013 (see Section 5.2.1.4);
- compensation of corporate directors and officers: the Board allocated Directors' fees to its members and set the compensation of the Chairman and CEO, and also approved in accordance with the procedure concerning related party agreements of the terms of his severance pay under his suspended employment contract and his supplementary pension (see Sections 2.3.1 and 2.3.2);
- guarantees, endorsements and sureties: the Board delegated to the Chairman and CEO, with the right to further delegate such powers, the authority to grant the Company's guarantee for an overall annual limit of €400 million;
- committee reports: the Board heard, for the preparation of its deliberations above in the areas that concern them respectively, reports by the Audit and Risk Committees (five reports), the Appointments Committee (two reports), the Executive Directors and Compensation Committee (two reports), the Strategy Committee (three reports) and the Corporate Social Responsibility (two reports).

Minutes

The draft minutes of each Board Meeting were sent to all Directors no later than the date of notice the next meeting.

2.2.2.6 Committees of the Board of Directors

The Board confirmed the composition of its committees upon the renewal by the Shareholders' Meeting of May 16, 2013 of the terms of four Directors.

Audit and Risk Committee

Membership

The Board's internal rules stipulate that the Audit and Risk Committee is to be comprised of at least three members appointed by the Board from among the Directors. At least two thirds of the committee members must be Independent Directors. The members of the Audit Committee cannot hold senior management positions or be Executive Directors. They should have specific expertise in accounting and financial matters.

The Audit Committee is chaired by Yves Chevillotte.

At December 31, 2013, the other members of the committee were Philippe Alfroid (since July 1, 2009), Antoine Bernard de Saint-Affrique, Benoît Bazin and Aïcha Mokdahi, all of whom have held responsibilities requiring financial and accounting skills during their careers.

Role

Under the Board of Directors' internal rules, as amended by the Board at its meeting of August 28, 2013 and in accordance with Article L.823-19 of the French Commercial Code, the Audit and Risk Committee examines issues related to the preparation and control of accounting and financial information.

Without encroaching upon the responsibilities of senior management, the Audit Committee is tasked with overseeing:

- processes for the preparation of financial information;
- internal control and risk management procedures;
- the audit of the parent company and consolidated financial statements by the Statutory Auditors;

- the Statutory Auditors' independence;
- and, generally speaking, reviewing all financial statements presented during the year.

The Audit Committee makes recommendations concerning the choice of Statutory Auditors to be appointed by the Shareholders' Meeting.

As part of its role, the Audit and Risk Committee also has to report regularly to the corporate body in charge of the management of its activities and notify it immediately of any difficulties or material problems that it encounters.

In this context, its remit also extends to analyzing the procedures in place within the Company to ensure:

- the integrity of the financial statements:
  - presentation of the semi-annual and annual financial statements and elements of the associated Registration Document to the Audit and Risk Committee,
  - review of the key assumptions impacting the recognition and reporting of any material changes made to the accounting principles;
- the effectiveness of internal control and major risk management procedures:
  - understanding of how the Company identifies, evaluates, anticipates and manages its key financial, operational, compliance and reporting risks (on the contrary, the committee is not responsible for investigating issues related to the strategic risks and risks related to governance unless requested otherwise by the Board), assessment of the jurisdiction, availability and positioning of the organization in charge of monitoring the Company's risk control,
  - issuing recommendations, if necessary, for the implementation of corrective actions in the event of weaknesses or significant deficiencies, improvement of existing procedures, and the introduction of potential new one.

The Audit and Risk Committee may also be consulted by the Board or by management about any issues concerning procedures to control non-recurring risks:

- compliance with legal and statutory requirements:
  - compliance with accounting regulations and proper application of the Company's accounting principles and policies,
  - cognizance of major disputes for the year,
  - review of actions to prevent risks related to economic regulation (compliance),
  - compliance with securities regulations and the strict insider dealing rules in force within the Company;
- the performance, qualifications and independence of the Statutory Auditors:
  - recommendation regarding the appointment of the Statutory Auditors,
  - resolution of potential disagreements between the positions of the Statutory Auditors and management,
  - review and evaluation of the qualifications, performance, fees, independence and compliance with the rules of professional incompatibility of the Statutory Auditors, including the main partner,
  - review of the rotation regulations applicable to the main partner and evaluation of the need for rotation among the Statutory Auditors,
  - review of the Statutory Auditors' Reports, information brought to the attention of the Board pursuant to Art. L. 823-16 of the French Commercial Code and the responses provided by management, including the quality of internal control procedures and the preparation process for financial information;
- the performance of internal audits:
  - review of the Internal Audit's Charter, its role and scope of work,
  - review of the budget, resources and means available to the internal audit team,
  - review of the proposed audit plan for the year by the Internal Audit Director,
  - review of the main results presented by the Internal Audit Director,
  - review of the effectiveness of the Internal Audit Department,
  - opinion on the appointment and replacement of the Internal Audit Director.

Major accomplishments in 2013

The work of this committee is based on the recommendations of the AMF Audit Committee Working Group of June 14, 2010 and the committee's 2012 self-assessment.

The Audit and Risk Committee met four times (with a participation rate of 95% for the year) and heard the Group's Chief Financial Officer, the Group Legal Director, the Group's Internal Audit Director and the Statutory Auditors.

The following topics were discussed at these various meetings:

- financial statements: review of the financial statements for the third quarter of 2012, the year 2012, a summary of 2013 budget estimates, the financial statements for the first quarter and first half of 2013 (this examination was performed with sufficient time before the relevant meetings of the Board of Directors);
- internal audit and internal control: internal audit plan for 2013 as part of the multi-year "roadmap" with a monitoring of internal and external audits, Chairman's Report on corporate governance and internal control, Internal Audit Charter, performance indicators, budget and review of activity (productivity measurement) of the internal audit;
- finalization of proposals for the selection of Statutory Auditors;
- financing strategy;
- risk control: thematic reviews (protection of innovation and intellectual property, litigation risks, supplier vulnerability, liquidity, interest rates, trapped cash, subsidiary counterparties, fraud across the Group), review of the Group' s insurance

program, business continuity plan, legal compliance program and the process of self-assessment of the internal control and the risk to the Group associated with so-called "iCare";

- other financial matters: calculation of Return on Capital Employed to monitor acquisitions;
- litigation and fraud.

The committee also met with the Statutory Auditors with the Group representatives not present.

On February 24, 2014, the 2013 consolidated financial statements were reviewed by the Audit and Risk Committee.

Appointments Committee

Membership

The internal rules of the Board of Directors stipulate that the Appointments Committee is comprised of a maximum of six members, at least three of whom are Independent Directors. The Chairman is appointed by the Board after approval by the members of the Appointments Committee.

The Appointments Committee is comprised of Xavier Fontanet (Chairman), Yves Chevillotte, Maurice Marchand-Tonel and Michel Rose, all three of whom are Independent Directors. The Chairman and CEO and a Director elected on the proposal of Valoptec Association are involved in the work of the committee.

Role

As described in the Board's internal rules, the principal role of the Appointments Committee, as part of the duties of the Board of Directors, is to:

- make recommendations to the Board concerning the choice of Directors;
- supervise the Board's self-assessment process;
- make proposals to improve the functioning of the Board;
- identify Independent Directors to be approved by the Board;
- evaluate Director performance;
- manage the Board's development process and Director performance;
- suggest people as members of the special committees to the Board;
- reflect on the composition of the Board of Directors and any possible developments;
- prepare for a change of Directors as needed.

Major accomplishments in 2013

The committee met four times in 2013 (with a participation rate of 100% year).

It reviewed the following topics:

- creation of a Corporate Responsibility Committee, a recommendation that was adopted by the Board;
- consideration of draft resolutions for submission to the Shareholders' Meeting for the reappointment of four Directors;
- confirmation of Independent Director classification attributed to certain Directors, after a review conducted by one of the independent members of the committee (see Section 2.2.1.5);
- examination of the report by the Egon Zehnder firm (see "Major accomplishments by the Board of Directors" in Section 2.2.2.5), from which the committee has identified a number of recommendations to guide the preparation of the renewal of the mandates in the coming years (particularly with regard to improving gender disparity);
- review the findings of the Board's self-assessment (see Section 2.2.2.3).

Executive Directors and Compensation Committee

Membership

The Board's internal rules stipulate that the Executive Directors and Compensation Committee is to have at least three members, all of whom must be Independent Directors.

The Compensation Committee is made up of Michel Rose (Chairman), Mireille Faugère, Bernard Hours and Maurice Marchand-Tonel, all four of whom are Independent Directors.

Missions

The role of the Executive Directors and Compensation Committee, as described in the Board's internal rules, is to:

- make recommendations concerning Executive Directors' compensation;
- make recommendations concerning the allocation of stock options and/or so-called "performance" shares for Executive Directors;
- review the Company's general compensation policies;
- make recommendations to the Board concerning the choice of candidates for election as Executive Directors;
- assist the Chairman and the Board in the Group's senior management succession planning.

Major accomplishments in 2013

The Executive Directors and Compensation Committee met three times in 2013 (with a participation rate of 100% for the year) to consider the following topics to submit as recommendations to the Board:

- review of the 2012 performance of the Chairman and CEO for the final calculation of his variable compensation for the fiscal year ended;
- rules for determining the variable compensation of the Chairman and CEO for 2013;
- review of a benchmark for the compensation of executives of comparable companies;

- review of the adjustments made to the supplementary pension scheme for executives, in particular to take account of the revision of the AFEP-MEDEF Code;
- all compensation components of the Chairman and CEO for 2014 (including the continuation of the regulated agreements concerning his employment contract and supplementary pension).

Strategy Committee

Membership

The Board's internal rules stipulate that the Strategy Committee is to include all Essilor Board members. The Chairman of the Strategy Committee is the Chairman of the Board of Directors.

Role

The role of the Strategy Committee, as described in the Board's internal rules, is to regularly review the Company's product, technology, geographic and marketing strategies. To do this, the Chief Executive Officer makes regular presentations to the Board on these issues, assisted where necessary by Executive Committee members. The agenda is determined by a strategic steering group.

Major accomplishments in 2013

The Strategy Committee met five times in 2013 (with a participation rate of 98% for the year).

The committee reviewed the following topics:

- the Company's competitiveness;
- alternatives to progressive lenses;
- the Group's financial strategy;
- general market developments, including internet, solar, retail.

After each of its meetings, a summary of presentations and various discussions was presented to the Board of Directors by its Chairman.

Corporate Social Responsibility (CSR) Committee

Membership

The CSR Committee was established following the decision of the Board at its meeting of February 27, 2013. The internal rules, as amended to that effect, stipulate that the CSR Committee shall be composed of a minimum of four members and a maximum of six, including two Independent Directors and the Chairman and CEO and one non-Independent Director from Valoptec.

The CSR Committee is chaired by an Independent Director appointed by the Board of Directors on the recommendation of the Appointments Committee.

The CSR Committee is chaired by Louise Fréchette (Independent Director), and is composed of Aïcha Mokdahi and Bernard Hours (Independent Director) and Hubert Sagnières.

Role

The main role of the CSR Committee, within the remit of the Board of Directors, is to ensure that the Group is even more effective at addressing the economic and societal challenges associated with our mission to "improve sight," which involves helping as many people as possible to see better, in order to live better. The Group strives to offer products customized to each individual within its entire global scope.

This covers all areas of corporate social responsibility relating to the Group's mission and operations.

The CSR Committee is also responsible for governance of the Group's societal project.

As such, and with particular regard to the Group's voluntary CSR process, the committee must:

- examine the main opportunities and risks for the Group and for all stakeholders regarding challenges specific to its role and activities;
- remain informed and help to define and approve the scope of the Group's general CSR policy as required;
- oversee the implementation and gradual roll-out of this policy and its initiatives;
- guide the Board of Directors on the Group's long-term development, including its economic development, through its CSR initiatives in matters of sight and its improvement;
- assess the risks, identify new opportunities, take account of the impact of the CSR policy in terms of economic performance and evaluate the impact for the Group of investments with social and societal goals in different businesses and in all countries;
- ensure that the Group's interests are protected and anticipate potential conflicts of interest regarding CSR investments and other Group activities;
- review once a year a summary of the ratings given to the Group and its subsidiaries by rating agencies and *via* non-financial analyses.

The CSR Committee receives and reviews the report on the Company's economic, human (social and societal) and environmental contribution as well as the non-financial information reported by the Group relating to society and the environment.

Major accomplishments in 2013

During 2013, the committee met three times (with a participation rate of 100% for the year) and discussed the following topics:

- setting of Group societal policy objectives ("inclusive business");
- organization of its own work;
- work of the Vision Impact Institute.

2.2.3 Internal control procedures implemented by Essilor

The system of Essilor internal control procedures exists pursuant to the legal framework applicable to companies listed on the Paris Bourse and is inspired by the reference framework for risk management and internal control mechanisms published by the AMF on July 22, 2010.

2.2.3.1 Company internal control objectives

Generally speaking, internal controls at Essilor are a mechanism that is applicable to the parent company and its consolidated subsidiaries in France and abroad ("the Group") (See Section 2.2.3.3) Its aim is to ensure that:

- the achievement of economic and financial goals is conducted in accordance with the laws and regulations in force;
- the instructions and guidelines set by Senior Management are implemented;
- the Company's internal processes, particularly those contributing to the protection of assets, perform properly;
- the Group's accounting and financial information is reliable and honestly presented.

Internal control contributes to the disciplined management of the business, the effectiveness and efficiency of operations and the efficient use of resources. The parent company guarantees the existence of internal control mechanisms within its subsidiaries that are adapted to their sizes and associated risks.

In practice, the purpose of internal control is to ensure that:

- ensure that management actions or execution of transaction, and staff behavior, fall within the scope defined by the guidelines given to activities undertaken by corporate bodies. This includes compliance with applicable laws and regulations, as well as values, standards and rules internal to the company;
- all accounting, financial, legal and management information reported to the Board of Directors, the regulatory authorities, shareholders or the public presents fairly the Company's business and financial position;
- cover all of the Company's implemented policies and procedures that provide reasonable assurance that business is managed efficiently and effectively.

One of the goals of the system of internal control is to prevent and limit the risk of error or fraud, in particular of an economic, financial and legal nature, to which the Group may be exposed. However, no system of controls can provide an absolute guarantee that all such risks have been completely avoided, eliminated or entirely brought under control or that the Company's objectives will be met. Indeed, the probability of achieving these goals does not depend solely on the Group's wishes but rather on several factors, such as the uncertainty of the outside world or the commitment of an act of fraud.

Risk control takes into account the main characteristics of the Group:

- its significant role in international activities;
- its decentralized structure;
- the specific nature of risks (see information on the risk factors that our Company may face in Chapter 1.6);
- the strong corporate culture.

2.2.3.2 Components of the internal control mechanism

Control environment and Group values

The control environment that underlies the control mechanism plays an essential role at Essilor. It was built through a long history of commitment and a very strong entrepreneurial culture on the part of employees and management. This foundation enables Essilor to welcome, both now and in the future, an ever-growing number of employees and partners, while at the same time preserving its corporate culture.

The "Essilor Principles" document, which was prepared in 2011 by the Legal and Human Resources Departments and is the product of a broad consultation and gathering of proposals from around the world, is the basis of this environment and makes it possible to share Essilor's mission, principles and values. It is organized around three major concepts which give all Essilor employees and partners the feeling of sharing the reputation and responsibilities of their Group in the wider sense: a position as a world leader, rapid global expansion and a strong corporate culture. The document is currently available in 33 languages on the Group's intranet site and on its website.

Our values foster governance, business ethics and a culture of accountability and are based on "our entrepreneurial spirit," "respect and trust," "innovation," "working together" and "our diversity."

Sharing and respecting our common principles and values helps us, in our day-to-day work, to live out the mission and spirit of our Company, which consists of offering everyone ways to "see the world better." Our mission mobilizes us in the sense that good sight is an essential asset to health and also to social and professional integration, child development and personal well-being in our day-to-day lives. Yet 2.5 billion people around the world do not have access to corrective lenses.

At the same time, part of the charter of Valoptec, an association comprised of active and retired Essilor employees, includes a Code of Values. The goal of this association is to "promote the adoption by Group companies of sound business practices and human resources management policies." The charter upholds the values of respect and trust among individuals. Members promise to uphold this charter as the foremost condition of their membership and, even though Essilor employees who are not Valoptec members do not sign this charter personally, its spirit infuses the corporate culture in a very real way. The members of Valoptec and other employee shareholders together hold 14.6% of the Company's voting rights. The association's bylaws are regularly updated and reviewed to ensure they are aligned with its development.

Organization of internal controls

It is our intention to promote a system of internal control based on:

- clear definitions of responsibilities, backed by the necessary resources and skills, appropriate information systems, procedures and processes, tools and practices;
- internal communication of all the information needed to enable each individual to fulfill his or her responsibilities;
- the identification and analysis of the main risks that could negatively impact the Company and the implementation of procedures to manage these risks;
- control procedures that are proportionate to the risks associated with each process and are designed to provide assurance that measures are taken to limit and to the extent possible, manage the risks that could prevent the Company from fulfilling its objectives;
- supervision of the internal control and risk management process and regular reviews of its operations.

2.2.3.3 Key control activities and key players

Various internal control activities help to ensure that the application of standards and procedures defined at the corporate level are consistent with senior management's guidelines.

The departments with specific responsibility for monitoring activities are:

Internal Audit and Internal Control

The ACS Department (Audit & Consulting Services) covers Internal Audit and the Group's Internal Control with a total dedicated workforce of 21 people as of December 31, 2013 (19 for Internal Audit, 1 for Group Internal Control and its Director). Geographically, the ACS workforce as of that date included employees located at the corporate headquarters in Charenton (6 people for Corporate, Europe and Africa operations), Dallas (7 people for North America operations), Singapore (6 people for Asia-Pacific and Middle East operations) and Rio de Janeiro (2 people for Central America and South America operations). The ACS Director reports to one of the Senior Vice Presidents and has no authority over, nor responsibility for, the operations audited. The internal audit team also reports on the Department's activities to the Audit and Risk Committee.

The ongoing role of the internal audit is, within the limits of the resources allocated to it, to evaluate operation of risk management and internal control mechanisms, carry out regular checks and make any recommendations for its improvement. Internal audits are carried out using the same methodology applied in all geographic areas. For each audit, a report is prepared and distributed to the management of the entity, the regional Director of the audited entity, the Chairman and CEO, the Senior Vice Presidents, the Finance Department and the Legal Department of the Group and, depending on the nature and impact of the issues raised, the operational or functional departments. This report summarizes the observations and recommendations for improvement needed and the Audit and Risk Committee is informed of the most significant issues. Implementation of the recommendations is the responsibility of the audited entities. The internal audit function monitors the implementation of these recommendations by monitoring the implementation of action plans decided in agreement with them in accordance with the schedule set.

Since 2011, under the leadership of its Vice President, the Internal Audit Department defined and began to implement a roadmap for the next three years. This roadmap was created based on a study which combined various benchmarks and best practices in these areas. The roadmap is organized around the following themes: governance, risk management and internal control, terms of office, human resources, technology, performance, and quality and value creation. The roadmap was then presented to the core and enlarged Management team (Executive Committee), to the Audit and Risk Committee, as well as to various internal audit and internal control partners (including the Statutory Auditors). It was discussed and commented on and resulted in various action plans intended to help the Department keep pace with the challenges inherent to a high-growth company. In 2013, progress was generally in line with the roadmap. Substantial progress recorded in several areas relating to its operation and its internal efficiency have also allowed ACS to win the "Grand Prix Innovation" 2013 organized by the IFACI (French Institute of Internal Control) and its partners. This award, which is given to one of 59 participating organizations, is intended to raise awareness of and distinguish the good practices of companies and public organizations for innovation in the field of internal audits and internal controls. ACS fits well in its area of work, in the long tradition of innovation at all levels of Essilor.

Consolidation

The Group's consolidated financial statements are prepared by the Consolidation and Group Reporting Department. This Department is in charge of updating consolidation procedures which are first presented to the Audit and Risk Committee. It is also tasked with training the newly consolidated subsidiaries and including them in the reporting.

The Group's consolidation is established on the basis of the local accounts of the various subsidiaries or existing sub-groups. The Consolidation and Reporting Department receives detailed financial statements according to a set schedule, performs a full review of the statements and makes the adjustments required for the preparation of the consolidated financial statements. These are audited by the Joint Statutory Auditors who apply the standards of the profession.

The reporting process ensures that the Group's interim and annual financial statements are reliable. To prepare for the fiscal periods ending June 30 and December 31, a hard close procedure is performed at May 31 and November 30.

Business Analysis

Each Group entity or reporting unit has its own business analysis unit responsible for analyzing performance and preparing forecast cycles. The Group's entities are supported by a business analysis unit in each operating division to which they are attached.

The Group's business analysis unit defines and monitors the indicators for checking that the Group is operating in accordance with its targets. It measures the contribution of the Group's various operating divisions.

It performs consistency tests on management reporting data to check the overall reliability of the information, working in collaboration with the business analysis units in each operating division.

It flags differences compared with targets set, identifies risks and opportunities and provides decision-making guidance. It oversees the forecasting phases (forecasts, budget, MTP).

It also manages and streamlines internal flows within the Group and in particular establishes transfer prices and royalties.

Sustainable Development

The Sustainable Development Unit plays a cross-functional role. This cross-functional unit is primarily responsible for anticipating and influencing foreseeable changes in the business and analyzing the economic, human and environmental consequences, to enable the Company, its stakeholders and the community to benefit from the opportunities that arise and to warn management of possible risks. The unit is also responsible for producing the Group's non-financial disclosures.

Environment, Health and Safety (EHS)

The Global Environment, Health and Safety (EHS) Department reports directly to a member of the Executive Committee (the Corporate Senior Vice President, Global Engineering) and also has a dotted-line reporting relationship with the Sustainable Development unit. It is responsible for applying the Group's common safety strategy to protect individuals, facilities and assets, prevent industrial risks, preserve employees' health and protect the environment. The Department leads the network of EHS representatives and sets up programs and systems to ensure regulatory compliance and continually improve the Group's EHS performance. It also provides technical expertise in the areas of REACH compliance, chemical products management, fire protection, equipment safety, transportation of hazardous materials, ergonomics, etc., to the Group's other departments.

Legal Affairs

The Group's Legal Affairs and Development Department offers advice and assistance to all departments of the Company and its subsidiaries in preventing claims and litigation. It is responsible for negotiating and drafting contracts and other legal documents relating in particular to business acquisitions, in order to ensure that the warranties obtained are aligned with the related risks. It is located in North America, South America, China, France, India, Israel, Singapore and Switzerland.

As part of its risk management strategy, the Department ensures that contracts include an arbitration clause whenever possible. It also ensures that the Company's intellectual property rights are monitored and protected and initiates legal proceedings in the event that the rights are breached. In addition, the Department plays a key role in legal and regulatory compliance programs.

It advises the Group and the Board of Directors (and its special committees) on good practices of corporate governance. It regularly attends meetings of the Audit and Risk Committee and the Strategy Committee. It ensures that executives throughout the organization are aware of potential liability risks and proposes legal solutions which contribute to strengthening the control environment. It provides answers to all legal questions raised by the various departments of the Group in a French and international legal and regulatory environment that is increasingly complex and burdensome and in an operating environment of increasing competitiveness.

Legal Affairs ensures that the Company fulfills some twenty thousand contractual obligations, with the help of a contracts database that is constantly updated. It keeps an up-to-date list of claims and lawsuits filed by or against the Group (such as judicial disputes, industrial property disputes, tax audits or claims) and posts information memoranda on its intranet site announcing changes in legal (including intellectual property), tax or insurance rules or practices. To help enhance the reliability and quality of legal and financial information on the many subsidiaries, the Department has integrated a new web-enabled intranet application to manage and update this information.

The Insurance Department, which is part of Legal Affairs, implements a policy that combines prevention, in the form of regular site visits and audits with our insurers and brokers, with protection, in the form of international insurance programs.

Our compliance policy for preventing legal risk is structured around major legal topics related to the Group's business activity, especially antitrust law, confidentiality management, and prevention of corruption. Its main purpose is to inform and educate managers about legal risks, communicate and formalize good practices and guarantee that this policy is truly effective by gradually building a culture of compliance within the Group.

To this end, a roadmap was developed and approved by senior management, the Executive Committee and the Audit and Risk Committee. It covers the main points to be considered – risk identification, assessment of existing risks, individual accountability, capacity and effectiveness of compliance and the necessary support of senior management – and continues to be rolled out gradually.

In this context, awareness raising actions and legal guides to the basic rules of antitrust law and trade practices continued on a global scale, especially in Europe, Asia (including India) and the United States.

To provide all Group employees with regular, accessible information, specific, detailed, bilingual (French/English) documentation with educational content has been posted on the Legal Affairs intranet site in a section dedicated to compliance. It consists of "audio kits" (multimedia presentations for awareness-raising sessions), briefing notes, PowerPoint presentations, fact sheets, guides to best practices and a list of do's and don'ts. The information is constantly being updated and consulted on an ongoing basis. Guides, charts and manuals for use by employees are also produced at regular intervals.

Local legal teams which have a dotted-line reporting relationship with the Corporate Senior Vice President, Legal Affairs, can thus guarantee uniformity and continuity in the deployment of our policy, by adapting this documentation and the awareness-raising meetings to local contexts. They also prepare and submit regularly to operational staff legal information memos on professional issues, safety and standards, or "Legal and Compliance" guides for employees in their regions. At plants in Asia, training sessions are ongoing and are carried out jointly with the Global Environment, Health and Safety Department and local Human Resources Departments.

The results of these awareness-raising actions and a report of identified legal risks and actions to implement (legal audits, implementation of compliance programs, good practices guide) were presented to the Executive Committee by the Group Legal Director, who may also have topics or reports registered on the Executive Committee agenda in order to raise the appropriate level of awareness. As a result, at the local level, local lawyers also carry out regular reporting of compliance measures implemented with areas for improvement in the Executive Committees of subsidiaries (including for factories in India, the Philippines and Thailand).

As part of the execution of the roadmap and the identification of legal risks, audits for antitrust law and trade practices have been conducted in the major European subsidiaries, particularly those in Eastern Europe. Audit reports have been presented to Senior Management and the Corporate Europe Division with recommendations to be implemented as part of an ongoing plan to improve our prevention policy. A plan for monitoring these areas for improvement was developed in collaboration with the Audit and Internal Control Department.

The development of awareness-raising audio kits in e-learning training module form tailored to the laws, practices and local languages under the responsibility of the Human Resources Department have been completed and were made for all European subsidiaries for the main managers and employees concerned (350 people).

In addition, because of the new Group organization and the creation of the Country Manager function, the good practices guide for information exchange in the context of competition law has been updated. To this end and with the assistance of the Strategy Department, Country Managers have had a training session on best practices for intra-Group information exchange, the availability of multimedia tools (quizzes, specific e-learning modules on the exchange of information, legal notes) to enable them and the employees to exchange information both with external partners (customers, suppliers, etc.) and with subsidiaries by following a few best practices.

A "common principles" module in competition law intended to inform and educate senior managers within the Group on the ordinary rules of applicable competition law in major countries was also produced and distributed widely.

In general, the Group's legal compliance policy reinforces the gradual creation of a network of Compliance Officers within the Group for the purposes of applying the compliance program to local competition law.

Similarly, owing to the development of new communication tools such as social media, which are increasingly being used by employees, the Communications and Human Resources Departments have produced a guide to good practices. This has been distributed to all Group employees so that they can be alert to the content and nature of information sent across these media, with particular regard to the requirement for confidentiality.

Given the Group's business activities, confidentiality is an important part of our legal compliance policy.

A guide to good practices in support of these actions has been posted on the Legal Affairs intranet site and pamphlets translated into local languages, particularly Mandarin, have been widely disseminated throughout the Group.

Awareness-raising exercises and provision of full documentation continued to be supplemented by training sessions focused on the right behavior to adopt.

As part of the prevention of corruption and taking particular account of the extra-territorial application of the US Foreign Corrupt Practices Act (FCPA) and the UK Bribery Act (UKBA), relevant information and outreach tools (multimedia modules, triptychs in multilingual version including Mandarin) prepared in collaboration with local legal experts in Brazil, China, India, the Philippines, Thailand and Singapore were produced for all employees.

Obligations under French and international anti-corruption laws also require an assessment of the risks to which the Company may be exposed so that if necessary, adequate internal procedures, commensurate with the risks identified, can be implemented. To this end, an inventory of existing practices within the Global Purchasing Department and any recommendations to improve these internal policies and procedures in our relationships with our suppliers has been conducted. An e-learning module on the prevention of corruption for purchases is being deployed for global purchasing teams.

In this context of continuous improvement of our internal risk prevention procedures, the "gifts" policy has been supplemented and the Group's policy on conflicts of interest is now being updated and adapted to the new legal requirements applicable to all Group employees. A monitoring procedure for the disclosure of conflicts of interest is being enhanced in collaboration with the management of the Audit and Internal Control and Human Resources Departments.

Lastly, other compliance procedures are gradually being deployed throughout the Group, relating mainly to Group-wide agreements and charters such as the charter for the Protection of Personal Data, the updating of the charter for Information and Communication Technology, the charter for IT administrators, a computer systems security policy that defines roles and responsibilities and the principles and processes needed for their implementation (such as confidentiality management) in the Group's computer systems.

These agreements and charters are in addition to the information memoranda that have been available for a number of years on the Legal Affairs intranet site regarding compliance with securities legislation, anti-money laundering and corruption legislation, competition law and other trade practices and principles. To ensure that all employees have access to complete information on securities legislation, the memorandum on this topic is accompanied by an audio kit detailing the legal obligations pertaining to financial information. More generally, a memorandum, also supplemented by an audio kit, is available containing full details of all the criminal risks to which the Company may be exposed and the consequences for the criminal liability of the Company, its Directors and its employees. This memorandum, designed to inform and raise awareness among all employees, is available at all times on the Legal Affairs intranet site for the widest possible circulation.

Compliance actions are communicated regularly in internal publications such as Connection, Essilook, and Repères and all documentation and audio kits are bilingual (French/English) or translated into local languages so that the compliance policy is sure to be applied consistently throughout the Group.

To provide regular information on developments in the legal environment that is targeted to compliance topics, a monthly newsletter, a tool to prevent legal risks mainly for legal experts and Country managers has been established.

Finally, in July 2012 the Industrial Property Department sent all Group managers guidelines for using, protecting and globally complying with our trademarks, logos and other identity elements.

Quality

Reporting directly to the Corporate Senior Vice President, Global Engineering (a member of the Executive Committee), the Quality and Customer Satisfaction Department is responsible for establishing and upgrading a quality system designed to continuously enhance satisfaction levels for all Essilor customer categories. Led and coordinated by a small central team, the Department's decentralized organization is closely aligned with the market structure and helps to reduce response times. Its four core aims are to:

- enhance satisfaction with products and services, taking into account the diverse expectations of the various customer segments;
- improve the efficiency and consistency of internal processes, aligning them with the overall strategic objectives and developing techniques to measure their efficiency;
- ensure that decision-making processes are results-oriented, particularly by contributing to the establishment of indicators, based where possible on comparable company and related business activities benchmarks in this industry;
- represent the Essilor group on standardization bodies and promote the interests of consumers on these bodies.

Mergers and Acquisitions

The Mergers and Acquisitions Department reports to the Financial Department and defines the Group's external growth policy and coordinates initiatives in subsidiaries to ensure consistency. It also analyzes, monitors and validates the financial aspects of the Group's various planned business acquisitions and has the authority to approve the financial terms of such acquisitions or divestments. Group entities can never approve the acquisition of external companies, assets or business segments or the total or partial sale of Group companies, assets or business segments on their own. All external growth operations (including sales) are submitted to the Board of Directors prior to being implemented. Projects representing over €100 million in the case of strategic investments in new business segments or new geographic markets or over €150 million for all other acquisitions must be formally authorized in advance by the Board of Directors.

Group Treasury

The Group Treasury Department is in charge of the funding, risk hedging and cash management of the Group. It also provides a general advisory and assistance role for the Group subsidiaries for these duties. It reports directly to the Corporate Finance Department.

Medium- and long-term financing as well as a large percentage of short-term liquidities are managed in a centralized manner by the parent company through bank loans, private investments, confirmed medium-term lines of credit or commercial paper. Financing of the major Group subsidiaries is guaranteed through cash pooling and short- and medium-term inter-company loans, which allow for liquidity to be gradually centralized.

Cash investments are subject to a policy that encourages safety and liquidity on the return. Cash surpluses are invested only in short-term formats (mutual funds, certificates of deposit), thus limiting the risk of capital loss and making them immediately available.

Exposures to currency risk are routinely hedged by the appropriate market instruments. Invoicing in local currency of importing or exporting companies allows the concentration of the bulk of foreign exchange risk on a small number of entities. Those companies that are exposed to significant currency risk are hedged with the support of the Group Treasury Department. The risk to other subsidiaries, if reduced, is nonetheless monitored centrally.

The interest rate management policy is to minimize the cost of financing while protecting the Group against an adverse change in interest rates. Since Group financing is centralized at the parent company, interest-rate risk management is also centralized there.

Moreover, for the above responsibilities, the Group Treasury Department is in charge of the banking relationship.

It also participates with the Consolidation Department in the proper compliance with procedures related to the application of IFRS to financial instruments.

2.2.3.4 Reference texts, standards, procedures, and membership in bodies that structure the internal audits

Group Standard Guide

The Group Standard Guide (GSG) sets out the mandatory policies and procedures to be followed by all Essilor units and departments in such areas as purchasing, acquisitions, communications, finance, legal affairs, operations, R&D and human resources.

The procedures are organized by process, including fixed assets, inventories, sales/receivables, treasury, purchasing, on- and off-balance sheet commitments, tax, R&D and production start-up costs, production accounting, fraud prevention, insurance, human resources, legal affairs, consolidation and acquisitions of companies, assets and businesses. The GGS also includes ethical criteria that are applicable to the entire Group and focused around four themes: human rights, working conditions, the environment and the fight against corruption.

The GSG is accessible online in French and English on the Group's intranet site and a dedicated extranet address. It is an indispensable tool, both for the preparation of financial statements and for guaranteeing and maintaining an internal control environment which is adapted in the Group's entities. The latest developments in the Group's rules are covered by a specific release at the time of inclusion in the manual (newsletter and intranet announcement).

The application of all of the rules and procedures contained in the GSG is the responsibility of corporate and business managers (financial managers, purchasers, etc.) at local and Group level.

In 2013, the Audit & Consulting Services (ACS) Department published the Minimum Control Standards (MCS), which show in a simple format 75 internal controls generally regarded as the most critical to be in place. Brochures available on the ACS intranet site were specially communicated and are available in 33 languages. The MCS also form the basis for annual questionnaire for self-assessment of internal controls (iCare).

Unified reporting system

The quality and reliability of financial information is guaranteed by the use of an integrated management and statutory reporting system, FIGURES. Local accounting data are entered in the system either directly or *via* an interface, according to a detailed reporting timetable issued by Corporate Finance at the beginning of each year.

Consolidation procedures guarantee the consistency of financial information. A specific manual includes a glossary describing the information to be entered for each module in accordance with Group rules (income statement, balance sheet, notes, treasury, inventory, capital expenditure) and defining accounting flows and business segments.

The glossary and all reporting instructions are available for consultation on the Group's intranet site. They are updated each time a change is made and when new standards are adopted.

Local and corporate finance managers are responsible for ensuring that the data reported in FIGURES comply with the Group accounting policies and procedures. The use of FIGURES guarantees consistent accounting treatment of transactions and enables us to exercise close control over the preparation of the accounts of the various units.

Other reporting systems

The unified reporting system now includes a twinned application, "Sustainability," which can be used to report economic, human (social and societal) and environmental data as well as produce the schedules containing non-financial data reported by the Sustainable Development Department. The procedures associated with Sustainability are similar to those for the consolidation system and it is supported by specific reporting instructions and a specific glossary. The information is collected from the managers concerned by local and corporate finance managers.

We have numerous information systems to manage, monitor, analyze and control both upstream activities (production/logistics) and downstream activities (prescription/distribution).

Various reports or controls of outside agencies (monthly, quarterly or annual) facilitate the monitoring and control of the activity of the Group's subsidiaries, particularly in the areas of financial, accounting and logistics performance, tracking business, accidents at work, monitoring of health and safety controls, APAVE controls, ISO certifications, reports on sustainable development, claims and loss prevention, insurance, litigation, etc.

Moreover, each function has the responsibility to document (in line with the GSG rules) the specific procedures to follow. An Intranet Charter makes it possible to coordinate internationally the various actions related to the circulation and sharing of information *via* the Essilor intranet.

Indices of corporate social responsibility and adherence to international initiatives

Essilor is included in six sustainable development indices: ECPI® Ethical EMU Equity, ECPI® Ethical Europe Equity, FTSE4Good, and Ethibel Excellence .

For the second consecutive year, Corporate Knights has ranked Essilor International among the 100 most sustainable companies in the world for 2014. Announced each year at the World Economic Forum in Davos since 2005, the Global 100 ranking is considered to be an assessment documented by the most comprehensive figures for Corporate Sustainability.

Essilor is a member of the Global Compact and is committed to embracing and enacting its ten universal principles within its sphere of influence. The Company regularly reports its achievements and progress to the Global Compact Office at UN Headquarters in New York.

Essilor International would like to take this opportunity to renew for the coming year its commitments to include the ten principles of the Global Compact in its strategies and operations.

Attentive to and aware of the consequences of climate change, Essilor has supported the Carbon Disclosure Project and Caring for Climate initiatives since their launch. The production of a pair of corrective lenses generates only a few hundred grams of CO_2 equivalents. Used for many months, these small, light objects do not consume any energy. Essilor has also been associated with the Water Disclosure Initiative since its creation by the CDP.

The ophthalmic lens mass production plants under the direct control of Essilor have ISO 9001-certified quality management systems (100%), ISO 14001-certified environmental management systems (100%) and OHSAS 18001-certified workplace health and safety systems (100%). They guarantee the regular maintenance of these systems and the renewal of their certifications in subsequent accreditation audits. Some of the ophthalmic lens prescription manufacturing laboratories that essentially play a service role also have these systems, although only when justified by their size.

2.2.3.5 Internal control procedures relating to the production and processing of accounting and financial information

Each operating division draws up its own three-year business plan setting strategic objectives based on the overall strategy decided by the Company's senior management. All of these objectives are included in the medium-term plan presented to the Company's senior management.

The budgeting process begins each year in August, with significant input from the regional units, which provide analyses of transaction volumes between the central marketing unit, the logistics unit and the regions. Each Group entity prepares its budget on the basis of objectives issued by the regional or operating division and of the entity's own strategy for the coming year.

The budgets are presented to the Group's senior management at budget review meetings held at the end of the year. The consolidation of all budgets ends in November or December and is formalized in December or January of the following year. The budget is then presented to the Board of Directors. The annual budget is updated in June of the budget year and again in November, when the following year's budget is prepared.

The process, which concerns all Group units, is led and monitored by the Group Business Analysis unit, in order to ensure that all budgets are prepared on the same basis and are consistent with the overall strategic objectives of senior management. Actual performance is monitored and analyzed on a monthly basis *via* the FIGURES reporting system, which is used not only for business analysis but also for statutory consolidation. All units are managed by the system to maintain strict control over accounting and financial information.

For statutory consolidation purposes, balance sheet data are reported on a quarterly basis, in addition to the monthly reporting. The Consolidation Department checks the figures entered in the system and ensures that they comply with Group policies. The aims of consolidation procedures are to:

- guarantee compliance with the applicable rules (IFRS, Group policies, AMF guidelines, etc.) through the implementation of general procedures and the issuance of specific consolidation instructions to the various entities;
- provide assurance concerning the reliability of financial information, through the execution of controls programmed into the system or performed by the various finance departments (business analysis, consolidation, treasury) within the required timeframes;
- guarantee data integrity through high-level systems security.

Specific instructions are issued to reporting entities before each consolidation exercise, including a detailed reporting timeline. The procedures for monitoring off-balance sheet commitments and assets are included in the GSG. They stipulate the types of commitments to be recorded on- and off-balance sheet. Full information about these commitments is provided by the reporting system.

The budgeting process and consolidation procedures enable us to constantly monitor the performance of the various units and to swiftly identify any variances from budget in order to take immediate corrective action.

All procedures included in the GSG are applicable by the Group companies, whether consolidated or not, and enforcement is the responsibility of operational management ("first line of control" in the terminology of French Audit and Internal Control Institute (IFACI)), functional departments responsible for areas of expertise (management control, human resources, internal control, etc. or "second line of control") and the internal audit ("third line of control"). Moreover, at each closing date, the financial information deemed most relevant is presented by the Finance Department to the Audit and Risk Committee. Such meetings, which are attended by the Statutory Auditors, discuss all material transactions and the main accounting options selected to address potential risks.

Finally, even though it is not an integral part of the internal control procedures, the Statutory Auditors review the accounting and internal control systems to plan their audits, deign their audit strategies and test a certain number of key internal controls. The accounts of all Group subsidiaries are audited by local auditors, most of whom are members of the networks of the accounting firms that audit the Group's consolidated financial statements.

2.2.4 Organization of powers of management and control of the Company and powers of the Chief Executive Officer

At its meeting of November 24, 2011, the Board of Directors decided to entrust its chairmanship, effective January 2, 2012, to Hubert Sagnières, Chief Executive Officer, and thus reunite the offices of Chairman of the Board and Chief Executive Officer. This structure combining the two functions, which has been adopted by most French corporations, ensures responsiveness and greater efficiency of operations in terms of governance and strategic management of the Company. In addition, the presence on the Board of a high proportion of Independent Directors and three representatives of the Valoptec Association (while the important role of employee shareholders is a key feature of the Group's identity) ensures that the Board fully exercises its oversight functions over the executive part of the organization.

The general management functions are carried out without formal limitation of the powers of the Chief Executive Officer. However, acquisitions and disposals as part of the "new business/new country" strategy, as well as restructuring and significant non-strategic investments announced, are to receive the prior approval of the Board, in accordance with Article 2 of the internal rules.

In addition, the CEO is assisted by two Chief operating officers.

2.2.5 Corporate governance

Pursuant to Article L.225-37 of the French Commercial Code and in accordance with the decision of the Board of Directors that it adheres to the AFEP-MEDEF Corporate Governance Code for listed companies.

The Code may be consulted at the MEDEF website at the following address: http://www.medef.fr/main/core.php

Provisions of the Corporate Governance Code that were not retained and explanations thereto

- Maintaining a corporate officer's employment contract (Article 22 of the AFEP-MEDEF Code)

At its meeting of November 27, 2008, the Essilor Board of Directors voted on the October 2008 AFEP-MEDEF recommendations concerning the compensation of Executive Directors of listed companies.

The Board of Directors approved these recommendations, which are consistent with Essilor's long-standing corporate governance policies. Generally speaking, Essilor has always had a policy of transparency and moderation with regard to executive compensation.

However, concurring with the position of the Executive Directors and Compensation Committee, the Board expressed reservations about the requirement that would be imposed on an Executive Officer to terminate his or her employment contract when appointed Chairman and CEO or Chief Executive Officer. See Section 2.3.3 table 11.

While it would appear reasonable not to give an employment contract to an Executive Officer newly recruited from outside the Company, the requirement is difficult to accept in the case of a manager who has been asked to take on higher responsibilities after a long and successful career within the organization.

By reducing the protection afforded to Executive Directors at a time when they are taking on increased risks by virtue of their new responsibilities, this could lead internal candidates to turn down the promotion or to ask for a bigger increase in their compensation, which is obviously not in line with the spirit of the AFEP-MEDEF recommendations.

This measure would also open up a breach between Executive Directors and the managers below them, which would work against the principles of internal promotion and sustainable management that Essilor considers to be instrumental in building powerful and stable companies.

The Essilor Board of Directors will therefore continue to suspend senior managers' employment contracts when they are appointed Chief Executive Officer or Chairman and CEO, if they have been with the Company for at least 10 years at the time of their appointment. The AMF has recognized the validity of this position. However, Hubert Sagnières has 25 years of seniority in the Group.

Moreover, the benefits to which Hubert Sagnières would be entitled under his employment contract if he were to leave the Company at the termination of his employment (severance pay, supplementary retirement benefits) were approved by the Shareholders' Meetings of May 11, 2010 and May 5, 2011 in accordance with Article L.225-42-1 of the French Commercial Code and are in compliance with the AFEP-MEDEF Code.

Essilor, a pioneer of employee shareholding, has always sought, wherever possible, to rise up leaders from within its ranks, to promote their long-term vision and to share their entrepreneurial risk. The large number of Essilor shares held by its leadership is the clearest illustration of this.

- Obligation to purchase shares corresponding to the allocation of performance shares (Article 23.2.4 of the AFEP-MEDEF Code)

Please refer to Section 2.3.2.3 ("Enhanced conditions for Executive Officers and members of the Group Executive Committee") and Section 2.2.2.1 for the exercise periods.

2.2.6 Specific procedures for shareholder participation in Shareholders' Meetings

All holders of ordinary shares are entitled to participate in Shareholders' Meetings, regardless of the number of shares they own, provided such shares have been paid up to the extent called.

The rights of shareholders to be represented by proxy and to participate in the vote are exercised in accordance with the relevant laws and regulations. The Company's bylaws do not contain any restrictions on the exercise of these rights.

The Company's bylaws (Section V – Shareholders' Meetings) include the following provisions concerning the organization of Shareholders' Meetings, its main powers and the rights of shareholders, which are in compliance with the law.

2.2.6.1 Shareholders' right to information (Article 24)

All shareholders have the right to receive the documents needed to allow them to make informed decisions and to form an opinion concerning the management and control of the Company.

The type of documents concerned and the manner in which they are made available to shareholders are determined according to the relevant laws and regulations.

2.2.6.2 Ordinary Shareholders' Meetings (Article 25)

The Ordinary Shareholders' Meeting votes on all matters involving the Company's interests that do not fall within the competence of an Extraordinary Shareholders' Meeting.

The Ordinary Shareholders' Meeting makes all decisions that exceed the powers of the Board of Directors and do not lead to a change in the bylaws.

An Ordinary Shareholders' Meeting is held at least once a year, within six months of the fiscal year-end, to deliberate on all aspects of the annual financial statements and, as applicable, of the consolidated financial statements. This meeting may be held more than six months after the fiscal year-end by court order.

Ordinary Shareholders' Meetings may transact business if holders of at least one-fifth of the voting shares are present or represented.

If the quorum is not met, the Shareholders' Meeting must be called again.

There is no quorum requirement meetings held on second call. Resolutions of the Ordinary Shareholders' Meeting are adopted by a majority of the votes cast by the shareholders present or represented, including ballots cast by mail.

2.2.6.3 Extraordinary Shareholders' Meetings (Article 26)

The Extraordinary Shareholders' Meeting has the power to modify all provisions of the bylaws, except to change the Company's nationality other than in the cases provided for by Law or to increase the shareholders' commitments.

Subject to these restrictions, the Extraordinary Shareholders' Meeting may, for example, decide to increase or reduce the share capital, change the corporate purpose, change the Company's name, extend its life or wind it up in advance, or change its legal form.

The Extraordinary Shareholders' Meeting may validly conduct business provided that the shareholders present, represented or voting by post hold at least one quarter of the voting shares on first call and one-fifth on second call. If the quorum is not met on either first or second call, the meeting can be postponed for up to two months, before being called again.

Resolutions of the Extraordinary Shareholders' Meeting are adopted by a two-thirds majority of the votes cast by the shareholders present or represented, including postal votes, except where different legal rules apply.

Exceptionally, resolutions concerning the capitalization of reserves, earnings or additional paid-in capital are subject to the quorum and voting majority rules applicable to Ordinary Shareholders' Meetings.

The Extraordinary Shareholders' Meeting may also amend the rights of various classes of shares. However, in the event that a decision by the Extraordinary Shareholders' Meeting would affect the rights attached to a class of shares, this decision will become final only after it has been ratified by a Special Meeting of the shareholders for the class targeted. Said Special Meeting will be subject to the legal and regulatory provisions applicable to Extraordinary Shareholders' Meetings. If none of the Company's Directors holds shares in the class concerned, the Special Meeting elects its own Chairman.

2.2.7 Items that may have an impact in the event of a public offering

In application of Article L.225-37(9) of the French Commercial Code, the information required under Article L.22525-3 of the Code is presented in the Management Report and in Section 5.2.6.2, "Contracts containing a change of control clause and shareholders' agreements" of the Registration Document.

Charenton, February 26, 2014

The Chairman of the Board of Directors

2.3 Compensation and Benefits

2.3.1 Compensation of the members of the Board of Directors

Directors' fees

The Ordinary Shareholders' Meeting of May 11, 2010 voted to award Directors' fees of €525,000. At its meeting of July 13, 2010, the Board of Directors decided to allocate this sum as shown in the table below. This allocation was unchanged in 2013.

Directors' fees	Fixed component	Variable component based on attendance record
All Board members	€3,800	€2,000 per meeting
Chairman of the Audit Committee	€22,000	€2,200 per meeting
Chairman of the Corporate Officer and Remunerations Committee	€11,000	€2,200 per meeting
Chairman of the Corporate Social Responsibility (CSR) Committee	€11,000	€2,200 per meeting
Only for Independent Directors, members of the Audit, Corporate Officer and Remunerations, Appointments or Corporate Social Responsibility Committees	Not applicable	€2,200 per meeting
Members of the Strategic Committee	Not applicable	€1,000 per meeting

Total Directors' fees paid to the members of the Board of Directors in 2013 amounted to €462,200, of which €365,000 are for the variable component.

Aïcha Mokdahi, Yi He and Maureen Cavanagh, who represent employee shareholders on the Essilor Board, pay their Directors' fees to the Valoptec Association, net of tax and any applicable social security contributions.

2.3.2 Compensation policy of corporate directors and officers

Compensation of key management personnel, as defined in IAS 24, is presented in Note 30 to the Financial Statements, Section 3.4.

2.3.2.1 General principles

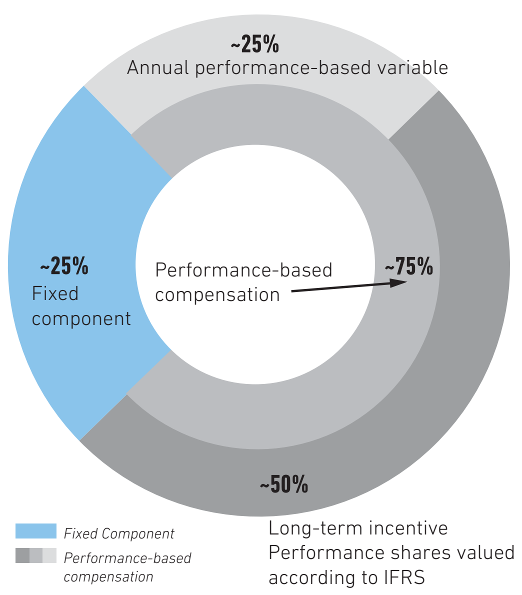
The compensation of corporate directors and officers is set by the Board of Directors on the proposal of the Corporate Officer and Remunerations Committee.

The guiding principles on which the Board's decisions are based are as follows:

- compensation policy should reflect the Company's corporate **values** and **culture.** In line with this principle, Essilor International's policy consists of using the compensation tools and systems that are best able to foster sustainable performance, a long-term vision, loyalty to the company and entrepreneurial risk-sharing, in particular, through the ownership of a stake in the Company's capital;
- a significant portion of each corporate officer's compensation must be **performance-based.**

  The aim should be to reward both **short-term** performance, as evidenced by the achievement of annual strategic targets, through an annual bonus, as well as **long-term** performance, through long-term incentive plans whose performance targets and value are ultimately based on the creation of lasting value for shareholders that is also of benefit for the entire organization.

The 2013 compensation package of Hubert Sagnières, Essilor's Chairman and Chief Executive Officer, is a good illustration of this policy:



- corporate officers' compensation should be **measured** and **competitive** compared with the practices of companies in Essilor International's peer group, taking into account their business, international reach and size (as measured by revenues, employee numbers and market capitalization). For the application of this principle, the corporate officer and Remunerations Committee refer to benchmarking surveys conducted by independent compensation consultants;
- all the compensation components (salary, annual bonus, long-term incentive, supplementary pension benefits) and the balance among those components are taken into account by the Board of Directors when defining the compensation of corporate officers.

2.3.2.2 Situation of Hubert Sagnières, Chairman and Chief Executive Officer

Hubert Sagnières was an employee of the Group for twenty-one years before being appointed Chief Executive Officer of Essilor International on January 1, 2010. He was named Chairman and Chief Executive Officer of the Company on January 2, 2012.

His employment contract was suspended on January 1, 2010 when he became Chief Executive Officer, in accordance with the Company's policy which is recognized by France's securities regulator, AMF (see Section 2.2.5 above).

Company policy consists of promoting talented internal candidates whenever possible. Employees who are promoted through this process to the top positions in the organization have demonstrated over the long term their ability to deliver excellent performance and their adherence to Essilor's values and culture. Moreover, they have acquired the high levels of marketing, industrial, scientific or other expertise needed to develop a long-term vision.

2.3.2.3 Compensation package of Hubert Sagnières, Chairman and Chief Executive Officer

a) Annual compensation

The annual compensation of Hubert Sagnières as Chairman and Chief Executive Officer includes a fixed component and a variable component. Hubert Sagnières requested that the Board of Directors no longer award him Directors' fees following his appointment as Chairman and Chief Executive Officer, a request endorsed by the Board in a formal resolution.

The corporate officer and Remunerations Committee commissioned a benchmarking study of senior executive compensation practices from an independent firm of compensation consultants. The study covered the compensation packages of Chairmen and Chief Executive Officers and Chairmen of the Management Boards of French industrial groups included in the CAC 40 and Next 20 indices whose market capitalization and/or revenue are comparable to those of Essilor International.

Fixed compensation

The fixed annual compensation of Hubert Sagnières, Chairman and Chief Executive Officer, was set at €800,000 for 2013, unchanged from the previous year.

Variable annual compensation

The variable target-based annual compensation of Hubert Sagnières, Chairman and Chief Executive Officer, for 2013 was also set at €800,000 if the targets were met, or at between 0 and 1.5 times this amount if the targets were not met, were only partly met or were exceeded. The target compensation and the maximum variable compensation for 2013 were unchanged from the previous year.

Variable compensation for 2013 was 80%-based on financial targets and 20%-based on personal targets, broken down as follows:

- 40% on an adjusted Net EPS target, or up to 68% if the target were to be exceeded significantly;
- 30% on an organic growth target, or up to 51% if the target were to be exceeded significantly;
- 10% on a growth by acquisition target, without any increase if the target were to be exceeded;
- 20% on three personal objectives related to business strategy, without any increase if the target were to be exceeded. The targets for 2013 were the following: conduct a major acquisition in line with the long term strategy, implement the new organization and prepare for the future of the Group in particular through identifying future senior executives.

In order to best reflect Hubert Sagnières' performance and neutralize the impact of factors beyond his control, performance against financial targets is assessed by eliminating the distortions caused by changes in exchange rates. In addition, net EPS is adjusted for the impact of non-recurring costs that cannot be budgeted and for the total impact from acquisitions for the year that are not taken into account in the "growth by acquisition" criterion.

Based on a review of performance against the targets, it was determined that the Chairman and Chief Executive Officer was entitled to variable compensation for 2013 equal to 106% of his gross fixed compensation for the year (*versus* 123% for 2012), or €848,000. The details of the calculation are presented in the table below:

W			A	W x A	W x A x target in €
Weighting	**Target**	**Performance measurement**	**% achievement**	**% weighted achievement**	**Achievement in €**
40%	Net EPS	0 to 170%	170%	68,0%	€544,000
30%	Organic growth	0 to 170%	30%	9,0%	€72,000
10%	Growth by acquisition	0 to 100%	100%	10,0%	€80,000
20%	Personal factor	0 to 100%	95%	19,0%	€152,000
100%				**106,0%**	**€848,000**

By comparison, in 2013, the Group achieved:

- published (non-restated) net earnings per share of €2.82;
- organic growth of 2.1%;
- and 28 acquisitions equal to annual revenues of €254 million.

The level of achievement required for these targets was established in a precise, rigorous manner. Details of these performance measures are not provided, however, because the Company considers that disclosure would be detrimental to the proper execution of its strategy in light of its specific situation in relation to competitors in matters of financial communication.

b) Long-term incentive plans

Long-term incentives: awards of stock subscription options and performance share plans

Long-term compensation plans are a fundamental component of Essilor's entrepreneurial culture and its compensation policy.

They contribute to:

- developing the company spirit that has been one of the fundamental reasons for Essilor's performance since its creation;
- encouraging loyalty and long-term commitment among the Company's senior executives, key managers and other talents;
- ensuring that the Company's overall compensation policies are competitive.

Since 2006, Essilor has decided to award performance shares and, where this is not possible, capped performance stock options. The awarding of performance shares instead of stock options is less dilutive for shareholders. Moreover, the lock-up period applicable to performance shares strengthens the convergence of interests between employee shareholders and external shareholders (see "Vesting conditions and lock-up period").

The awarding of performance shares and performance stock options occurs at the same time of the year.

November 25, 2013 plan

Pursuant to the twelfth, thirteenth and fourteenth resolutions of the Annual Shareholders' Meeting of May 11, 2012, on November 25, 2013 the Board of Directors decided to award 1,376,340 performance share rights and 87,880 capped performance stock options to 9,006 Company employees.

Under the terms of this plan, Hubert Sagnières received 45,000 performance share rights (valuated as stated in Table 2 in the Appendix at the end of this Section), representing 3.1% of the total number of rights awarded (sum of performance share rights and performance stock options awarded) and 0.021% of the capital at December 31, 2013.

Vesting conditions and lock-up period

Essilor's long-term compensation plans are designed to align the interests of employee shareholders and external shareholders.

The performance shares are subject to the following vesting and lock-up conditions:

- a performance condition based on growth in the Essilor International share price measured over several years;
- an employment condition (grantees must still be employed by the Company at the end of the vesting period) designed to guarantee the long-term engagement of the grantees and their loyalty to the Company;
- an obligation to hold the vested shares during a specified lock-up period, designed to strengthen the convergence between the interests of employee shareholders and external shareholders;
- stricter conditions for corporate directors and officers and members of the Group Executive Committee.

General performance condition

This condition is applicable to all performance share grantees

Performance share awards vest, in full or in part, based on annualized growth[1] in the Essilor share price, measured as follows:

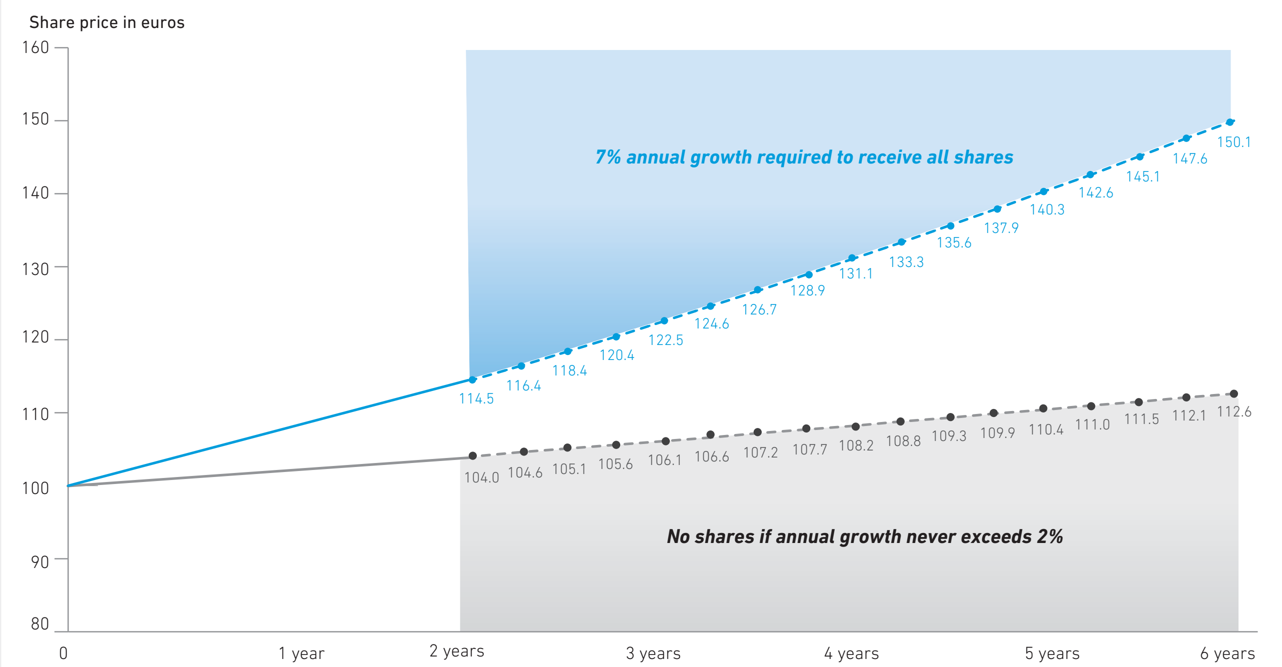
- at the award date, the Initial Reference Price (corresponding to the average of the opening prices for the 20 trading days preceding the award date) is determined;

(1) *Calculation formula: (Average Price/Initial Reference Price)^(1/Y)-Y, where Y is the number of years between the award date and the performance measurement date. Y =2 then, if the performance condition is not met, 2.25... up to a maximum of 6.*

- two years after the award (Y+2), an Average Price corresponding to the average of the opening prices for the three months preceding the second anniversary of the award date is calculated;
- if the increase in the Average Price compared with the Initial Reference Price is:
  - greater than 14.5% (representing an annualized growth of 7%), all shares initially awarded vest provided that the employment condition is also met (see "Employment condition"),
  - between 4.0% and 14.5% (corresponding to an annualized growth of between 2% and 7%), some of the shares initially awarded vest provided that the employment condition is also met (see "Employment condition"),
  - less than 4.0% (corresponding to an annualized increase of less than 2%), none of the shares vest on the second anniversary of the award date. In this case, a further performance assessment is carried out three months later by the same method using the same annualized share price growth target of 2% to 7%. This performance assessment may be repeated every three months until the sixth anniversary of the award date (Y+6). If the minimum annualized growth target of 2% is not met in any of these periods (corresponding to a 12.6% gain in the Average Price compared with the Initial Reference Price) the performance share rights will be forfeited and grantees will not receive any Essilor shares.

    The number of shares that vest is determined when the annualized increase in the Average Price compared with the Initial Reference Price exceeds 2% for the first time, even if a higher annualized increase is subsequently observed. As time goes by, the bar represented by the minimum growth in the Average Price for the minimum number of Essilor shares to vest gets steadily higher, rising from 4% in Y+2, to 6.1% in Y+3, 8.2% in Y+4 .... and 12.6% in Y+6.

Application of the performance condition is illustrated in the graph below. In the interest of simplicity, the share price is assumed to be 100 at the award date.



The vesting rates based on annualized growth in the Essilor International share price are as follows

Annualized growth:	Vesting rate
less than 2%	0%
greater than or equal to 2% and less than 3%	60%
greater than or equal to 3% and less than 4%	68%
greater than or equal to 4% and less than 5%	76%
greater than or equal to 5% and less than 6%	84%
greater than or equal to 6% and less than 7%	92%
Greater than 7%	100%

Employment condition

For French tax residents, the shares will only vest if the grantee is still employed by the Company when the performance condition is met, which may occur between the second and the sixth anniversaries of the award date (see "General performance condition").

For non-residents, the shares will only vest if the grantee is still employed by the Company on:

- the fourth anniversary of the award date if the performance condition is met between the second and fourth anniversaries;
- on the date when the performance condition is met, if the performance condition occurs after the fourth anniversary of the award date.

This employment condition is waived in the case of the grantee's death, invalidity, redundancy or retirement.

Lock-up period

If the performance and employment conditions are met, the shares are transferred to the beneficiaries in a registered account. The beneficiaries are required to comply with the holding condition described below:

- for French tax residents, the vested shares are subject to a lock-up period entailing that they can be sold at the earliest as from the sixth anniversary of the award date and at the latest as from the eighth anniversary;
- for non-residents, half of the shares are subject to a two-year lock-up period and the other half may be sold immediately to pay the related taxes.

Specific conditions for corporate directors and officers and members of the Executive Committee

Cap applicable to awards made to corporate directors and officers

Awards to corporate directors or officers are capped as follows:

- the value (under IFRS) of performance stock options and/or performance shares awarded to each corporate director or officer cannot exceed the sum of his or her annual fixed and variable cash compensation;
- a corporate director or officer cannot receive an award exceeding 7% of the total awards (performance stock options + performance shares) made each year by the Company to employees.

Specific additional performance conditions applicable to corporate directors and officers

Awards to corporate directors and officers are subject to a second performance condition based on an Average Ratio corresponding to the average of the performance rates in relation to their annual variable compensation targets achieved over the vesting period. This ratio is capped at one and can therefore only reduce the percentage of shares awarded to corporate directors or officers compared to the shares awarded to grantees who are not corporate directors or officers.

For their entire term of office, corporate directors and officers are required to keep one third of the shares acquired under the performance share plans. This restriction no longer applies when the number of shares held under the various performance stock options and performance share plans exceeds two times the annual fixed and variable cash compensation (received for the year ended December 31 preceding the vesting date).

In accordance with the AFEP-MEDEF Code, the Chairman and CEO has pledged not to use any hedging strategies to manage the risk related to the options and shares granted under the long-term discretionary profit-sharing plans, until the expiration of his term of office.

Pursuant to the Directors' Charter, corporate directors and officers are required to refrain from all transactions involving the Company's stock during the period preceding the publication of privileged information of which they have knowledge and to respect "blackout periods" of 30 days before the publication of the annual, interim and, if applicable, quarterly financial statements and of 15 days before financial information meetings; the publication date of the relevant information is also part of the blackout period. The calendar for these black-out periods is prepared annually.

Specific additional performance conditions applicable to members of the Executive Committee

In addition to the performance condition applicable to all plan beneficiaries, a second performance condition must be met by the members of the Group Executive Committee. It is based on the Group's average rate of achievement of targets for their annual variable compensation during the vesting period (from two to six years). If the average rate is below 100%, the numbers of shares vested to the member of the Group Executive Committee is decreased proportionally. If it exceeds 100%, it is capped at 100%

and therefore does not change the number of shares vested to the Group Executive Committee in relation to the general performance condition.

Assesment of performance in relation to the November 25, 2011 performance share plan targets

At its meeting on November 24, 2011, the Board of Directors decided to award a maximum number of 50,000 performance share rights to Hubert Sagnières.

1) Achievement of the first performance condition, that was applicable to all plan grantees, was assessed on November 25, 2013, by calculating the annualized growth in the Essilor International share price, as follows:

Initial Reference Price: average price for 20 trading days preceding November 24, 2011	€52.27
Average Price: average price for period from August 26 to November 25, 2013	€79.86
Increase =	+52.8%
Annualized growth =	**+23.6%**

Annualized growth, calculated as shown above, was greater than the performance target of 7% per year, and the first performance condition was therefore met.

2) The second performance condition, applicable only to the Chairman and Chief Executive Officer, is based on a target Average Ratio corresponding to the average of the performance rates in relation to his annual variable compensation targets achieved over the vesting period.

The Average Ratio for the period 2011-2012 was measured as follows:

Performance rate for targets used to determine 2011 variable compensation	131.3%
Performance rate for targets used to determine 2012 variable compensation	123.0%
Average Ratio	**127.2%**

As the Average Ratio was greater than 100% it was capped at 1 and therefore had no impact on the number of vested shares based on the first performance condition.

As the two performance conditions were fully met, Mr. Sagnières received 50,000 vested Essilor International shares that have been registered in his name and will be subject to a lock-up until November 24, 2017. As from that date, one-third of the shares (16,667 shares) will continue to be subject to a lock-up for as long as he remains in office, or unless or until he holds on a permanent basis a number of shares (acquired over time through performance share plans or the exercise of stock options) equivalent to two year's fixed and variable cash compensation.

Analysis of long-term incentive plans

During 2014, there will be an analysis of the long-term incentive plans to find, if necessary, areas where the plans to award performance shares currently in effect in the company can be improved (vesting and lock-up periods, performance conditions, etc.).

c) Deferred compensation policy

Supplementary defined benefit "loyalty-based" pension plan

Company executives in categories IIIC and HC (as defined in the Metalworking Industry collective bargaining agreement) who meet the following conditions are entitled to benefits under a supplementary defined benefit pension plan (Article 39 of the French General Tax Code):

- they have at least ten years' seniority in the Company (vs. two years recommended in the AFEP-MEDEF Corporate Governance Code);
- they retire from Essilor International (or a member company). In accordance with the applicable regulations, an executive whose employment is terminated after he or she reaches the age of 55 who does not accept any other paid position is considered as having retired from the Company.

If both of these conditions are met, the supplementary pension benefits are determined upon retirement as follows:

- 10% of the reference compensation, corresponding to the average of the fixed and variable compensation paid for the three years preceding the last day worked;

- Plus, for each year of service between 10 and 20 years:
  - 1% of the reference compensation,
  - 1.5% of the portion of the reference compensation that exceeds the "tranche C" ceiling for Social Security contributions or 5% of the reference compensation, whichever is lower.

The plan pays category IIIC and HC executives with at least 20 years' seniority a replacement rate of up to 25% of their reference compensation (*versus* a maximum of 45% provided for in the AFEP-MEDEF Corporate Governance Code).

Mr. Sagnières had 25 years' seniority at December 31, 2013 and his hypothetical benefit entitlement at that date would therefore represent a replacement rate of 25% of his average compensation for the years 2011 2012 and 2013 (approximately €413,000).

The benefit obligation is accrued in the balance sheet during the vesting period (i.e. the period during which the corporate director remains in office). When the corporate director retires, the liability is outsourced to an insurance company which is responsible for paying the benefits.

Termination benefits

Hubert Sagnières is not entitled to any compensation for loss of office in the event that his appointment as Chairman and Chief Executive Officer is terminated.

His employment contract with the Company, which is currently suspended, includes a clause inserted many years before he became a corporate officer guaranteeing him an amount equivalent to two years' reference compensation in the event that his contract is terminated by the Company.

At December 31, 2013, his reference gross compensation amounted to €1,055,000, corresponding to his compensation as an employee of the Company as of the date when his employment contract was suspended, increased by the annual average pay rises awarded to category IIIC executives at Essilor.

The maximum termination benefit that would be payable at December 31, 2013 would therefore be €2,110,000.

This amount breaks down as follows:

- **Termination benefits payable under French labor law and the applicable collective bargaining agreement:** €1,120,058. When Mr. Sagnières reaches the age of 60, this amount will be reduced to €861,583.

  It corresponds solely to the statutory termination benefits that would be due to Mr. Sagnières pursuant to France's Labor Code for his 21 years of service as an employee of the Company before he was named Chief Executive Officer.

  French law stipulates that payment of this termination benefit cannot be avoided if his employment contract is terminated by the Company, other than for serious or gross misconduct or when he reaches normal retirement age.

- **A supplementary benefit** of up to €989,942. When Mr. Sagnières reaches the age of 60, this amount will be increased to €1,248,417.

  This amount corresponds to the termination benefit provided for in his employment contract over and above the amount due in strict application of France's labor laws and the applicable collective bargaining agreement.

  This benefit could be payable if Mr. Sagnières were to leave the Company following a change of control or strategy, and would be subject to the performance conditions described below.

Performance conditions

At its meeting of March 3, 2010, the Board of Directors reiterated the performance conditions set by the Board at its meeting of March 4, 2009 and upon which the potential payment of the supplementary benefit was contingent, namely:

As in the past, performance would be measured by the average rate of achievement of Hubert Sagnières' annual targets as Chairman and Chief Executive Officer for the three years preceding his departure. These targets are set by the Board of Directors and are used to calculate his variable compensation. For an average performance rate of at least 50%, the termination benefit would be determined on a strictly proportionate basis up to a maximum of 100% (for example, if actual results represented 90% of the target, 90% of the termination benefit would be paid).

If the performance rate were to be below 50%, no supplementary termination benefit would be paid.

This related party agreement was approved by the Shareholders' Meeting of May 5, 2011 in a specific resolution.

d) Group death/disability and health insurance plans and "Article 83" defined contributions pension plan

Hubert Sagnières participates in the Group death/disability and health insurance plans and the defined contribution pension plan set up by the Company for its managers and executives. Contributions paid by the Company to these plans on his behalf in 2013, in addition to the employee contributions paid by him, were as follows:

- €6,277 for the death/disability insurance plan;
- €826 for the health insurance plan;
- €14,912 for the defined contribution pension plan.

e) Benefit in kind

Hubert Sagnières is covered by an unemployment insurance policy purchased from GSC. The related premium, in the amount of €7,205 in 2013, is qualified as a benefit in kind.

2.3.3 Appendix: Compensation and benefits tables

Table 1 – Directors' fees and other compensation received by non-Executive Directors[a]

In euros	2013	2012
Philippe ALFROID	29,600	25,600
Benoît BAZIN	29,600	28,600
Antoine BERNARD DE SAINT-AFFRIQUE	29,600	28,600
Maureen CAVANAGH	20,800	2,600
Yves CHEVILLOTTE	60,400	55,000
Mireille FAUGERE	27,400	26,400
Xavier FONTANET	29,600	24,200
Louise FRECHETTE	38,400	12,400
Yves GILLET[b]		14,200
Yi HE	20,800	19,800
Bernard HOURS	34,000	26,400
Maurice MARCHAND-TONEL	36,200	30,800
Aïcha MOKDAHI	42,800	19,800
Olivier PECOUX	15,800	14,800
Michel ROSE	47,200	41,800
TOTAL	**462,200**	**371,000**

(a) No non-Executive Director has received any compensation other than Directors' fees.
(b) No longer a non-Executive Director in 2013.

Table 2 – Summary of compensation and options and shares awarded to the Executive Director

Hubert SAGNIÈRES In euros	2013 Chairman and CEO	2012 Chairman and CEO
Compensation for the year (detailed in Table 3)	1,655,205	1,791,547
Valuation of options granted during the year		
Valuation of performance shares awarded during the year	1,521,000 [a]	1,212,750 [a]

(a) The amounts indicated correspond to the accounting fair value of the options and shares in accordance with IFRS. Accordingly, they are not the actual amounts that may become available upon the exercise of the options if they are exercised or upon the vesting of the shares if they are vested. It should be further noted that the awarding of the options and shares is subject to conditions of presence and performance.

Table 3 – Summary of compensation of the Executive Director

Hubert SAGNIÈRES In euros	2013 Chairman - Chief Executive Officer		2012 Chairman - Chief Executive Officer	
	Amount due	Amount paid	Amount due	Amount paid
Fixed component	800,000	800,000	800,000	800,000
Variable component[(a)]	848,000	984,000	984,000	853,450
Exceptional component				
Directors' fees				
Benefits in kind:				
■ car				
■ unemployment insurance	7,205	7,205	7,547	7,547
■ other				
TOTAL	**1,655,205**	**1,791,205**	**1,791,547**	**1,660,997**

(a) Variable component for Hubert Sagnières for 2013: 106% of achievement of objectives (123% for 2012).

Table 4 – Performace shares awarded to the Executive Director

Rights to performance shares awarded to the Executive Director in 2013	Total number	Price (In €)	Value (Method applied in the consolidated financial statements) (In €)	Vesting date	Plan
Hubert SAGNIÈRES	45,000	77.29	33.8	between Nov. 25, 2017 & Nov. 25, 2019	Nov. 25, 2013

As part of the collective award of December 20, 2013, Hubert Sagnières also received a maximum award of 20 rights to performance shares.

Table 5 – Performance shares that became exercisable for the Executive Director during the fiscal year

No performance shares became available during 2013.

Table 6 – Stock subscription or purchase options granted during the term of Executive Director during the fiscal year

No stock subscription or purchase options were awarded during the fiscal year.

Table 7 – Stock subscription options exercised by the Executive Director during the fiscal year

Options exercised in 2013 by the Executive Director	Total number	Price In €	Value (Method applied in the consolidated financial statements) In €	Expiration date	Plan
Hubert SAGNIÈRES	42,999[(a)]	41.46	7.76	Nov. 22, 2013	Nov. 22, 2006
Hubert SAGNIÈRES	50,000	43.65	7	Nov. 14, 2014	Nov. 14, 2007

(a) Of the 44,000 options granted, 1,001 were cancelled because of the cap on profit. In accordance with the regulations of the stock option plans the profit is capped at 100% of the exercise price.

Table 8 – History of capped performance stock options

Information regarding capped performance stock options (*excluding collective awards*)

	11/14/2007 plan	11/27/2008 plan	11/26/2009 plan	11/25/2010 plan	11/24/2011 plan	11/27/2012 plan	11/25/2013 plan
Date of Shareholders' Meeting	05/11/2007	05/11/2007	05/11/2007	05/11/2010	05/11/2010	05/11/2012	05/11/2012
Board of Directors' date	11/14/2007	11/27/2008	11/26/2009	11/25/2010	11/24/2011	11/27/2012	11/25/2013
Total number of shares that can be subscribed of which number can be subscribed by:	1,117,770	1,568,080	1,579,120	634,760	85,620	81,760	87,880
The Executive Directors:	50,000	320,000	230,000	0	0	0	0
Xavier FONTANET	0	120,000	80,000	NC	NC	NC	NC
Philippe ALFROID	0	100,000	NC	NC	NC	NC	NC
Hubert SAGNIÈRES	50,000*	100,000	150,000	0	0	0	0
Option exercise start date	05/14/2010	11/29/2010	11/28/2011	11/26/2012	11/25/2013	not yet known, depends on performance	not yet known, depends on performance
Expiration date	11/14/2014	11/27/2015	11/26/2016	11/25/2017	11/24/2018	11/27/2019	11/25/2020
Subscription price (average of 20 opening prices before the Board of Directors' date)	€43.65	€33.17	€38.96	€48.01	€52.27	€71.35	€77.29
Terms of exercise	if performance achieved and present in company: 50% after 2 years, 100% after 3 years	if performance of plan (+ special performance for Executive Director based on achievement of annual variable compensation targets) achieved and present in company: 50% after 2 years, 100% after 3 years	if performance of plan (+ special performance for Executive Director based on achievement of annual variable compensation targets) achieved and present in company: 50% after 2 years, 100% after 3 years	if performance achieved and present in company: 50% after 2 years, 100% after 3 years	if performance achieved and present in company: 50% after 2 years, 100% after 3 years	if performance achieved and present in company: 50% after 2 years, 100% after 3 years	if performance achieved and present in company: 50% after 2 years, 100% after 3 years
Number of shares subscribed at 12/31/2013	777,380	1,048,760	976,747	149,376	6,240	160	0
Aggregate number of options cancelled or lapsed	98,730	166,470	160,147	53,240	9,980	4,325	0
Options remaining at 12/31/2013	241,660	352,850	442,226	432,144	69,400	77,275	87,880

* *Hubert Sagnières was not a Director in 2007.*

Table 9 – History of performance share awards

Information regarding performance shares (*excluding collective awards*)

	11/14/2007 plan	11/27/2008 plan	11/26/2009 plan	11/25/2010 plan	11/24/2011 plan	11/27/2012 plan	11/25/2013 plan
Date of Shareholders' Meeting	05/11/2007	05/11/2007	05/11/2007	05/11/2010	05/11/2010	05/11/2012	05/11/2012
Board of Directors' date	11/14/2007	11/27/2008	11/26/2009	11/25/2010	11/24/2011	11/27/2012	11/25/2013
Total number of shares that can be subscribed of which number can be subscribed by:	552,491	513,775	536,116	893,458	1,193,189	1,176,340	1,279,460
The Executive Directors:	awarded 103,500/vested 46,575	0	0	45,000	50,000	45,000	45,000
Xavier FONTANET	awarded 58,500/vested 26,325	0	0	NC	NC	NC	NC
Philippe ALFROID	awarded 45,000/vested 20,250	0	NC	NC	NC	NC	NC
Hubert SAGNIÈRES	0	0	0	45,000	50,000	45,000	45,000
Vesting date of shares	05/14/2010	11/29/2010	11/28/2011	residents: 11/26/2012 non-residents: 11/25/2014	residents: 11/25/2013 non-residents: 11/24/2015	not yet vested	not yet vested
Ending date of lock-up period	11/14/2014	11/27/2015	11/26/2016	residents: 11/25/2016 non-residents: 50% 11/25/2014 and 50% 11/25/2016	residents: 11/24/2017 non-residents: 50% 11/24/2015 and 50% 11/24/2017	depends on vesting date	depends on vesting date
Performance Conditions	presence + number awarded depending on increase in share price	presence + number awarded depending on increase in share price	presence + number awarded depending on increase in share price	presence + number awarded depending on increase in share price + special performance for Executive Director based on achievement of annual variable compensation targets	presence + number awarded depending on increase in share price + special performance for Executive Director based on achievement of annual variable compensation targets	presence + number awarded depending on increase in share price + special performance for Executive Director based on achievement of annual variable compensation targets	presence + number awarded depending on increase in share price + special performance for Executive Director based on achievement of annual variable compensation targets
Number of shares vested at 12/31/2013	245,640	503,224	522,982	513,898	558,219	650	0
Aggregate number of shares cancelled or lapsed	306,851	10,551	13,134	49,950	60,550	24,810	0
Shares remaining at 12/31/2013	0	0	0	329,610	574,420	1,150,880	1,279,460

Table 10 – Executive Director – detailed table

HUBERT SAGNIÈRES
Chief Operating Officer until December 31, 2009, Chief Executive Officer starting January 1, 2010, Chairman and CEO starting January 2, 2012

Start of term	2008
End of term	2014
Employment contract	Yes – suspended starting January 1, 2010
Indemnities relating to a non-compete clause	No
Additional pension plan	Yes
Compensation or benefits that are or may be owed due to the termination or change of functions	No[(a)] Severance package or termination pay (in the event of dismissal, except for serious or gross misconduct) 2 years' salary under employment contract: the portion of compensation beyond the contractual compensation is subject to performance conditions.
Restrictions concerning the sale of options or performance shares	Starting with awards granted in 2007, lock-up period for: 1/3rd of vested performance shares or 1/3rd of the shares acquired on exercise of stock options (excluding those shares sold immediately to finance the acquisition of the shares and the payment of tax due on the capital gain) may not be sold.
Hedging instruments	Absence of use of hedging instruments for options or performance shares
Pension commitment (actuarial value)	€740,218
Supplemental pension commitment (actuarial value)	€10,039,827

(a) There is no provision for severance pay for this corporate office. Details of the severance pay provided under the suspended employment contract are given in Section 2.3.2.3.c.

Table 11 – AFEP-MEDEF Code recommendations not retained

Suspension of employment contract of corporate directors and officers (Point 22 of the Code) It is recommended that, when an employee becomes a corporate director or officer of the company, the employment contract between him or her and the company or a group company be terminated, either by conventional termination or resignation.	On November 27, 2008, on the proposal of Remunerations Committee, the Board had expressed reservations about "the obligation" to terminate the employment contract of a corporate director were he or she appointed Chairman and CEO or Chief Executive Officer. While this provision would make sense for a Director hired externally or newly arrived within the Group, it is difficult to justify it for a manager who has had a long and successful career within the company and is called to higher responsibilities. Indeed, from an individual standpoint, this measure would weaken the position of the parties in question with regard to the risks incurred in their new responsibilities and could cause in-house candidates to refuse the position or result in an upward revision of the remuneration, which is certainly not the objective pursued by the AFEP and MEDEF. This measure would detach the corporate directors from the company and violate the policies of internal promotion and "sustainable management" that are, for Essilor International, the key to building strong and stable groups. Consequently, the Board of Directors of Essilor decided to continue to "suspend" the employment contracts of senior executives upon their appointment as Chairman and CEO or Chief Executive Officer when they have at least ten years of seniority in the company.
Stock options and performance shares (Point 23.2.4 of the Code) Moreover, the performance shares awarded to corporate directors and officers should be made [...] contingent upon the purchase of a defined quantity of shares during the availability period of the shares awarded, in accordance with the terms established by the Board and made public when they are awarded.	The Board of Directors has not deemed it necessary make the awarding of performance shares contingent upon an obligation to purchase due to the lock-up period for the shares acquired that applies to corporate directors and officers for the entire term of their office.

2.4 Statutory Auditors' Report on the Report of the Chairman

Report of the Statutory Auditors prepared in application of Article L.225-235 of the French Commercial Code on the Report of the Chairman of the Board of Directors of Essilor International

Fiscal year ended December 31, 2013

To the Shareholders,

In our capacity as Statutory Auditors of Essilor International and as required by Article L.225-235 of the French Commercial Code, we present to you our report for the fiscal year ended December 31, 2013 prepared by the Chairman of your Company in accordance with Article L.225-37 of the Commercial Code.

The Chairman is responsible for preparing and submitting to the Board of Directors for approval a report describing the Company's internal control and risk management procedures and setting out the information about the corporate governance system and the other disclosures required by Article L.225-37 of the Commercial Code.

Our responsibility is to:

- report our observations on the information set out in the Chairman's Report on internal control and risk management procedures relating to the preparation and processing of financial and accounting information and
- Certify that the report contains the other disclosures required by Article L.225-37 of the Commercial Code, without being responsible for verifying their fairness.

We conducted our audit in accordance with professional standards applicable in France.

Information about internal control and risk management procedures relating to the production and processing of financial and accounting information

The standards of our profession applicable in France require us to plan and perform an audit to assess the fairness of the information set out in the Chairman's Report on the internal control and risk management procedures relating to the preparation and processing of financial and accounting information. The audit notably consisted of:

- obtaining an understanding of internal control and risk management procedures relating to the preparation and processing of financial and accounting information supporting the information provided in the Chairman's Report and reviewing existing documentation;
- obtaining an understanding of the work performed to support the information given in the Chairman's Report and the existing documentation;
- Determining whether major internal control weaknesses that we would have detected as part of our audit, in relation to the preparation and processing of financial and accounting information, have been appropriately disclosed in the Chairman's Report.

On the basis of our audit, we have no matters to report in connection with the information on the internal control and risk management procedures relating to the preparation and processing of financial and accounting information contained in the Report of the Chairman of the Board of Directors in accordance with Article L.225-37 of the Commercial Code.

Other information

We hereby certify that the Report of the Chairman of the Board of Directors includes the other disclosures required by Article L.225-37 of the Commercial Code.

Neuilly-sur-Seine and Courbevoie, March 11, 2014

The Statutory Auditors

PricewaterhouseCoopers Audit	Mazars
Christine Bouvry	Daniel Escudeiro

2.5 Special Report of the Statutory Auditors on related party agreements and commitments

Shareholders' Meeting to approve the financial statements for the fiscal year ended December 31, 2013.

To the Shareholders,

In our capacity as Statutory Auditors of your company, we present below our report on regulated agreements and commitments.

Our responsibility is to report to shareholders, based on the information provided to us, about the main terms and conditions of agreements and commitments that have been disclosed to us or of which we have become aware in the performance of our audit, without commenting on their relevance or substance or inquiring about the existence of other agreements or commitments. Under the provisions of Article R.225-31 of the French Commercial Code, it is the responsibility of shareholders to determine whether such agreements and commitments are appropriate and should be approved.

Our responsibility is also, as applicable, to report to shareholders as stipulated in Article R.225-31 of the French Commercial Code regarding the performance, during the fiscal year ended, of any agreements and commitments already approved by the Shareholders' Meeting.

We performed our procedures in accordance with professional guidelines issued by the Compagnie Nationale des Commissaires aux Comptes for this type of engagement.

Agreements and commitments subject to the approval of the Shareholders' Meeting

We have not been advised of any agreements or commitments that have been approved in the year ended and would require the approval of the Shareholders' Meeting pursuant to Article L. 225-38 of the French Commercial Code.

Agreements and commitments previously approved by the Shareholders' Meeting

We have not been advised of any agreements or commitments previously approved by the Shareholders' Meeting and the performance of which may have continued during the year ended.

Neuilly-sur-Seine and Courbevoie, March 11, 2014

The Statutory Auditors

PricewaterhouseCoopers Audit
Christine Bouvry

Mazars
Daniel Escudeiro

3

FINANCIAL STATEMENTS

IN BRIEF

SIMPLIFIED INCOME STATEMENT

€ millions	2012	2013
Revenue	4,989	5,065
Contribution from operations [a]	893	917
Operating income	831	843
Net income attributable to Group equity holders	584	593

(a) Operating income before share-based payments, restructuring costs, other income and expenses, and before impairment of goodwill.

DATE OF LATEST FINANCIAL INFORMATION

The latest audited financial information is for fiscal years 2012 and 2013 (period from January 1 to December 31, 2012 and January 1 to December 31, 2013).

DOCUMENTS INCORPORATED BY REFERENCE

Pursuant to Article 28 of Regulation (EC) No. 809/2004 of the European Commission, the following information is included by reference in this Registration Document:

- the consolidated financial statements for the fiscal year ended December 31, 2011 incorporated herein by reference have been audited by the Statutory Auditors. The statement and the report may be found on pages 90 to 147 and 176 and 177, respectively, of the 2011 Registration Document filed with the AMF on March 28, 2012 under No. D.12-0227;
- the consolidated financial statements for the fiscal year ended December 31, 2012 incorporated herein by reference have been audited by the Statutory Auditors. The statement and the report may be found on pages 90 to 151 and 152, respectively, of the 2012 Registration Document filed with the AMF on April 2, 2013 under No. D.13-0252.

THE REFERENCE DOCUMENTS AND PRESS RELEASES MENTIONED ARE AVAILABLE ON :

@ Investors / Publications page at www.essilor.com

SELECTED FINANCIAL INFORMATION FOR INTERIM PERIODS

The Company has elected not to repeat financial information for interim periods in this Document. For the record, the consolidated financial statements as of June 30, 2013 results were published on August 29, 2013. The financial release, the consolidated income statement, consolidated balance sheet and consolidated cash flow statement as of June 30, 2013 and the presentation of results for the first half of 2013 are available on the Essilor website.

3.1 Comments on the Company's financial position and earnings

3.1.1 Operating results

Income statement

€ millions	2013	2012[c]	Change
Revenue	**5,065**	**4,989**	**1.5%**
Gross profit	2,838	2,784	2.0%
as a % of revenue	*56%*	*55.8%*	
Contribution from operations[a]	**917**	**893**	**2.6%**
as a % of revenue	*18.1%*	*17.9%*	
Other income (expenses), net	(73)	(62)	17.2%
Operating profit	**843**	**831**	**1.5%**
Financial income	(21)	(18)	17.3%
Income tax expense	(199)	(207)	-4.0%
effective tax rate (%)	*24.2%*	*25.5%*	
Share of profits of associates	22	24	-6.2%
Attributable to minority interests	(53)	(46)	15.0%
Profit attributable to Group equity holders	**593**	**584**	**1.6%**
as a % of revenue	*11.7%*	*11.7%*	
Net earnings per share (in €)	2.82	2.80	0.6%
Adjusted net earnings per share [b] (in €)	2.82	2.72	3.5%

(a) Operating profit before compensation costs of share-based payments, restructuring costs, other income and expense, and before goodwill impairment.
(b) The 2012 net earnings per share figures have been revised downwards to reflect for the non-recurring gain arising from the change in corporate governance at Nikon Essilor and Essilor Korea.
(c) Figures have been adjusted to reflect the restatements arising from the retrospective application of IAS 19 (revised).

Significant factors affecting operating profit

Revenue

For more information on revenue, refer to Section 1.5 "2013" of this Registration Document.

Gross margin: up from 55.8 to 56% of revenue

In 2013, the gross margin ratio (revenue less cost of sales) rose by 20 basis points, to 56% of revenue. This increase reflected an improved product mix due to the success of new products on the one hand, and manufacturing productivity gains, on the other.

Operating expenses

Operating expenses totaled €1,921 million and were stable as a percentage of revenue, at 37.9%. Sales force investments, marketing spend and expenditure to strengthen the Company's structures in fast-growing markets, were offset by tight control of distribution costs. Research and development spending increased by €2 million to €164 million, and continued to represent 3.2% of revenue.

Contribution from operations

In all, the contribution from operations [a] amounted to €917 million, up 2.6% on 2012. The increase translated into a 20bps improvement in contribution margin, to 18.1%. Excluding the non-cash impacts of applying acquisition accounting (mainly purchase price allocations) and, in particular, the application of IFRS 3 (revised), the contribution from operations stood at 18.8% of revenue.

Contribution from operations [a]	**2013**	**2012**	**Change**
€ millions	917	893	+2.6%
As a % of revenue	18.1%	17.9%	

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

Change in contribution from operations [a] 2013	Actual change	On a like-for-like basis	Effect of changes in the scope of consolidation	Currency effect
€ millions	23	39	20	-36
As a %	*+2.6%*	*+4.3%*	*+2.3%*	*-4.0%*

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

The procedures for calculating the changes in this aggregate are explained in Note 2.3 to the consolidated financial statements.

Other income and expenses from operations

This item represented net income of €73 million. The total includes:

- €32 million in compensation costs for share-based payment plans (*versus* €28 million in 2012), of which €27 million for stock option and performance share plans (including €4 million in employer payroll tax contributions), with the balance corresponding to the cost of the discount offered to employees participating in the Employee Stock Ownership Plan;
- €22 million in restructuring costs, mainly related to the rationalization of the prescription laboratory network. These costs were lower than in 2012;
- €11 million in acquisitions-related consultancy fees, the bulk of which concerned the Transitions Optical acquisition.

Adjusted for the 2012 gain on asset disposals arising from the change in consolidation method used for joint ventures Nikon-Essilor and Essilor Korea, "Other income and expenses from operations" improved by €6 million.

Operating profit

In 2013, operating profit (corresponding to contribution from operations plus or minus other income and expenses from operations and gains and losses on asset disposals) totaled €843 million, representing 16.6% of revenue, unchanged from 2012.

Change in 2013 operating profit	Actual change	Change on a like-for-like basis	Effect of changes in the scope of consolidation	Currency effect
€ millions	12	26	20	-34
As a %	*+1.5%*	*+3.1%*	*+2.4%*	*-4%*

The procedures for calculating the changes in this aggregate are explained in Note 2.3 to the consolidated financial statements.

Significant changes to net sales or revenues

There were no significant changes to net sales or revenues.

Policies and other external factors

The Company is not aware of any governmental, economic, fiscal, monetary or political policies or factors that could materially affect, directly or indirectly, its future operations.

3.1.2 Net profit

Net profit attributable to Group equity holders and earnings per share

Minority interests' share in Essilor's profit rose by 15% to €53 million, mainly reflecting growth in the profits of existing partnerships, notably as a result of the implementation of programs to unleash synergies.

Net profit attributable to Group equity holders climbed 1.6% to €593 million, holding net margin at the same 11.7% reported in 2012.

As a result of a small increase in the number of outstanding shares, earnings per share grew at a slower rate, rising 0.6% to €2.82, and by 3.5% after adjusting 2012 earnings per share for the non-recurring gain arising from the change of consolidation method applied to joint ventures Nikon-Essilor and Essilor Korea.

Net profit also reflects the following costs and expenses:

Cost of gross debt and other financial income and expenses

Cost of gross debt and other financial income and expenses represented a net expense of €21 million, *versus* €18 million in 2012. The increase resulted from the higher interest payments following the increase in average net debt.

Income tax expense

Income tax expense amounted to €199 million, reflecting a reduction in the effective tax rate to 24.2% of pre-tax profit due to the favorable change in the geographic mix of results generated by the different subsidiaries, as well as to the reversal of provisions.

Share of profits of associates

This item mainly corresponds to Essilor's share of the profit derived from sales by Transitions Optical (which was still 49%-owned by Essilor in 2013) to third-party lens casters. The 6.2% decline to €22 million in 2013 resulted from the slight contraction in Transitions sales to these external customers, as well as from the negative impact of the US dollar's decline against the euro.

3.1.3 Financial position

Balance sheet

Goodwill and other intangible assets

Goodwill increased by €389 million to €2,476 million at December 31, 2013, mainly reflecting the acquisitions made during the year. Intangible assets represented €110 million more than a year earlier, primarily due to the increase in value of brands held in the portfolio.

Investments

See Section 1.5.5 of this Registration Document

Inventories

Inventories amounted to €869 million at December 31, 2013, an increase of €39 million over the year-earlier figure that was also mainly due to acquisitions for the year. On a like-for-like basis, inventories increased slightly faster than sales, due to the launch of a new generation of Transitions products.

Equity

Consolidated equity amounted to €4,041 million at end-2013, up 3.2% from the year-earlier figure.

Changes in equity are detailed in Section 3.3.3 of this Registration Document.

Cash flow statement

As shown by the table below, Essilor's business model continued to demonstrate its ability to generate strong cash flow in 2013. Net cash from operating activities (before changes in working capital requirements[a]) amounted to €912 million, up 7.3% compared with 2012.

Working capital requirements increased by €69 million but remained stable as a percentage of revenue, at around 20%. After taking into account the non-recurring cash outflows from the capital expenditure program (including acquisitions of intangible assets), free cash flow (net cash from operating activities less change in working capital requirements[a] less net capital expenditure) came to €546 million. This amount helped to finance:

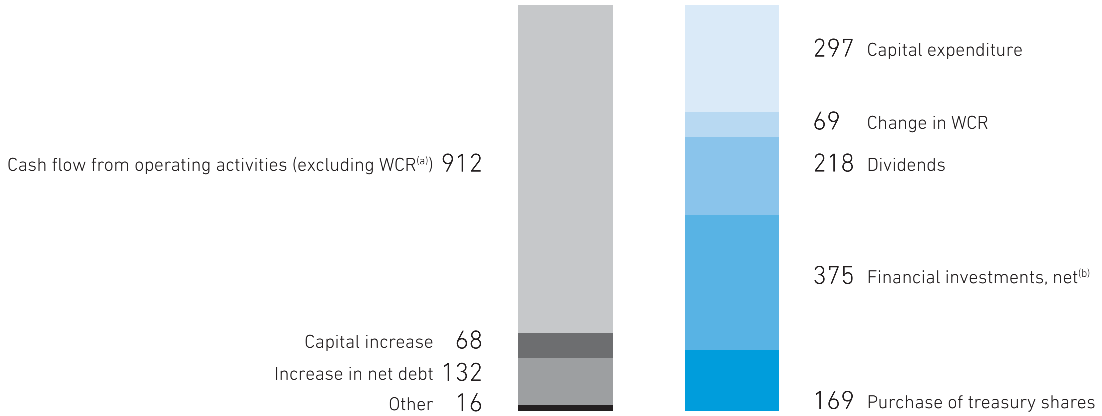
- sharply higher net financial investments[b] at €375 million;
- an increase in dividends paid to Essilor shareholders and the Company's minority partners in joint ventures to €218 million;
- purchases of treasury stock totaling €169 million, representing close to 2.2 million shares.

The the 2013 fiscal year-end, the Group's net debt increased by €132 million to €369, representing gearing of less than 10%.

(a) *Working capital requirements.*
(b) *Financial investments net of cash acquired, plus debt of newly acquired companies.*

Simplified cash flow statement

(€ millions)



(a) Working capital requirements.

(b) Financial investments net of cash acquired, plus debt of newly acquired companies.

3.2 Trend information

3.2.1 Recent trends

The company is not aware of any trends affecting production, sales, inventory, costs or selling prices since the end of the last fiscal year.

3.2.2 Outlook

The Company is not aware of any trends, uncertainties, claims, commitments or events that would be reasonably likely to materially affect its medium-tern outlook.

We believe that the medium and long-term growth outlook in the ophthalmic lens market is good, as a large portion of the population in the world still needs glasses, the world's population is aging and these lenses represent the least expensive option for correcting faulty vision and recent advances have made lenses even more attractive in relation to competing technologies.

3.2.3 Subsequent events

Costa Inc.

Essilor finalized the acquisition of all outstanding shares of Costa Inc., a US leader in high-performance sunglasses.

The transaction, announced on November 8, 2013, was approved by Costa Inc. shareholders in the Special Meeting of Shareholders held on January 30, 2014. It has also received all required regulatory approvals. Costa Inc. shares have ceased to be publicly traded on Nasdaq.

Based in Lincoln, Rhode Island (USA), Costa Inc. designs, assembles and markets sunglasses under the Costa® and Native® brands. Costa has become the fastest growing performance sunglass brand in the United States. The company generated revenue of nearly $100 million in 2013.

Costa Inc. has been included in Essilor's scope of consolidation since February 1, 2014. Based on current estimates and excluding the impact of the one-time transaction-related costs, the acquisition will be accretive to Essilor's earnings per share in 2014.

Coastal.com

On February 27, 2014, Essilor announced that it had entered into a binding agreement to acquire all of the outstanding common stock of Coastal Contacts (Coastal.com), one of the world's leading online vision care retailers.

Based in Vancouver, British Columbia (Canada), Coastal.com is listed on the Toronto Stock Exchange and on NASDAQ and reported revenue of CAD 218 million for the fiscal year ended October 31, 2013. Founded in 2000, the company designs and distributes one of the widest online selections of optical equipment, including contact lenses, prescription and non-prescription eyeglasses, sunglasses and various accessories. Products are sold through several local websites covering mainly North America and Europe as well as the Asia-Pacific region and Brazil.

Essilor is offering CAD 12.45 per Coastal.com share, which represents a premium of approximately 20% to the closing share price of CAD 10.39 per share on February 26, 2014 and approximately 42% to the weighted average price of CAD 8.74 quoted on the Toronto Stock Exchange over the last 60 trading days. The transaction represents a net equity value of approximately CAD 430 million.

The transaction will be structured as an arrangement under the Canada Business Corporations Act and is subject among others to the approval of the Competition Bureau in Canada and to that of Coastal.com's shareholders. The transaction is expected to be completed by the end of April 2014.

Other acquisitions

In the United States, Essilor acquired a majority stake in the Arkansas-based prescription laboratory Plunkett Optical, which generates annual revenue of $3.3 million.

Financing

To optimize management of its short-term financing, Essilor International has obtained on February 27, 2014 the following solicited credit ratings from Moody's Investors Service and Standard & Poor's for its commercial paper programs:

	Short-term
Standard & Poor's	A-1
Moody's	P-1

These ratings were issued with a "stable" outlook, attesting to the strength of Essilor's model for growth and its financial strength. They will enable the Company to optimize its borrowing costs whilst diversifying its sources of financing, by broadening its investor base. In this context, and in addition to the €2 billion EMTN program set up in December 2013 (in which no issuances have been made to date), the Company has launched a $1.5 billion US commercial paper (USCP) program and made its first issuances in March 2014.

3.2.4 2014 Outlook

In a market led by powerful structural drivers, several trends are taking hold . Distribution is becoming more segmented and eye care networks more structured, online sales are growing and consumers are becoming increasingly demanding. These developments are creating many new opportunities and leading to increasingly pronounced differences in growth potential between the world's major regions.

Essilor is responding to these shifts by strengthening its positioning in several promising segments , including fast-growing countries, sunwear, consumer brands and online sales. This redeployment will help to drive faster organic growth in the coming years.

In 2014, Essilor is aiming for 10% to 12% revenue growth at constant exchange rates and a contribution margin of between 18.2% and 18.6% (excluding new strategic acquisitions) depending on the effective date of consolidation of Transitions Optical and final IFRS adjustments.

3.3 Consolidated Financial Statements

Main consolidated financial data

€ millions, excluding per share data	2013	2012*
Income statement		
Revenue	5,065	4,989
Contribution from operations	917	893
Operating profit	843	831
Profit attributable to Group equity holders	593	584
Earnings (Group share) per ordinary share (in €)	2.82	2.80
Earnings (Group share) per share (in €)	2.78	2.77
Balance sheet		
Share capital	39	39
Group equity	3,756	3,657
Net debt	369	237
Total assets	7,577	6,907
Cash flow statement		
Cash flow from operating activities	843	840
Cash flow from investing activities	(621)	(416)
Cash flow from financing activities	(38)	(252)
Change in net cash	184	172
Cash at year end	749	580

** Adjusted to reflect the restatements arising from the application of IAS 19 (revised), as explained in Note 1.*

3.3.1 Consolidated income statement

€ millions, excluding per share data	Note	2013	2012*
Revenue	3	5,065	4,989
Cost of sales		(2,227)	(2,205)
GROSS PROFIT		**2,838**	**2,784**
Research and development costs		(164)	(162)
Selling and distribution costs		(1,145)	(1,140)
Other operating expenses		(612)	(589)
CONTRIBUTION FROM OPERATIONS		**917**	**893**
Restructuring costs, net	5	(22)	(25)
Impairment of goodwill	11		
Compensation costs on share-based payments	5	(32)	(28)
Other income from operations	5	5	11
Other expenses from operations	5	(24)	(36)
Gains and losses on asset disposals, net	5	(1)	16
OPERATING PROFIT	3	**843**	**831**
Cost of gross debt		(26)	(24)
Income from cash and cash equivalents		18	17
Foreign exchange income	6	(1)	(7)
Other financial income and expenses	7	(11)	(4)
Share of profits of associates	15	22	24
PROFIT BEFORE TAX		**845**	**837**
Income tax expense	8	(199)	(207)
NET PROFIT		**646**	**630**
Attributable to Group equity holders		**593**	**584**
Attributable to minority interests		53	46
Basic earnings attributable to Group equity holders per share (€)		2.82	2.80
Weighted average number of shares (thousands)	9	210,156	208,264
Diluted earnings attributable to Group equity holders per share (€)	10	2.78	2.77
Diluted weighted average number of shares (thousands)	10	213,057	211,015

* *Adjusted to reflect the restatements arising from the application of IAS 19 (revised), as explained in Note 1.*

Statement of consolidated comprehensive income

€ millions	2013 Attributable to Group equity holders	2013 Attributable to minority interests	2013 Total	2012* Attributable to Group equity holders	2012* Attributable to minority interests	2012* Total
NET PROFIT FOR THE PERIOD (A)	**593**	**53**	**646**	**584**	**46**	**630**
Items of comprehensive income that will not be reclassified subsequently to profit or loss						
Actuarial gains and losses on pension obligations	6		6	(31)		(31)
Tax on items that will not be reclassified subsequently	(6)		(6)	6		6
Items of comprehensive income that may be reclassified subsequently to profit or loss						
Cash flow hedges, effective portion	(5)		(5)	(2)		(2)
Hedges of net investment in foreign operations, effective portion				1		1
Increase (decrease) in fair value of long-term financial investments	(1)		(1)	2		2
Translation reserves	(238)	(18)	(256)	(50)	(6)	(56)
Other				(6)		(6)
Tax on items that may be reclassified subsequently	2		2	0		0
TOTAL INCOME (EXPENSE) FOR THE PERIOD RECOGNIZED DIRECTLY IN EQUITY, NET OF TAX (B)	**(242)**	**(18)**	**(260)**	**(80)**	**(6)**	**(86)**
TOTAL RECOGNIZED INCOME AND EXPENSES, NET OF TAX (A) + (B)	**351**	**35**	**386**	**504**	**40**	**544**

* *Adjusted to reflect the restatements arising from the application of IAS 19 (revised), as explained in Note 1.*

3.3.2 Consolidated balance sheet

Assets

€ millions	Note	December 31, 2013	December 31, 2012*
Goodwill	11	2,476	2,087
Other intangible assets	12	732	622
Property, plant and equipment	13	998	1,000
Investments in associates	15	113	110
Non-current financial assets	16	97	119
Deferred tax assets	8	112	117
Long-term receivables		17	25
Other non-current assets	20	1	1
TOTAL NON-CURRENT ASSETS		**4,546**	**4,081**
Inventories	17	869	830
Prepayments to suppliers		16	16
Short-term receivables	18	1,192	1,148
Current income tax-assets		67	56
Other receivables		33	36
Derivative financial instruments	23	17	34
Prepaid expenses		46	39
Marketable securities	22	5	6
Cash and cash equivalents	19	786	661
TOTAL CURRENT ASSETS		**3,031**	**2,826**
TOTAL ASSETS		**7,577**	**6,907**

* *Adjusted to reflect the restatements arising from the application of IAS 19 (revised), as explained in Note 1.*

Equity and liabilities

€ millions	Note	December 31, 2013	December 31, 2012*
Share capital		39	39
Additional paid-in capital		302	311
Consolidated reserves		3,340	2,934
Treasury stock		(304)	(239)
Hedging and revaluation reserves		(83)	(79)
Translation difference		(131)	107
Profit attributable to Group equity holders		593	584
Equity attributable to Group equity holders		**3,756**	**3,657**
Minority interests		285	257
TOTAL CONSOLIDATED EQUITY		**4,041**	**3,914**
Provisions for pensions	20	209	213
Long-term borrowings	22	607	526
Deferred tax liabilities	8	165	147
Other non-current liabilities	24	517	233
NON-CURRENT LIABILITIES		**1,498**	**1,119**
Provisions	21	131	127
Short-term borrowings	22	567	390
Customer prepayments		28	17
Short-term payables	18	1,060	1,015
Taxes payable		63	76
Other current liabilities	24	156	208
Derivative financial instruments	23	17	30
Deferred income		16	11
CURRENT LIABILITIES		**2,038**	**1,874**
TOTAL EQUITY AND LIABILITIES		**7,577**	**6,907**

* *Adjusted to reflect the restatements arising from the application of IAS 19 (revised), as explained in Note 1.*

3.3.3 Statement of changes in equity

Fiscal year 2013

€ millions	Share capital	Additional paid-in capital	Revaluation reserves	Reserves	Translation difference	Treasury stock	Profit attributable to Group equity holders	Equity attributable to Group equity holders	Minority interests	Total equity
EQUITY AT JANUARY 1, 2013*	**39**	**311**	**(79)**	**2,934**	**107**	**(239)**	**584**	**3,657**	**257**	**3,914**
Capital increases										
■ FCP Mutual funds		23						23		23
■ Stock subscription options		45						45		45
■ Capitalization of reserves										
Capital increases subscribed by minority interests									2	2
Cancellation of treasury stock		(77)				77				
Share-based payments				27				27		27
Purchases of treasury stock (net of sales)				(27)		(142)		-169		(169)
Allocation of profit				584			(584)			
Effect of changes in scope of consolidation				8				8	23	31
Dividends paid				(186)				(186)	(32)	(218)
TRANSACTIONS WITH SHAREHOLDERS		**(9)**		**406**		**(65)**	**(584)**	**(252)**	**(7)**	**(259)**
Total income (expense) for the period recognized directly in equity			(4)					(4)		(4)
Net profit for the fiscal year							593	593	53	646
Translation differences and other					(238)			(238)	(18)	(256)
TOTAL RECOGNIZED INCOME AND EXPENSE			**(4)**		**(238)**		**593**	**351**	**35**	**386**
EQUITY AT DECEMBER 31, 2013	**39**	**302**	**-83**	**3,340**	**(131)**	**(304)**	**593**	**3,756**	**285**	**4,041**

* *Adjusted to reflect the restatements arising from the application of IAS 19 (revised), as explained in Note 1.*

Fiscal year 2012

€ millions	Share capital	Additional paid-in capital	Revaluation reserves	Reserves	Translation difference	Treasury stock	Profit attributable to Group equity holders	Group equity	Minority interests	Total equity
EQUITY AT JANUARY 1, 2012 – PUBLISHED	**39**	**307**	**(49)**	**2,629**	**157**	**(264)**	**506**	**3,325**	**133**	**3,458**
Restatement arising from the application of IAS 19 (revised)				(7)				(7)		(7)
EQUITY AT JANUARY 1, 2012 – RESTATED	**39**	**307**	**(49)**	**2,622**	**157**	**(264)**	**506**	**3,318**	**133**	**3,451**
Capital increases										
■ FCP Mutual funds		22						22		22
■ Stock subscription options		95						95		95
■ Capitalization of reserves										
Capital increases subscribed by minority interests										
Cancellation of treasury shares		(113)				113				
Share-based payments				23				23		23
Purchases of treasury stock (net of sales)				(23)		(88)		(111)		(111)
Allocation of profit				506			(506)			
Effect of changes in scope of consolidation				(8)				(8)	109	101
Dividends paid				(177)				(177)	(25)	(202)
TRANSACTIONS WITH SHAREHOLDERS		**4**		**321**		**25**	**(506)**	**(156)**	**84**	**(72)**
Total income (expense) for the period recognized directly in equity			(30)					(30)		(30)
Profit for the period							584	584	46	630
Translation differences and other				(9)	(50)			(59)	(6)	(65)
TOTAL RECOGNIZED INCOME AND EXPENSE			**(30)**	**(9)**	**(50)**		**584**	**495**	**40**	**535**
EQUITY AT DECEMBER 31, 2012*	**39**	**311**	**(79)**	**2,934**	**107**	**(239)**	**584**	**3,657**	**257**	**3,914**

* *Adjusted to reflect the restatements arising from the application of IAS 19 (revised), as explained in Note 1.*

3.3.4 Consolidated cash flow statement

€ millions		December 31, 2013	December 31, 2012*
NET PROFIT [(a)]		**646**	**630**
Share of profits of associates, net of dividends received		42	45
Depreciation, amortization and other non-cash items		247	230
Profit before non-cash items and share of profits of associates, net of dividends received		**935**	**905**
Provision charges (reversals)		(2)	(24)
Gains and losses on asset disposals, net		1	(15)
Cash flow after income tax and finance costs		**934**	**866**
Finance costs, net		8	7
Income tax expense (current and deferred taxes)[(a)]		199	207
Cash flow before income tax and finance costs		**1,141**	**1,080**
Income taxes paid		(222)	(224)
Interest (paid) and received, net		(7)	(6)
Change in working capital		(69)	(10)
NET CASH FROM OPERATING ACTIVITIES		**843**	**840**
Purchases of property, plant and equipment and intangible assets		(297)	(241)
Acquisitions of subsidiaries, net of the cash acquired		(330)	(158)
Purchases of available-for-sale financial assets		(3)	(13)
Change in other non-financial assets		(5)	(16)
Effect of changes in scope of consolidation		2	1
Proceeds from the sale of other non-current assets		12	11
NET CASH USED IN INVESTING ACTIVITIES		**(621)**	**(416)**
Capital increase[(b)]		68	118
Net sale (net buyback) of treasury shares[(b)]		(169)	(112)
Dividends paid:			
■ to equity holders of Essilor[(b)]		(186)	(177)
■ to minority shareholders of the consolidated subsidiaries[(b)]		(32)	(25)
Increase/(Decrease) in borrowings other than finance lease liabilities		281	(55)
Acquisition of marketable securities [(c)]	19	0	2
Repayment of finance lease liabilities		(1)	(2)
Other movements		1	(1)
NET CASH USED IN FINANCING ACTIVITIES		**(38)**	**(252)**
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**184**	**172**
Net cash and cash equivalents at January 1	**19**	**580**	**363**
Effect of changes in the method of consolidation of joint ventures			49
Effect of changes in exchange rates		(15)	(4)
NET CASH AND CASH EQUIVALENTS AT DECEMBER 31		**749**	**580**
Cash and cash equivalents	19	786	661
Bank credit facilities	22	(37)	(81)

* *Adjusted to reflect the restatements arising from the application of IAS 19 (revised), as explained in Note 1.*
(a) *See income statement.*
(b) *See statement of changes in equity.*
(c) *Units in money market UCITS not qualified as cash equivalents under IAS 7.*

3.4 Notes to the consolidated financial statements

NOTE 1. Accounting policies

1.1 General information

Essilor International (Compagnie Générale d'Optique) is a *société anonyme* (public limited company) with a Board of Directors, governed by the laws of France. Its registered office is at 147 rue de Paris – 94220 Charenton-le-Pont. The Company's main business activities consist of the design, manufacture and sale of ophthalmic lenses and ophthalmic optical instruments.

The consolidated financial statements are prepared under the responsibility of the Board of Directors and presented to the Shareholders' Meeting for approval.

The 2013 consolidated financial statements were approved by the Board of Directors on February 26, 2014.

The financial statements are prepared on a going concern basis.

The Group's functional and reporting currency is the euro. All amounts are expressed in millions of euros, unless otherwise specified.

1.2 Basis of preparation of the financial statements

In accordance with European Regulation 1606/2002 of July 19, 2002, the Essilor group has applied, since January 1, 2005, all international accounting standards including IFRS (International Financial Reporting Standards), IAS (International Accounting Standards) as well as their interpretations since January 1, 2005, as approved in the European Union, with mandatory application at December 31, 2013. International accounting standards can be accessed on the European Commission website[1].

1.3 Change of accounting methods and presentation

There were no changes to the Group's accounting policies for the 2013 consolidated financial statements, apart from changes relating to the standards, amendments and interpretations with mandatory application as of January 1, 2013 described below.

1.4 IFRS, amendments to IFRS and interpretations with mandatory application as of January 1, 2013

Amendment to IAS 1 – Presentation of Items of Other Comprehensive Income

This amendment, applicable to annual periods beginning on or after July 1, 2012, involves the presentation of items comprising "items of other comprehensive income" (OCI). Such items are now required to be presented as two separate sub-totals, one for items that may be reclassified subsequently to profit or loss, the other for items that will not be reclassified subsequently to profit or loss. Taxes relating to items of other comprehensive income must be reported separately for each of these two groups.

The impact of the amendment to IAS 1 on the presentation of the Group's financial statements is shown in the "Statement of consolidated comprehensive income."

IAS 19 revised – Employee Benefits

This revised standard, applicable to annual periods beginning on or after January 1, 2013, introduces the following main changes:

- the Group's obligations to employees are recognized, in full, at the end of each fiscal year. The "corridor" option is removed, as well as the option to amortize actuarial gains and losses and past service costs arising from changes to pension plans over the remaining service lives of the employees in question;
- the expected return on plan assets is measured using the same rate as the discount rate used for employee benefits.
- the possible impact of plan changes is recognized immediately in profit or loss.

The removal of the "corridor" option had no impact on the Group which had already opted to apply the SORIE method prior to the entry into force of IAS 19 (revised).

Due to the retrospective nature of the standard, the 2012 financial statements were restated in accordance with IAS 19 (revised):

- actuarial gains and losses and non-provisioned past service costs at December 31, 2011 were recognized in consolidated reserves at their amount, net of tax, at January 1, 2012;

(1) http://ec.europa.eu/internal_market/accounting/ias_en.htm#adopted-commission.

- actuarial gains and losses relating to post-employment benefits and arising after January 1, 2012 were recognized under "Items of other comprehensive income". They are reported on the balance sheet, net of tax, under "Hedging and revaluation reserves"; they will not be reclassified subsequently to profit or loss;
- the effects of pension plan changes made as of January 1, 2012, are recognized, in full, in profit or loss for the period in which they arose, under "Other operating expenses".

The impacts of applying IAS 19 (revised) to the Essilor group's 2012 balance sheet and income statement are shown below:

Impact of change of policy introduced by IAS 19 (revised) on the Group's balance sheet

	December 31, 2012		
€ millions	Restated	Impact of IAS 19R	Published
Consolidated reserves	2,934	(7)	2,941
Hedging and revaluation reserves	(79)	0	(79)
Translation difference	107	0	107
Profit attributable to Group equity holders	584	0	584
EQUITY ATTRIBUTABLE TO GROUP EQUITY HOLDERS	**3,657**	**(7)**	**3,664**
Minority interests	257	0	257
TOTAL CONSOLIDATED EQUITY	**3,914**	**(7)**	**3,921**
Provisions for pensions	213	8	205
Deferred tax liabilities	147	(1)	148
NON-CURRENT LIABILITIES	**1,119**	**7**	**1,112**

Profit attributable to equity holders of the parent was reduced by €0.5 million for the full 2012 fiscal year following the entry into force of IAS 19 (revised).

IFRS 13 – Fair Value Measurement

The objective of IFRS 13 is to define the concept of fair value, as well as the disclosures required in the notes to the financial statements, for each individual IFRS. This standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction on the principal market or the most advantageous market at the measurement date, under current market conditions.

The fair value of a non-financial asset corresponds to the economic benefit generated by a market participant using the asset in its highest and best use.

The Group analyzed the impact of the entry into force of this new standard on its consolidated financial statements:

- with regard to financial assets and liabilities: The Group calculated the fair value of its financial instruments, recognized at fair value, by incorporating the credit risk of the various counterparties. The results obtained showed an insignificant impact on the Group, given the quality of the counterparties selected;
- with regard to non-financial assets and liabilities: the Group does not have any non-financial assets or liabilities that have been remeasured at fair value subsequent to their initial recognition.

This standard has not had any significant impact on the Group's consolidated financial statements.

The levels and methods used to measure the fair value of financial assets and liabilities is shown in Note 1.17. The fair value of financial assets and liabilities is shown in Note 23.2.

Amendments to IAS 12 – Income taxes – Deferred tax: recovery of underlying assets.

Amendments to IFRS 7 – Financial instruments: Disclosures – offsetting financial assets and financial liabilities.

Amendments to IFRS 1 – First-time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters.

The Group is not affected by these amendments.

1.5 Published IFRS, IFRS amendments and interpretations with non-mandatory application

The Group has decided not to early-adopt the following standards, amendments and interpretations, applicable from January 1, 2014 or later:

- **IFRS 10 – Consolidated Financial Statements;**
- **IFRS 11 – Joint Arrangements;**
- **IFRS 12 – Disclosure of Interests in Other Entities;**
- **IAS 27 revised – Separate financial statements;**
- **IAS 28 revised – Investments in Associates and Joint Ventures;**
- **Amendments to IAS 32 – Financial Instruments: Disclosures – Offsetting financial assets and financial liabilities.**

The impact of these standards on the consolidated financial statements is currently being assessed.

1.6 Use of estimates

The preparation of financial statements requires Management's use of estimates and assumptions that may affect the reported amounts of assets, liabilities, income and expenses in the financial statements as well as the disclosures in the notes concerning contingent assets and liabilities at the balance sheet date. The most significant estimates and assumption concern, in particular:

- the recoverable amount of goodwill (Notes 1.21 and 11);
- fair values in relation to business combinations and put options granted to minority shareholders (Note 1.21);
- risk assessment to determine the amount of provisions (Notes 1.32 and 1.21);
- measurement of defined benefit obligations (Notes 1.31 and 20).

The final amounts may differ from these estimates.

1.7 Basis of consolidation

Companies over which the Group has direct or indirect exclusive control are fully consolidated.

Jointly-controlled companies are consolidated by the proportionate method.

Associates, defined as companies over which the Group exercises significant influence, are accounted for by the equity method.

The accounting policies and methods applied by associates comply with IFRS and are the same as the Group's accounting policies.

The Transitions group is consolidated by the equity method. Based on an economic analysis of the flows between Essilor and Transitions, between Transitions and Essilor, and of sales of Transitions products by Essilor to third parties:

- revenue from transactions between Essilor and Transitions has been canceled from Essilor consolidated revenue and cost of sales, in accordance with IAS 18;
- the cost of subcontracting services provided by Transitions to Essilor has been reallocated between cost of sales and Transitions brand selling and distribution costs.

The criteria applied to determine the scope of consolidation are described in "Changes in the scope of consolidation" (Note 2.2).

The results of subsidiaries acquired or sold during the year are included in the consolidated income statement as from the date of acquisition or up to the date of disposal. In the case of a change in percent interest during the year, the Group's share of profit is calculated by applying:

- the former percentage to income earned up to the date on which the Group's interest changes; and
- the new percentage to income earned between that date and the year-end.

In the event of a dilution of its ownership interest in a subsidiary, the transaction is treated as a sale and the change in the share of the subsidiary's equity is recorded in equity in accordance with the revised IAS 27 if there has been no loss of control, and in profit if there has been a loss of control.

All intragroup profits and transactions are eliminated in consolidation.

1.8 Information by operating segment

Since the adoption of IFRS 8 with effect from January 1, 2009, the Group's segment information is presented in accordance with the information provided internally to management for the purpose of managing operations, taking decisions and analyzing operational performance.

Such information is prepared in accordance with the IFRS used by the Group in its consolidated financial statements.

The Group has three operating segments: Lenses & Optical Instruments, Equipment, and Readers.

The Lenses & Optical Instruments business segment comprises the Group's Lens business (production, finishing, distribution and trading) and the Instruments business (small equipment used by opticians and relating to the sale of lenses). The end customers for this business are eye care professionals (opticians and optometrists).

The **Lenses & Optical Instruments business** chain is now designed as a complete network with multiple interactions. The segment has a global network of plants, prescription laboratories, edging centers and distribution centers serving eye-care professionals throughout the world. This network is centrally managed, along with Group research & development, marketing, intellectual property and engineering functions.

In view of the streamlining of international flows between the various subsidiaries, their interdependence and the increasing percentage of sales to multinationals, the performance of the Lenses & Optical Instruments business is now managed and monitored by Group Management on an international level. Consequently, the Group decided to harmonize its segment reporting to reflect the way in which its organization has changed.

The **Equipment** business segment comprises the production, distribution and sale of high capacity equipment, such as digital surfacing machines and lens polishing machines, used in manufacturing plants and prescription laboratories for finishing operations on semi-finished lenses. The end customers for this business segment are optical lens manufacturers.

The **Readers** business segment comprises the production, distribution and sale of non-prescription reading glasses and sunglasses. The end customers for this segment are retailers that sell non-prescription reading glasses to consumers.

1.9 Consolidated cash flow statement

The cash flow statement has been prepared by the indirect method, whereby net profit is adjusted for the effects of non-cash transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

Profit before non-cash items and share of profits of associates, net of dividends received, is defined as profit of fully-consolidated companies before depreciation, amortization and provisions (other than provisions for impairment of current assets) and other non-cash items (mainly the costs of stock option plans, share grants and employee stock ownership plans), plus dividends received from associates.

Working capital comprises inventories, receivables and payables, other receivables and payables, deferred income and prepaid expenses. Changes in working capital are stated before the effect of changes in scope of consolidation.

Cash flows of foreign subsidiaries are translated at the average exchange rate for the period.

The effect of changes in exchange rates on cash and cash equivalents corresponds to the effect of (i) changes in exchange rates between the beginning and end of the period and (ii) differences between the closing exchange rate and the average rate for the period on movements for the period.

The amounts reported for acquisitions (sales) of subsidiaries correspond to the purchase price (sale proceeds) less the cash and cash equivalents of the acquired (sold) subsidiary at the transaction date.

Cash corresponds to cash and marketable securities qualifying as cash equivalents less short-term bank loans and overdrafts.

- Marketable securities, consisting mainly of units in money market UCITS, are qualified as cash equivalents when the investment objectives fulfill the criteria specified in IAS 7.
- Marketable securities that do not fulfill these criteria are not classified as cash equivalents. Purchases and sales of these securities are treated as cash flows from financing activities.

1.10 Foreign currency translation

The financial statements of foreign companies are prepared in the entity's functional currency. The functional currency is defined as the currency of the primary economic environment in which the subsidiary operates.

Financial statement items measured in the functional currency are translated into euros as follows:

- balance sheet items are translated at the closing rate;
- income statement items and cash flows are translated at the average exchange rate for the period.

The difference between equity translated at the closing rate and the historical rate, and that resulting from the translation of net profit at the average rate for the period are recorded in equity, under "Translation difference," and reclassified to profit when the foreign subsidiary is sold or wound up.

1.11 Revenue

Revenue corresponds to revenue from the sale of products and the provision of services. It is stated net of volume discounts, cash discounts, returned goods and certain revenue-based commissions and deferred revenue associated with awards granted under customer loyalty programs.

Revenue from Lens sales and Readers (non-prescription reading glasses) is recognized when the product has been delivered to, and accepted by, the customer and the related receivable is reasonably certain of being collected.

Revenue from laboratory equipment sales is recognized when the risks and rewards of ownership of the equipment have been transferred to the buyer, generally corresponding to the date of physical and technical acceptance by the buyer.

1.12 Cost of sales

Cost of sales corresponds mainly to the cost of goods sold, less any cash discounts received from suppliers.

1.13 Contribution from operations and operating profit

Contribution from operations corresponds to revenue less cost of sales and operating expenses (research and development costs, selling and distribution costs, other operating expenses).

Equity-settled share-based payments, restructuring costs, gains and losses on asset disposals, and strategic acquisition costs are not included in contribution from operations but in the Group's operating profit. These items are non-recurring and not considered to contribute to the Group's current operations.

1.14 Share-based payments

Stock subscription options and performance share grants

The fair value of stock options and performance shares is determined as follows:

- performance-based stock subscription options granted since 2006, which are subject to vesting conditions based on the share performance, are measured using the Monte Carlo model;
- performance shares granted since 2006, which are subject to vesting conditions based on the change in the share price compared with the reference price on the grant date, are measured using the Monte Carlo model.

The fair value of stock subscription options on the grant date is recognized as an expense over the option acquisition period, taking into account the probability of the option being exercised early, with a corresponding adjustment to equity.

For performance shares, the acquisition period is considered as being the most probable period over which the performance conditions will be fulfilled, determined using the Monte Carlo model.

For the November 2012 and November 2013 performance share plans, a lock-up discount was applied to the portion of shares that will be granted after the plan's performance conditions have been fulfilled. This portion will be unavailable to grantees for an estimated five years.

The model parameters are determined at the grant date.

- Share price volatility is determined by reference to historical volatilities.
- The risk-free interest rate corresponds to the government bond rate.
- The impact of dividends is taken into account in the model by applying a yield assumption determined by reference to the dividend paid in the previous year.
- The options' expected life is determined based on the vesting period and the exercise period.
- In line with French Accounting Authority (CNC) guidelines dated December 21, 2004, the lock-up discount applied to the November 2012 and November 2013 performance share plans was determined based on the cost for the employee of a two-step strategy consisting of selling the shares forward for delivery at the end of the lock-up period and purchasing the same number of shares for immediate delivery, with the purchase financed by a loan.

At each period-end, the probability of options or performance shares being forfeited is assessed by the Group. The impact of any adjustments to these estimates is recognized in profit, with a corresponding adjustment to equity.

Employee share issues

For employee share issues, the difference between the market price of the shares on the transaction date and the price at which the shares are offered to employees is recognized directly in profit and loss when the shares are issued.

IFRS 2 allows for the effect of any post-vesting transfer restrictions to be taken into account, but does not provide any guidance on measuring the corresponding discount. On December 21, 2004, the French accounting authorities *(Conseil National de la Comptabilité)* issued a press release containing measurement guidelines.

A discount has been taken into account since the second- half 2007. In line with CNC guidelines, the discount was determined based on the cost for the employee of a two-step strategy consisting of selling the shares forward for delivery at the end of the lock-up period and purchasing the same number of shares for immediate delivery, with the purchase financed by a loan.

1.15 Net interest income

Dividend income is recognized when the amount has been approved by the Shareholders' Meeting of the company making the distribution.

Interest receivable or payable is recognized on an accruals basis in the period in which it is earned or due, by the effective interest method.

Cost of gross debt consists of interest on financing, realized gains or accrued interest on interest rate derivatives, and non-utilization fees on credit facilities.

Income from cash and cash equivalents includes interest received and accrued on investments made by Group companies: bank deposits, investments in marketable securities, etc.

1.16 Foreign currency transactions

On initial recognition of foreign currency transactions, the receivable or payable is translated into the entity's functional currency at the exchange rate on the transaction date. At the period-end, they are re-translated at the closing rate. The resulting gains and loss are recognized in "Other financial income and expenses".

Foreign currency income and expenses are measured at the exchange rate on the transaction date. When the foreign currency transaction is part of a hedging relationship qualifying as a cash flow hedge under IAS 39, the income or expense is adjusted for the effective portion of the gain or loss from remeasurement at fair value of the currency hedging instrument at the transaction date.

1.17 Assets and liabilities measured at fair value

In accordance with IAS 39, derivative instruments (including forward purchases and sales of foreign currencies) are initially recognized at cost and subsequently measured at fair value at each period-end.

Changes in fair value of derivative financial instruments are accounted for as follows:

- cash flow hedges: the effective portion of the gain or loss from remeasurement at fair value is recognized directly in equity under "Hedging reserves" until the effective completion of the scheduled transaction. When the scheduled transaction is completed, the amount recognized in equity is reclassified to profit: the income or expense is adjusted for the effective portion of the gain or loss from remeasurement at fair value of the hedging instrument. The ineffective portion of the gain or loss is recognized in "Other financial income and expenses";
- hedge of the net investment in a foreign operation: the effective portion of the gain or loss from remeasurement at fair value is recognized directly in equity under "Hedging reserves" and transferred to the "Translation difference" when the hedging instrument expires. The amount transferred to the "Translation difference" is reclassified to profit when the investment in the foreign operation is sold or the entity is wound up. The ineffective portion of the gain or loss is recognized in "Other financial income and expenses";
- fair value hedges: the gain or loss from remeasurement at fair value is recognized in profit or loss on a symmetrical basis with the gain or loss from remeasurement at fair value of the hedged asset or liability;
- instruments not qualifying for hedge accounting: certain derivatives that in substance represent hedges do not qualify for hedge accounting under IAS 39. Gains and losses from the fair value measurement of these derivative instruments are recognized directly in financial income and expenses, in accordance with the criteria of IAS 39.

In accordance with IFRS 13, financial income and expenses at fair value are classified according to the following hierarchy:

- level 1: inputs for the asset or liability that are quoted prices on an active market;
- level 2: inputs for the asset or liability that are based on observable market data;
- level 3: inputs for the asset or liability that are not based on observable market data.

The fair values of the main financial assets and liabilities recorded in the consolidated balance sheet are determined according to the methods summarized below.

Financial instruments	Consolidated balance sheet valuation principles	Input levels under IFRS 13	Notes to the financial statements	Fair value measurement			
					Market data		
				Valuation model	Exchange rate	Interest rate	Volatility
Available-for-sale financial assets (listed securities)	Fair value	1	16	Share price	N/A		
UCITS units	Fair value	1	22	Market value (net asset value)	N/A		
Forward foreign exchange contracts	Fair value	2	23	Discounted cash flows	ECB rate	Zero Coupon curves	N/A
Currency option	Fair value	2	23	Black and Scholes	Forward curves, ECB rate, Spot rate	Zero Coupon curves	At the money
Interest rate swaps	Fair value	2	23	Discounted cash flows	N/A	Zero Coupon curves	N/A
Cross-currency swaps	Fair value	2	23	Discounted cash flows	ECB rate	Zero Coupon curves	N/A
Liabilities relating to business combinations or minority interests	Fair value	3	23	Under IAS 32, contingent considerations payable to minority interests or within the scope of business combinations constitute financial liabilities. The fair value of these liabilities is measured by reviewing obligations on the reporting date using the method described in Note 1.21.			

The fair value of financial assets and liabilities is shown in Note 23.2.

1.18 Income tax

Deferred taxes are recognized by the liability method for temporary differences between the carrying amount of assets and liabilities in the consolidated balance sheet and their tax base.

They are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Adjustments to deferred taxes resulting from changes in tax rates are recognized in profit or loss. However, when the deferred tax relates to items recognized in equity, the adjustment is also recognized in equity.

A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized.

At each period-end, the Group reviews the recoverable value of deferred tax assets of tax entities holding significant loss carryforwards. This value is based, by tax entity, on the strategy for medium-term recoverability of the tax loss carryforwards.

Deferred taxes are charged or credited directly to equity when the tax relates to items that are recognized directly in equity, such as gains and losses on cash flow hedges and hedges of certain financial assets, and actuarial gains and losses on defined benefit plan obligations.

Deferred tax assets and liabilities are set off when they are levied on the same taxable entity (legal entity or tax group) by the same taxation authority and the entity has a legally enforceable right of set off.

Deferred taxes are recognized for all temporary differences associated with investments in subsidiaries and associates, except to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The Group is subject to taxation on earnings in several countries under various tax regulations. Calculation of taxes on a global scale requires the use of estimates and assumptions developed based on the information available at the balance sheet date.

1.19 Earnings per share

Basic earnings per share

Basic earnings per share correspond to profit attributable to Group equity holders divided by the weighted average number of shares outstanding during the year, excluding treasury stock.

Performance-based bonus share grants are taken into account to the extent that the performance criteria have been met before the balance sheet date.

Diluted earnings per share

Diluted earnings per share are calculated by taking into account dilutive potential shares, as follows:

- Stock subscription options: the dilution arising from stock subscription options is calculated based on the weighted average number of shares plus the number of shares that would be issued or sold if the options were issued at market price instead of at the adjusted exercise price.

  The adjusted exercise price corresponds to the exercise price as adjusted for the cost to be recognized in future periods for options that have not yet vested at the period-end;
- Performance share grants: the number of shares used for the calculation is determined based on the number of shares that would have been granted if the performance criterion had been applied at the balance sheet date.

1.20 Research and development costs

Research costs are recognized as an expense for the period in which they are incurred.

Research and development costs recognized in operating expense include the operating costs of the Group's research centers and engineering costs for the development of new production processes.

Development costs are recognized as an intangible asset if the following can be demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the Group's intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of technical, financial and other resources to complete the intangible asset; and
- the reliable measurement of development expenditures.

Due to the risks and uncertainties concerning market developments and the large number of projects undertaken, the above criteria are considered as not being fulfilled for ophthalmic lens development projects. Consequently, development costs for these projects are recognized as an expense.

Instrument and laboratory equipment development costs are recognized as an intangible asset when the above criteria are fulfilled.

1.21 Goodwill

Recognition of acquisitions made after January 1, 2010

Business combinations recorded after January 1, 2010 are recognized by the acquisition method, in accordance with the revised IFRS 3, Business combinations, applicable to periods starting on or after July 1, 2009.

The revised IFRS 3 defines the method for recognizing business combinations according to the acquisition method, and introduces the possibility of measuring non-controlling interests (minority interests) either at the full fair value (full goodwill method) or at the fair value of the proportion of identifiable net assets of the acquired entity (partial goodwill method). This option applies on an individual transaction basis.

Costs that are directly attributable to the acquisition are recognized as expenses for the period. Costs related to major strategic acquisitions (i.e. that represent highly significant amounts or correspond to a new area of business) are included in operating profit, under "Other expenses from operations." Costs related to lower-value acquisitions are included in "Other operating expenses" as part of "Contribution from operations."

Acquisitions of non-controlling interests or sales without loss of controlling interests are considered to be transactions between shareholders and are recognized directly in equity without impacting goodwill.

For step acquisitions, the difference between the carrying amount of the investment held before the acquisition and its fair value at the acquisition date is recognized in operating profit ("Other expenses from operations" and "Other income from operations"), along with the components of other comprehensive income that may be reclassified subsequently.

Where put options have been granted to minority shareholders of subsidiaries, the amount recognized in liabilities is measured at the present value of the option exercise price. This liability is reclassified from "Minority interests" to "Other non-current liabilities" or "Other current liabilities" in the consolidated balance sheet according to its due date. The balance is allocated to Goodwill (full goodwill method) or equity (partial goodwill method).

Discounting adjustments to reflect the passage of time are recorded in the income statement.

Subsequent changes in the liability's fair value are recognized through Group equity.

Recognition of acquisitions made before January 1, 2010

Business combinations recorded after the IFRS transition date (January 1, 2004), and before January 1, 2010, are recognized by the acquisition method in accordance with IFRS 3, Business combinations.

Goodwill is the excess of:

- the acquisition cost, including any directly attributable costs of the business combination;
- over the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities at the acquisition date.

Under this method, the acquiree's identifiable assets, liabilities and contingent liabilities meeting the recognition criteria of IFRS 3 are recognized at fair value at the acquisition date, with the exception of non-current assets classified as held-for-sale which are measured at fair value less costs to sell. Only identifiable liabilities that meet the criteria for recognition as a liability in the acquiree's accounts are recognized in the business combination. In line with this principle, a liability for terminating or reducing the activities of the acquiree is recognized as part of allocating the cost of the combination only when the acquiree has, at the acquisition date, an existing liability for restructuring.

Where put options have been granted to minority shareholders of subsidiaries, their interest in the equity of the subsidiaries concerned is reclassified from "Minority interests" to "Non-current liabilities" or "Other current liabilities" in the consolidated balance sheet.

The amount recognized in liabilities is measured at the present value of the option exercise price. Discounting adjustments to reflect the accretion of discount are recorded in the income statement.

With regard to the accounting treatment in the consolidated balance sheet of the difference between the present value of the option exercise price and minority interests in the equity of the subsidiaries concerned, Essilor has elected to record this difference in "Goodwill." Future changes in the recognized liability will be reported as an adjustment to goodwill.

In certain cases, the fair values used for the assets and liabilities of acquisitions for the period may be temporary and changed at a later date, after a final expert assessment or additional analyses. Any discrepancies resulting from the final valuation shall be recognized as a retrospective adjustment to goodwill if they take place within twelve months from the acquisition date. Any adjustments made more than twelve months after the acquisition date will be recognized directly in profit and loss, unless they correspond to corrections of errors.

Goodwill arising on acquisition of associates is included in the carrying amount of the investment.

Impairment of goodwill

Goodwill subject to impairment tests is grouped into groups of cash-generating units (CGUs) that correspond to the analytical focus of senior management.

As of January 1, 2013, goodwill formerly allocated to 7 individual CGUs i.e. ASEAN, Japan, Korea, India, China, Oceania, Africa and the Middle East, was grouped into a single CGU "Asia Oceania Middle East Africa".

This grouping reflects the change in the Group's organization, in particular, the centralization of management in the AMERA zone, the dramatic growth of intra-segment trade flows giving rise to significant synergies within the zone, as well as the goodwill management and monitoring procedure introduced in 2013.

Consequently, impairment tests are now conducted on these seven groups of CGUs:

- Lenses Europe;
- Lenses North America;
- Lenses South America;
- Lenses Asia Oceania Middle East Africa;
- Plants;
- Readers;
- Equipment.

The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The value in use is based on forecast cash flows less a pretax discount rate.

Plants that conduct manufacturing operations for several groups of CGUs form a separate group of CGUs whose cash flows are reallocated to the other CGUs of the Group based on unit sales. In line with this principle, the Asian plants are considered as a shared resource allocated to the other groups of CGUs for impairment testing purposes.

Future cash flows are estimated as follows:

- the last fiscal year for the reference year (Y);
- annual budget for the year Y+1;
- cash flows for the years Y+2 to Y+5 are estimated by applying to Y+1 data growth rates that are consistent with the Company's projections and with the budgeted Y+1 growth rate.

These data are approved in advance by Management and take account of past experience.

The discount rate applied in all cases is the Company's weighted average cost of capital (WACC). A risk premium is added to the WACC for some CGUs, to reflect specific country risk exposures and local conditions. Note 11 summarizes the assumptions used.

Impairment tests are routinely performed on each CGU once a year at the time of the interim closing at the end of June. However, all sensitive items are tested again at the year end and any impairment losses are increased if necessary.

CGU testing does not exempt the Group from testing subsidiaries' assets on an individual basis in the event of an indication of impairment. Once these tests are complete, the necessary provisions are recorded.

1.22 Other intangible assets

Other intangible assets consist mainly of trademarks, contractual customer relationships, technologies, concessions, patents and licenses. Trademarks, contractual customer relationships and certain technologies constitute purchase accounting adjustments recognized in connection with business combinations (see Note 1.21).

Other intangible assets are recognized at cost or fair value at the date of the business combination, net of accumulated amortization and impairment losses.

They are amortized on a straight-line basis over the assets' useful lives.

- Software is amortized over periods ranging from 1 to 5 years.
- Patents are amortized over the period of legal protection.
- Trademarks with a finite life are amortized over periods ranging from 10 to 20 years.
- Contractual customer relationships are amortized over periods ranging from 5 to 20 years.
- Technology is amortized over periods ranging from 5 to 15 years.

Trademarks with an indefinite life are not amortized. They are considered as having an indefinite life when:

- it can be demonstrated, based on an analysis of the life of the underlying products, the market and the competition, that there is no foreseeable limit to the period over which the products sold under the trademark are expected to generate net cash inflows;
- the Group has the intention and ability to support the trademark.

Intangible assets with a finite life are tested for impairment when the occurrence of an event or a change of circumstances indicates that their recoverable amount may be less than their carrying amount.

Trademarks with an indefinite life are tested for impairment annually, along with goodwill (see Note 1.21).

When the test shows that an asset's recoverable amount is less than its carrying amount, a provision for impairment is recorded. Recoverable amount is defined as the higher of fair value less costs to sell and value in use.

The directly attributable costs of producing identifiable and separable intangible assets are recognized as an intangible asset when they are controlled by the Group and it is probable that they will generate future economic benefits in excess of their cost over a period of more than one year. They are reported under "Intangible assets in progress" until the asset is completed.

1.23 Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Finance leases, defined as leases that transfer to the Group substantially all of the risks and rewards of ownership of the asset, are recognized in assets at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The leased assets are depreciated by the methods described below. The finance lease liability is included in debt.

Lease payments under operating leases, defined as leases where substantially all of the risks and rewards of ownership of the asset are retained by the lessor, are recognized as an expense on a straight-line basis over the lease term.

The directly attributable costs of producing identifiable and separable items of property, plant and equipment are recognized as property, plant and equipment when they are controlled by the Group and it is probable that they will generate future economic benefits in excess of their cost over a period of more than one year.

Depreciation

Depreciation is calculated on a straight-line basis so as to write off the cost of the assets less any residual value over the assets' useful life.

The main useful lives are as follows:

Buildings	20 to 33 years
Building improvements	7 to 10 years
Machinery, equipment and tooling	3 to 10 years
Other	3 to 10 years

Where an item of property, plant and equipment comprises several parts with different useful lives, each part is recognized as a separate item and depreciated over its useful life.

Useful life and residual value of property, plant and equipment are reviewed at each period-end. As necessary, the occurrence of changes to the useful life or residual value is recognized prospectively as a change in accounting estimates.

Where there are any internal or external indications that the value of an item of property, plant and equipment may be impaired, the recoverable amount of the group of CGUs to which it belongs is calculated. If the recoverable amount is less than the carrying amount of the group of CGUs, a provision for impairment is recorded. A review is carried out at each period-end to determine whether any such indications exist.

1.24 Other long-term financial investments

Available-for-sale financial assets

In accordance with IAS 39, investments in non-consolidated companies and other long-term financial investments qualifying as "available-for-sale financial assets" under IAS 39 are measured at fair value, with changes in fair value recognized directly in equity.

The change in fair value of such assets is recognized in equity. The amount recorded in equity is restated when the asset is disposed of or liquidated, or if there exists objective evidence of lasting impairment of such asset.

Whenever unrecognized losses are deemed to be significant or lasting, they are recognized directly in income.

The fair value of financial assets traded in an active market corresponds to their market price. The fair value of assets not traded in an active market is determined by reference to the market value of similar securities or the prices of recent arm's length transactions, or by the discounted cash flows method.

Other assets measured using the cost model

Loans and receivables are measured at amortized cost.

A provision is recorded for any other-than-temporary impairment in value or any collection risk.

1.25 Non-current assets held for sale

Non-current assets held for sale are assets that the Group has undertaken to sell. When they are being classified, non-current assets held for sale are measured at the lower of carrying amount and fair value net of selling costs, with an impairment charge recorded as necessary. Assets classified as held-for-sale are not amortized.

1.26 Inventories

Inventories are measured at the lower of weighted average cost and net realizable value.

Net realizable value takes into account market prices, the probability of the items being sold and the risk of obsolescence, assessed by reference to objective inventory levels.

1.27 Trade receivables

Trade receivables due within one year are classified as current assets. Trade receivables due beyond one year are classified as non-current assets.

Provisions are recorded to cover any collection risk. Risk of recovery is determined based on the various types of Group clients, most often on a statistical basis but also by taking into account specific situations if necessary.

1.28 Cash and cash equivalents

Cash and cash equivalents correspond to cash and marketable securities qualified as cash equivalents under IAS 7.

Marketable securities held by the Group that do not qualify as cash equivalents under IAS 7 are reported under "Other marketable securities" and are taken into account by the Group for the calculation of net debt (see Note 22, "Net Debt and Borrowings" appended to these financial statements").

In accordance with IAS 39, investment securities are recognized at market value at the balance sheet date. Changes in market value are recorded as financial profit or losses.

1.29 Equity

Additional paid-in capital

Additional paid-in capital is the excess of the issue price of capital increases over the par value of the shares issued.

Treasury stock

Treasury stock is deducted from equity at cost, including directly attributable transaction expenses.

Capital gains and losses on sales of treasury stock are recorded directly in equity, for their amount net of tax.

Hedging and revaluation reserves

Hedging and revaluation reserves comprise:

- the effective portion of the gain or loss arising from remeasurement at fair value of financial instruments acquired as cash flow hedges or hedges of the net investment in foreign operations, net of deferred tax;
- the difference between the cost of available-for-sale financial assets and their fair value, which is recognized directly in equity in accordance with IAS 39, net of deferred tax;
- actuarial gains and losses on defined benefit pension plans, net of deferred tax.

Dividends

Dividends are deducted from equity when they are approved by the Shareholders' Meeting.

Negative equity

Where a consolidated company has negative equity, minority interests are treated as being attributable to the Group unless the minority shareholders are liable for their share of the losses and are capable of fulfilling this obligation.

Minority interests

Minority interests represent the portion of the net assets and net profit of a consolidated entity that is not attributable to the Group, directly or indirectly.

Where minority shareholders of consolidated companies acquired before or after January 1, 2010 have been granted put options, their amount is valued at the fair value of the put option. That amount is reclassified in the consolidated balance sheet from "Minority interests" to "Other non-current liabilities" or "Other current liabilities" based on their expiration date.

1.30 Borrowings

Borrowings are initially recognized at an amount corresponding to the issue proceeds net of directly attributable transaction costs.

Any difference between this amount and the redemption price is recognized in profit and loss over the life of the debt by the effective interest method.

1.31 Pension and other post-employment benefit obligations

The Essilor group companies may have obligations for the payment of pensions, early-retirement benefits, length-of-service awards, jubilees and other post-employment benefits under the laws and practices applicable in their host country.

Where these benefits are payable under defined contribution plans, the contributions are expensed as incurred.

In the case of defined benefit plans, provisions are booked to cover the unfunded projected benefit obligation as determined by independent actuaries, as follows:

- the projected benefit obligation, corresponding to the vested rights of active and retired employees, is determined by the projected unit credit method, based on estimated final salaries. The actuarial assumptions used differ depending on the country (discount rate, inflation rate) and the Company (staff turnover rates, rate of future salary increases);
- the discount rate corresponds to the prime interest rate in the country concerned for periods corresponding to the estimated average duration of the benefit obligation. Discounting adjustments are recognized in operating expense.
- in cases where all or part of the obligation is funded under an external plan, a provision is recorded for the difference between the projected benefit obligation and the fair value of the plan assets;
- actuarial gains and losses resulting from changes in assumptions and experience-based adjustments are recognized in equity, under "Hedging and revaluation reserves";
- if a company introduces a defined benefit plan or changes the benefit formula under an existing defined benefit plan, the related change in the Company's obligation ("past service cost") is recognized in profit or loss;
- provisions recorded in the balance sheet correspond to the projected benefit obligation less the market value of any plan assets.

1.32 Provisions

A provision is recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Contingent liabilities are not recognized in the balance sheet – except in connection with business combinations (see Note 1.21) – but are disclosed in the notes to the financial statements unless the probability of an outflow of resources embodying economic benefits is very remote.

Provisions are determined based on facts and circumstances, historical risk data and the information available at the balance sheet date.

Restructuring provisions are recognized when the Group has a detailed formal plan for the restructuring and has announced its main features to those affected by it.

No provision is recognized for future operating losses.

Provisions for warranty costs are recognized when the products are sold. The corresponding charge is recognized in cost of sales.

1.33 Other current and non-current liabilities

When put options have been granted to minority shareholders of subsidiaries, their interest in the equity of the subsidiaries concerned is reclassified from "Minority interests" to other liabilities in the consolidated balance sheet. Depending on maturity, the liabilities are divided between "Other current liabilities" and "Other non-current liabilities".

The amount recognized in liabilities is measured at the present value of the option exercise price. Discounting adjustments to reflect the accretion of discount are recorded in the income statement.

The accounting treatment in the consolidated balance sheet of the difference between the present value of the option exercise price and minority interests in the equity of the subsidiaries concerned is presented in "Goodwill". Future changes in the recognized liability are reported in goodwill for companies acquired before January 1, 2010.

Following application of IFRS 3 (revised), future changes in the recognized liability are reported in equity for companies acquired after January 1, 2010.

Contingent consideration must be recognized at its acquisition-date fair value as part of the consideration transferred in exchange for the acquiree, whether or not its payment is considered probable. For companies acquired before January 1, 2010, future changes in the additional price are recognized in goodwill. Following application of IFRS 3 (revised), future changes in the additional price are recognized in other income and expenses from operations for companies acquired after January 1, 2010.

NOTE 2. Exchange rates and scope of consolidation

2.1 Exchange rates of the main functional currencies

	Closing rate		Average rate	
For €1	**2013**	**2012**	**2013**	**2012**
CAD	1.47	1.31	1.37	1.28
GBP	0.83	0.82	0.85	0.81
CNY	8.35	8.22	8.16	8.11
JPY	144.72	113.61	129.66	102.49
INR	85.37	72.56	77.93	68.60
BRL	3.26	2.70	2.87	2.51
USD	1.38	1.32	1.33	1.28

2.2 Changes in the scope of consolidation

The consolidated financial statements include the financial statements of holding companies, asset management companies and entities meeting one of the following two criteria:

- annual revenue in excess of €1 million;
- or property, plant and equipment in excess of €9 million.

Entities that do not fulfill these criteria may also be consolidated, if their consolidation has a material impact on the Company's financial statements.

Moreover, companies acquired at the very end of the year that do not have the resources to produce financial statements according to Group standards within the time allotted shall be entered into the scope of consolidation the following January 1, if the impact of their consolidation is not material for the Group.

Newly consolidated companies

The following companies were consolidated for the first time in 2013:

Name	Country	Consolidated from	Consolidation method	% interest	% consolidated
Leicester[(a)]	United Kingdom	January 1, 2013	Full	80	100
Easy Vision Pty Ltd[(a)]	South Africa	January 1, 2013	Full	100	100
Evolution Optical[(a)]	South Africa	January 1, 2013	Full	51	100
Essilor Israel Laboraties Ltd (Optiplas)	Israel	January 1, 2013	Full	50	100
Chemilens Vietnam[(a)]	Vietnam	January 1, 2013	Full	50	100
Optics India Equipement[(a)]	India	January 1, 2013	Full	50	100
Essilor Lens & Spec[(a)]	India	January 1, 2013	Full	60	100
Entreprise ophtalmics Pvt Ltd[(a)]	India	January 1, 2013	Full	50	100
Global Lens Lanka[(a)]	Sri Lanka	January 1, 2013	Full	50	100
Shanghai NVG Optical[(a)]	China	January 1, 2013	Full	100	100
Essilor Laos[(a)]	Laos	January 1, 2013	Full	100	100
Shamir Canada	Canada	January 1, 2013	Full	50	100
MOC BBGR	Russia	March 1, 2013	Full	51	100
Megalux	Chile	March 1, 2013	Full	51	100
Servioptica	Colombia	April 18, 2013	Full	51	100
Impasoles	Luxembourg	April 18, 2013	Full	100	100
Ivortest	Colombia	April 18, 2013	Full	100	100
Optiminas	Brazil	May 1, 2013	Full	70	100
Isbir	Turkey	May 1, 2013	Full	73	100
Prodigy	United States	May 1, 2013	Full	100	100
Shih Heng Optical Taiwan Branch	Taiwan	May 1, 2013	Full	70	100
Deepak Lens Pvt Ltd	India	May 13, 2013	Full	60	100
Onbitt	Korea	May 14, 2013	Full	51	100
India New Vision Generation	India	May 17, 2013	Full	100	100
E.magine	United States	June 1, 2013	Full	80	100
PSA Nilo	Brazil	June 10, 2013	Full	51	100
Classic Optical	United States	July 1, 2013	Full	95	100
VIP Optical	United States	July 1, 2013	Full	100	100
PT Polyvisi Rama Optik	Indonesia	July 1, 2013	Full	49	100
PT Supravisi Rama Optik Manufacturing	Indonesia	July 1, 2013	Full	49	100
Polycore Optical (Malaysia) Sdn Bhd	Malaysia	July 1, 2013	Full	50	100
B.V. Nederlandse Optische Industrie	Netherlands	July 1, 2013	Full	50	100
Polycore Optical (HK) Limited	Hong-Kong	July 1, 2013	Full	50	100
Polyvision Inc.	United States	July 1, 2013	Full	50	100
Polycore Optical (Pte) Ltd	Singapore	July 1, 2013	Full	50	100
Brazil 2.5 New vision Generation	Brazil	July 22, 2013	Full	100	100
Shamir Optical Co Ltd	China	July 30, 2013	Full	50	100
Riverside	Canada	August 31, 2013	Full	61	100
Active Vision	Canada	August 31, 2013	Full	61	100
Clearlen	Canada	August 31, 2013	Full	61	100
SuperLab	Canada	August 31, 2013	Full	61	100

(a) Companies acquired or set up in prior years, consolidated for the first time in 2013.

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Name	Country	Consolidated from	Consolidation method	% interest	% consolidated
UTMC	Canada	August 31, 2013	Full	61	100
AN Optical	Canada	August 31, 2013	Full	31	100
Benson Edwards	Canada	August 31, 2013	Full	50	100
Laboratoire d'Optique de Hull	Canada	August 31, 2013	Full	100	100
CPS 360 Optical	Canada	August 31, 2013	Full	50	100
Technologies Humanware Inc.	Canada	September 1, 2013	Full	63	100
Humanware Europe Ltd	United Kingdom	September 1, 2013	Full	63	100
Humanware USA Inc	United States	September 1, 2013	Full	63	100
Humanware Australia Pty Ltd.	Australia	September 1, 2013	Full	63	100
Katz & Klein	United States	September 4, 2013	Full	100	100
Essilor Management North & West Africa	Morocco	September 3, 2013	Full	100	100
Essilor Management Turkey	Turkey	October 10, 2013	Full	100	100
Xiamen Yarui Optical Co. Ltd	China	October 31, 2013	Full	50	100
Artgri Group International Pte Ltd	Singapore	October 31, 2013	Full	50	100
Xiamen Artgri Optical Co. Ltd.	China	October 31, 2013	Full	50	100
Cordless Network Service (Frame Displays)	United States	November 1, 2013	Full	80	100
Suntech Optics Inc.	Canada	November 25, 2013	Full	100	100
Bugaboos Eyewear Corporation	Canada	November 25, 2013	Full	100	100
Bugaboos Eyewear Inc.	United States	November 25, 2013	Full	100	100
Naked Eye Enterprises Inc.	Canada	November 25, 2013	Full	100	100
PureLab DLP Inc	Canada	December 2, 2013	Full	26	100
Comprol	Brazil	December 2, 2013	Full	51	100
R&D Cherry	United States	December 2, 2013	Full	80	100

The 2012 income statement also includes the contribution over the full year of the following companies that were consolidated for the first time in 2011:

Name	Country	Consolidated from	Consolidation method	% interest	% consolidated
Incheon Optics	South Korea	February 22, 2012	Full	40	100
Blue Optics	United States	February 29, 2012	Full	80	100
Cristal y Plastico S.A. de CV	Mexico	March 12, 2012	Full	51	100
Central Optical	United States	April 2, 2012	Full	60	100
Essilor Optica International Holding S.L	Spain	June 1, 2012	Full	100	100
Yeda Tora	Turkey	June 1, 2012	Full	70	100
Ipek	Turkey	June 1, 2012	Full	70	100
Optovision S.A.	Argentina	July 2, 2012	Full	51	100
Opak	Turkey	August 1, 2012	Full	51	100
Shamir Brasil Comercial Ltda.	Brazil	August 1, 2012	Full	50	100
Riachuelo	Brazil	August 10, 2012	Full	70	100
Balester Optical	United States	September 1, 2012	Full	100	100
Carskadden Optical	United States	October 1, 2012	Full	100	100
Hirsch Optical	United States	October 1, 2012	Full	100	100
Shamir Russia LLC	Russia	October 1, 2012	Full	50	100
Essiholding	France	November 1, 2012	Full	100	100
Essilor – Sivo	Tunisia	November 1, 2012	Full	55	100
Sicom	Tunisia	November 1, 2012	Full	55	100
Essilor Distribution Thailand Co. Ltd.	Thailand	November 1, 2012	Full	100	100
Sivo Togo	Togolese Republic	November 1, 2012	Full	28	100
Laboratoires Sivo Abidjan	Ivory Coast	November 1, 2012	Full	50	100
Codi – Sivo	Cameroon	November 1, 2012	Full	28	100
Sivom	Morocco	November 1, 2012	Full	28	100
Eye Buy Direct US	United States	November 1, 2012	Full	61	100
Eye Buy Direct HK	Hong Kong	November 1, 2012	Full	61	100
Eye Buy Direct China	China	November 1, 2012	Full	61	100
Eyewear LLC	United States	November 1, 2012	Full	61	100
Tian Hong	China	November 28, 2012	Full	50	100
X-Cell	United States	December 7, 2012	Full	80	100
Interactif Visual System	France	December 21, 2012	Full	68	100
IVS Technical Center	France	December 21, 2012	Full	68	100
Activ Screen	France	December 21, 2012	Full	68	100
Lenstech Optical Lab	United States	December 31, 2012	Full	80	100

Other movements

The Group's holding in the following companies has changed as a result of put options exercised by partners:

- GBO, from 51% to 74% on January 22, 2013;
- Unilab, from 71% to 75% on March 5, 2013;
- Spherical Optics from 25.5% to 100% on May 1, 2013;
- Focus Optical Labs from 90% to 100% on May 3, 2013;
- O'Max, from 85% to 100% on June 14, 2013;
- Optiben, from 65% to 80% on June 28, 2013;
- VST Lab, from 65% to 80% on June 28, 2013;
- Horizon Optical Company from 95% to 100% on June 28, 2013;
- Precision Optics from 60% to 100% on July 8, 2013;
- Frames and Lenses from 80% to 90% on July 12, 2013;
- Shamir Polska from 43% to 50% on August 1, 2013;

- Advance Optical Sales Co. from 90% to 95% on December 23, 2013;
- Pech Optical Corp. from 90% to 100% on December 23, 2013;
- Optics East from 80% to 100% on December 27, 2013;
- Future Optical from 80% to 100% on December 27, 2013;
- Opti Matrix from 80% to 100% on December 27, 2013.

2.3 Impact of changes in scope of consolidation and exchange rates

Balance sheet

The impact of changes in the scope of consolidation on the consolidated balance sheet is analyzed below:

€ millions	Newly consolidated companies 2013
Intangible assets	103
Property, plant and equipment	58
Investments in associates	0
Investments and other non-current assets	(5)
Other non-current assets	3
Current assets	96
Cash	34
TOTAL ASSETS ACQUIRED AT FAIR VALUE	**289**
Minority interests in equity	34
Long-term borrowings	31
Other long-term liabilities	21
Short-term borrowings	12
Other current liabilities	64
TOTAL LIABILITIES ASSUMED AT FAIR VALUE	**162**
NET ASSETS ACQUIRED[(a)]	**127**
Acquisition cost	639
Fair value of net assets acquired[(a)]	127
Post-acquisition retained earnings	0
Recognized goodwill	**512**

(a) Or consolidated during the period.

The amount recognized as goodwill is supported by projected synergistic benefits and the growth outlook of the acquired companies within the Group.

The fair value used for the assets and liabilities of acquisitions for the period is temporary and may be changed at a later date, after a final expert assessment or additional analyses. Any discrepancies resulting from the final valuation shall be recognized as a retrospective adjustment to goodwill if they take place within twelve months from the acquisition date.

Income statement

The methods for determining the impact of changes in scope of consolidation and exchange rates on the income statement are explained below.

Changes in performance indicators (revenues, contribution from operations, and operating profit) are apparent when broken down by their impact on the Group's acquisitions (scope of consolidation impact), on currency changes (foreign exchange impact) and on intrinsic operations, or growth on a like-for-like basis.

Impact of changes in consolidation scope:

- impact of changes in the scope of consolidation arising from acquisitions during the year is recorded in the subsidiaries' income statements, from their consolidation date, until December 31 of the current fiscal year;
- impact of changes in scope for companies acquired during the previous year consist of the subsidiaries' income statements for the year, since January 1 of the current fiscal year until the anniversary date of their consolidation;
- divested companies do not impact the change in scope of consolidation since no subsidiaries consolidated in full consolidation or proportionate consolidation were sold by the Group;
- major strategic acquisitions, i.e., those that represent highly significant amounts or correspond to a new area of business, are distinguished from "organic" acquisitions related to lower-value acquisitions within the Group's core businesses (prescription laboratories or factories).

Impact of foreign exchange changes:

- this is determined on a per-subsidiary basis by applying the average conversion rate from the previous year to the income statement for the current year for non-euro subsidiaries, restated for scope of consolidation impacts as above, and by calculating the change in this value relative to the income statement of the previous year for each subsidiary;
- as a result, the effects on the financial statements of subsidiaries stem from the currency conversion, rather than the currency itself.

Like-for-like growth is determined as the residual difference in apparent growth, less the impact of changes in the scope of consolidation and changes in exchange rates. Organic growth is growth on a like-for-like consolidation and exchange rate basis.

The overall effect of changes in scope of consolidation and exchange rates on revenue, contribution from operations and operating profit was as follows:

			Changes in scope of consolidation		
As a %	**Like-for-like growth**	**o/w foreign exchange impact**	**o/w organic acquisitions**	**o/w strategic acquisitions[a]**	**Reported growth**
Revenue	1.5	(3.9)	3.2	0.1	2.1
Contribution from operations	2.6	(4.0)	2.1	0.2	4.3
Operating profit	1.5	(4.0)	2.2	0.2	3.1

(a) Change in consolidation method for "Essilor Korea".

If the companies consolidated during the year (see Note 2.2 – Newly consolidated companies) were consolidated at January 1, 2013, the Group's 2013 revenue and profit attributable to Group equity holders could be estimated to have been as follows:

€ millions	**2013 pro forma**
Revenue	5,288
Profit attributable to Group equity holders	597

3

NOTE 3. Segment information

3.1 Information by business segment

2013 € millions	**Lenses and Optical Instruments**	**Equipment**	**Readers**	**Eliminations**	**Group total**
External revenue	4,505	205	355		5,065
Intra-segment revenue	4	60		(64)	
TOTAL REVENUE	**4,509**	**265**	**355**	**(64)**	**5,065**
Operating profit	764	33	46		843
Non-cash income and expenses	(32)				(32)
Interest income	18				18
Interest expense	(25)	(1)			(26)
Income tax expense	(177)	(10)	(12)		(199)
Share of profit of associates	22				22
Amortization, depreciation and impairment of property, plant and equipment and intangible assets	(204)	(10)	(39)		(253)
Acquisitions of property, plant and equipment & intangible assets	240	4	55		299
Non-current assets	2,947	331	928		4,206
Total assets	5,971	471	1,135		7,577
Provisions & retirement funds	306	20	14		340
Borrowings and payables	2,931	67	198		3,196

2012 € millions	**Lenses and Optical Instruments**	**Equipment**	**Readers**	**Eliminations**	**Group total***
External revenue	4,446	199	344		4,989
Intra-segment revenue	4	61		(65)	
TOTAL REVENUE	**4,450**	**260**	**344**	**(65)**	**4,989**
Operating profit	753	36	42		831
Non-cash income and expenses	(28)				(28)
Interest income	17				17
Interest expense	(23)	(1)			(24)
Income tax expense	(185)	(11)	(11)		(207)
Share of profit of associates	24				24
Amortization, depreciation and impairment of property, plant and equipment and intangible assets	(204)	(10)	(35)		(249)
Acquisitions of property, plant and equipment & intangible assets	194	8	39		241
Non-current assets	2,700	346	663		3,709
Total assets	5,629	480	798		6,907
Provisions & retirement funds	309	24	7		340
Borrowings and payables	2,429	65	159		2,653

* *Adjusted to reflect the restatements arising from the application of IAS 19 (revised), as explained in Note 1.*

3.2 Information by geographical area

Revenue is shown by origin (billing country).

€ millions	Revenue		Non-current assets[a]	
	Year 2013	Year 2012	December 2013	December 2012
North America	2,197	2,203	859	814
Europe	1,651	1,644	450	465
Asia Oceania Middle East Africa	850	808	566	517
Latin America	367	334	83	81
TOTAL	**5,065**	**4,989**	**1,958**	**1,877**

(a) Non-current assets comprise property, plant and equipment and intangible assets, investments in associates, long-term financial investments, long-term receivables and other non-current assets.

The Group's top 20 customers accounted for 20.6% of revenue in 2013, and 21.1% in 2012.

No single customer accounts for more than 10% of the Group's revenue.

NOTE 4. Personnel costs, depreciation and amortization

Personnel costs totaled €1,597 million in 2013 compared with €1,550 million in 2012 (see also **Note 29** – Number of employees and personnel costs).

Depreciation and amortization expenses amounted to €253 million in 2013 compared with €244 million in 2012.

NOTE 5. Other income and expenses

5.1 Restructuring costs and other income and expenses from operations

Net restructuring costs totaled €22 million in 2013 (€25 million in 2012). As in 2012, these costs resulted from the streamlining of plants in the United States and in Europe, and correspond to provisions, impairment losses or scrapping of non-current assets.

In 2013, other net operating income and expenses totaled €19 million (€25 million in 2012). These included fees related to disputes amounting to €5 million (€20 million in 2012) and strategic acquisition costs of €11 million (€2 million in 2012).

In 2013, income from assets disposals showed a loss of €1 million.

For 2012, income from disposals of assets showed a gain of €16 million, primarily consisting of the capital gain produced when the "Nikon-Essilor" and "Essilor Korea" joint ventures were fully consolidated, having previously been proportionately consolidated.

5.2 Share-based payments

Compensation costs on share-based payments are measured by the method described in Note 1.14.

€ millions	2013	2012
Stock subscription options	1	3
Performance shares[a]	31	24
Employee share issues		1
COMPENSATION COSTS ON SHARE-BASED PAYMENTS	**32**	**28**

(a) Including the employer contribution.

Stock subscription options

The exercise price of stock subscription options corresponds to the average of the share prices quoted over the 20 trading days preceding the date of the Board Meeting at which the grants are decided.

Gains on options granted since 2004 (corresponding to the difference between the average share price during the three calendar months prior to the month of exercise of the option and the exercise price) are capped at 100% of the exercise price.

Stock subscription options granted in 2006, 2007 and January 2008 are subject to vesting conditions based on the share performance over a period of 2 to 4 years, as well as to the 100% cap on gains.

Stock subscription options granted between November 2008 and November 2013 are subject to vesting conditions based on the share performance over a period of 2 to 6 years, as well as to the 100% cap on gains.

The main assumptions used to measure compensation costs on stock options granted in 2013 are as follows:

- share volatility: 18.40% (2012 grants: 17.61%);
- risk-free interest rate: 1.03% (2012 grants: 2.14%);
- yield: 1.44% (2012 grants: 1.55%).

Based on these assumptions, the fair value of options granted in 2013 amounted to €10.13 (€11.32 in 2012).

The following table analyzes changes in the number of outstanding options:

	Quantity	Weighted average exercise price (€)
STOCK SUBSCRIPTION OPTIONS AT JANUARY 1, 2013	**2,774,285**	**42.15**
Options exercised	(1,098,051)	40.98
Options canceled and expired	(60,679)	42.16
Options granted	87,880	77.29
STOCK SUBSCRIPTION OPTIONS AT DECEMBER 31, 2013	**1,703,435**	**44.72**
Stock subscription options at January 1, 2012	**5,473,086**	**38.41**
Options exercised	(2,700,390)	35.51
Options canceled and expired	(80,171)	40.42
Options granted	81,760	71.35
Stock subscription options at December 31, 2012	**2,774,285**	**42.15**

The average remaining life of outstanding options at December 31, 2013 was 3.1 years (2012: years): 3.9 years).

The weighted average price of Essilor shares in 2013 was €80.6 (2012: €68.9).

Performance shares

Since 2006, the Essilor group has launched performance share grants.

The number of shares vested at the end of a period of 2 to 6 years based on the grant date ranges from 0% to 100% of the number of shares originally granted, depending on the performance of the Essilor share compared with the reference price on the grant date (corresponding to the average of the prices quoted over the 20 trading days preceding the Board Meeting at which the grant is decided).

The maximum number of performance shares that would vest assuming that the vesting conditions were met is as follows:

- 2013 grants: 1,376,340 shares;
- 2012 grants: 1,274,980 shares.

The following table analyzes changes in the number of performance shares at each period-end:

	Quantity
PERFORMANCE SHARES AT JANUARY 1, 2013	**2,848,274**
Performance shares vested	(625,369)
Performance shares cancelled	(68,660)
Grants for the fiscal year	1,376,340
PERFORMANCE SHARES AT DECEMBER 31, 2013	**3,530,585**
Performance shares at January 1, 2012	**2,203,447**
Performance shares vested	(578,008)
Performance shares cancelled	(52,145)
Grants for the fiscal year	1,274,980
Performance shares at December 31, 2012	**2,848,274**

Plans dated November and December 2011 were finally granted during 2013 after performance conditions were met.

The main assumptions used to measure compensation costs on performance shares granted in 2013 are as follows:

- share volatility: 18.40% (2012 grants: 17.61%);
- risk-free interest rate: 1.09% (2012 grants: 2.14%);
- yield: 1.44% (2012 grants: 1.55%).

Based on these assumptions, the fair value of the shares granted in 2013 was €33.80 for non-residents of France (€36.33 in 2012) and €25.26 for French residents (€26.95 in 2012).

Employee share issues

The main parameters used to measure the cost of employee share issues recognized in 2013 are as follows:

Plan date	December 2013	December 2012
Share subscription price (€)	61.83	57.08
Total discount (€)	15.46	14.27
Number of shares subscribed	377,407	385,354
Discount on the share cash price on grant date represented by the lock-up clause	16.6%	22.1%
Share cash price on grant date (€)	74.30	75.66
Risk-free interest rate on the grant date	1.2%	0.6%
Refinancing cost	5.0%	6.0%
Cost recognized in profit or loss (€ thousands)	56	709

Based on these assumptions, the fair value of the shares subscribed in 2013 was €61.98 (€58.92 in 2012).

NOTE 6. Foreign exchange gains and losses

€ millions	2013	2012
Foreign exchange gains	84	85
Foreign exchange losses	(86)	(93)
Change in fair value of exchange rate instruments	1	1
FOREIGN EXCHANGE GAINS AND LOSSES	**(1)**	**(7)**

NOTE 7. Other financial income and expenses

€ millions	2013	2012
By nature		
Change in fair value of financial instruments	1	
Provisions for impairment of available-for-sale financial assets	(3)	
Dividends from available-for-sale financial assets		1
Other financial income and expenses	(9)	(5)
OTHER FINANCIAL INCOME AND EXPENSES	**(11)**	**(4)**

Other financial income and expenses mainly include discounting adjustments to financial expenses related to put options granted to minority shareholders, which amounted to €10 million in 2013 (*versus* €5 million in 2012).

NOTE 8. Income tax

8.1 Income tax gain (loss) for the period

€ millions	2013	2012[a]
Current tax	(200)	(221)
Deferred taxes	1	14
TOTAL	**(199)**	**(207)**

(a) Adjusted to reflect the restatements arising from the application of IAS 19 (revised), as explained in Note 1.

8.2 Income tax expense analysis

As a % of pre-tax profit	2013	2012
Standard French income tax rate	34.4	34.4
Differences in foreign tax rate impact	(6.5)	(8.0)
Impact of reduced rates and permanent differences between book and taxable profit	(3.2)	0.1
Other non-deductible/non-taxable items under local tax rules	(0.5)	(1.0)
EFFECTIVE INCOME TAX RATE	**24.2**	**25.5**

Since most of the deferred tax bases for French companies were for a term of over two years, the tax rate was not changed with regard to the exceptional contribution defined by the 2013 Supplementary Budget Act.

8.3 Change in deferred taxes recognized in the balance sheet

The change in net deferred taxes (assets – liabilities) recognized in the balance sheet can be analyzed as follows:

€ millions	2013	2012[a]
AT JANUARY 1	**(30)**	**(47)**
Deferred taxes recognized in equity	(4)	
Deferred tax income (expense) for the period, net	1	14
Effect of changes in scope of consolidation, exchange rate impacts and other movements	(20)	3
AT DECEMBER 31	**(53)**	**(30)**

(a) Adjusted to reflect the restatements arising from the application of IAS 19 (revised), as explained in Note 1.

8.4 Unrecognized deferred tax assets

€ millions	2013	2012
Tax loss carryforwards	49	54
Other unrecognized deferred tax assets	25	19
UNRECOGNIZED DEFERRED TAX ASSETS	**74**	**73**

8.5 Deferred taxes by type (net position)

€ millions	2013	2012
Elimination of intercompany profits	40	38
Differences in depreciation periods	(6)	(6)
Temporarily non-deductible provisions	9	25
Actuarial gains and losses	14	10
Assets and liabilities recognized on an acquisition	(147)	(126)
Assets and liabilities recognized on tax loss carryforwards	38	37
Other	(1)	(8)
TOTAL	**(53)**	**(30)**

Deferred taxes on share-based payments

On July 17, 2008, the French auditing authorities (*Compagnie Nationale des Commissaires aux Comptes* – CNCC) issued guidance requiring companies to recognize in income any tax savings realized on share-based payment plans, whether cash or equity-settled.

The deferred tax asset recognized as from 2008 is limited to the tax saving that the Company expects to realize on current share grant plans.

Tax consolidation

In France, Essilor International files a consolidated tax return with ESSILOR, TIKAI Vision (ex-Barbara), BBGR, BNL, DELAMARE, ESSIDEV, INVOPTIC, NOVISIA, OMI, OPTIM, FGX Holding France, Essiholding, OSE (not consolidated), and VARILUX UNIVERSITY (not consolidated) and pays the corporate income tax due by the tax group. In 2013, the subsidiaries in the tax group generated a tax benefit of €3 million (2012: €4 million).

Provision for tax risks

Following various tax audits and proceedings underway within the Group, provisions totaling €21 million were recognized at December 31, 2012. These provisions were adjusted to €17 million at December 31, 2013.

NOTE 9. Change in number of shares

The shares have a par value of €0.18.

9.1 Change in real number of shares, excluding treasury stock

	2013	2012
NUMBER OF SHARES ATJANUARY 1	**210,336,563**	**208,675,170**
Exercise of stock subscription options	1,098,051	2,700,390
Subscription of the Essilor group FCP mutual fund	377,407	385,354
Sales of treasury shares held for performance share grants	625,369	578,008
(Purchases) and sales of treasury stock	(2,192,298)	(2,002,359)
NUMBER OF SHARES AT DECEMBER 31, 2013	**210,245,092**	**210,336,563**
Number of treasury shares eliminated	4,454,406	4,387,477

9.2 Change in weighted average number of shares, excluding treasury stock

	2013	2012
NUMBER OF SHARES AT JANUARY 1	**210,336,563**	**208,675,170**
Exercise of stock subscription options	612,602	1,210,098
Subscription of the Essilor group FCP mutual fund	11,374	10,529
Sales of treasury shares held for performance share grants	49,441	44,362
(Purchases) and sales of treasury stock	(854,430)	(1,676,004)
WEIGHTED AVERAGE NUMBER OF SHARES FOR THE FISCAL YEAR	**210,155,550**	**208,264,155**

In 2013, 1,500,000 treasury shares were canceled, compared with 2,400,000 in 2012.

NOTE 10. Diluted earnings per share

Profit used for the calculation of diluted earnings per share is €593 million (€584 million in 2012).

The weighted average number of shares used to calculate diluted earnings per share is as follows:

	2013	2012
Weighted average number of shares	**210,155,550**	**208,264,155**
Dilutive effect of stock subscription options	747,179	1,056,070
Dilutive effect of performance share grants	2,154,245	1,695,218
DILUTED WEIGHTED AVERAGE NUMBER OF SHARES	**213,056,974**	**211,015,443**

NOTE 11. Goodwill

€ millions	Opening value	Newly consolidated	Other changes in scope and other movements	Translation difference	Provisions for impairment losses	Closing value
2013						
Gross amount	2,101	512	34	(158)		2,489
Provisions	14			(1)		13
NET AMOUNT	**2,087**	**512**	**34**	**(157)**		**2,476**
2012						
Gross amount	1,897	198	40	(34)		2,101
Impairment losses	14					14
NET AMOUNT	**1,883**	**198**	**40**	**(34)**		**2,087**

The main increases in goodwill resulted from:

- in 2013, acquisitions of Xiamen Yarui Optical, Humanware and Polycore, and of lens distribution companies and various laboratories, in particular, in Colombia, Turkey, the United States, Brazil, South Africa and Taiwan;
- in 2012, acquisitions of several laboratories in Latin America, the United States and Asia, distribution companies in China and instrument companies in France.

Goodwill for companies acquired during the year is based on the provisional accounting for the business combination and may be adjusted during the 12-month period from the acquisition date.

Since January 1, 2010, the Essilor group has for the most part applied the so-called “full goodwill” method for acquisitions for which there was a commitment to redeem minority interests. The fair value of the minority interests is determined by estimating the future price to be paid for said minority interests.

When there is an acquisition with no option to redeem minority interests, the Group usually applies the so-called “partial goodwill” method.

The carrying amount of goodwill breaks down as follows by group of CGUs:

€ millions	2013	2012
Lenses – Europe	282	280
Lenses – North America	769	707
Lenses – South America	193	138
Lenses – Asia Oceania Middle East Africa	431	353
Equipment	267	273
Readers	534	336
TOTAL	**2,476**	**2,087**

N.B.: the assets of the CGU plants are reallocated to other groups of CGUs for testing purposes.

Goodwill impairment tests were conducted on June 30, 2013, and reviewed on December 31, 2013 in line with the principles and methods defined in Note 1.21.

The Company’s weighted average cost of capital for 2013 was 7% (2012: 7%). As shown in Note 1.21, the Group had seven groups of CGUs in 2013. Given the risk premiums calculated, the actual discount rates applied to the groups of CGUs of the Group were as follows:

As a %	2013	2012
Lenses – Europe	8	8
Lenses – North America	7	7
Lenses – South America[(a)]	14	16
Lenses – Asia, Oceania, Middle East, Africa	10	N.A.[(b)]
ASEAN	N.A.	7
Japan	N.A.	7
Korea	N.A.	9
India	N.A.	14
China	N.A.	9
Australia and New Zealand	N.A.	9
Africa and the Middle East	N.A.	11
Laboratory equipment	7	7
Readers	7	7
Plants[(c)]	8	8

(a) Primarily Brazil.
(b) Not applicable.
(c) Group of CGUs reallocated to various other groups of CGUs depending on sales volumes.

The perpetuity growth rate was estimated at 0% to 2% (2012: 0% to 2%), with the highest rates applied to emerging markets.

No impairment losses were recognized on goodwill in 2012 and 2013.

Changes that must be made to parameters of revenue growth and the Group’s weighted average cost of capital (WACC) in order to compare the assets’ recoverable amount with their carrying amount do not correspond to the definition of reasonable change within the meaning of IAS 36.

A 0.5% increase in the benchmark discount rate would not generate any impairment loss on the net carrying amount of goodwill as of 31 December 2013.

A 0.5% decrease in the growth rate at infinity would not generate any impairment loss on in the carrying amount of goodwill as of 31 December 2013.

NOTE 12. Other intangible assets

€ millions	At the Beginning of the fiscal year	Changes in scope of consolidation movements	Acquisitions	Disposals and retirement	Translation difference	Amortization depreciation and and impairment losses	At the end of the fiscal year
2013							
Trademarks	232	53	27		(11)		301
Concessions, patents and licenses	306	1	38	2	(12)		331
Contractual customer relationships	285	51	6		(14)		328
Other intangible assets	132	11	36		(8)		171
GROSS AMOUNT	**955**	**116**	**107**	**2**	**(45)**		**1,131**
Accumulated depreciation	333	7		1	(15)	75	399
NET AMOUNT	**622**	**109**	**107**	**1**	**(30)**	**(75)**	**732**
2012							
Trademarks	236				(4)		232
Concessions, patents and licenses	265	34	14	2	(5)		306
Contractual customer relationships	227	63		1	(4)		285
Other intangible assets	119	(10)	28	3	(2)		132
GROSS AMOUNT	**847**	**87**	**42**	**6**	**(15)**		**955**
Accumulated depreciation	265	9		5	(5)	69	333
NET AMOUNT	**582**	**78**	**42**	**1**	**(10)**	**(69)**	**622**

Intangible assets in progress amounted to €8 million at December 31, 2013 (€9 million in 2012).

Trademarks with an indefinite useful life are mainly:

- the Lens business segment in North America for a net carrying amount of €38 million at December 31, 2013 (2012: €35 million);
- the Lens business segment in Asia – Oceania – Middle East – Africa for a net carrying amount of €15 million at December 31, 2013 (2012: €15 million);
- the Equipment business segment for a net carrying amount of €8 million at December 31, 2013 (2012: €8 million);
- the Readers business segment for a net carrying amount of €155 million at December 31, 2013 (2012: €162 million).

Trademarks with an indefinite useful life are not amortized. They are tested for impairment at least once a year or whenever an adverse event occurs.

The discounted cash flow method is used, generally with a royalty-based approach. This method involves estimating the value of the trademark by applying a royalty rate to forecast revenue that is consistent with the rates usually demanded for the use of similar trademarks. The discount rate and long-term growth rates employed are determined based on the economic environment in which the trademark operates.

Brand evaluation tests during the year did not cause a depreciation of assets.

NOTE 13. Property, plant and equipment

€ millions	At the beginning of the fiscal year	Changes in scope and other movements	Acquisitions	Disposals and reti-rement	Translation difference	Provisions amortization and impairment losses	At the end of the fiscal year
2013							
Land	49	4		1	(4)		48
Buildings	606	41	31	9	(35)		634
Plant and equipment	1,592	62	76	44	(97)		1,589
Other	457	(13)	85	30	(25)		474
GROSS AMOUNT	**2,704**	**94**	**192**	**84**	**(161)**		**2,745**
Accumulated depreciation	1,704	34		69	(100)	178	1,747
CARRYING AMOUNT	**1,000**	**60**	**192**	**15**	**(61)**	**(178)**	**998**
2012							
Land	42	8			(1)		49
Buildings	549	55	23	11	(10)		606
Plant and equipment	1,497	96	79	67	(13)		1,592
Other	420	(27)	99	29	(6)		457
GROSS AMOUNT	**2,508**	**132**	**201**	**107**	**(30)**		**2,704**
Accumulated depreciation	1,553	84		94	(19)	180	1,704
NET AMOUNT	**955**	**48**	**201**	**13**	**(11)**	**(180)**	**1,000**

The carrying amount of property, plant and equipment – including assets under finance leases – held by consolidated companies was €998 million at the end of 2013 (€1,000 million at the end of 2012). These assets consist mainly of buildings and production plant and equipment:

- buildings consist mainly of plants, prescription laboratories and administrative offices. Their locations reflect the Group's broad international presence. The main plants, laboratories and administrative offices are located in France and the United States, while other plants are located primarily in Ireland, Thailand and the Philippines;
- production plant and equipment include machines and equipment for producing semi-finished and finished lenses in plants located mainly in Asia (Thailand, China, and the Philippines) and in the United States.

The prescription laboratories also have machines and equipment for surfacing, coating, edging and mounting lenses. Their locations are extremely diverse. The largest sites are in France and in the United States.

Assets under construction amounted to €60 million at December 31, 2013 (€80 million at the end of 2012).

NOTE 14. Property, plant and equipment: finance leases

€ millions	At the beginning of the fiscal year	Changes in scope and other movements	Acquisitions	Disposals and retirement	Translation difference	Provisions amortization and impairment losses	At the end of the fiscal year
2013							
Land	1	1					2
Buildings	14	(1)					13
Other	23		2	1			24
GROSS AMOUNT	**38**		**2**	**1**			**39**
Accumulated depreciation	26			1		3	28
NET AMOUNT	**12**		**2**			**(3)**	**11**
2012							
Land	1						1
Buildings	14						14
Other	21	2	1	1			23
GROSS AMOUNT	**36**	**2**	**1**	**1**			**38**
Accumulated depreciation	24	1		1		2	26
CARRYING AMOUNT	**12**	**1**	**1**			**(2)**	**12**

NOTE 15. Investments in associates

Investments in associates are as follows:

		2013		2012	
Company	**Country**	**% Interest**	**% Control**	**% Interest**	**% Control**
Transitions group	[a]	49	49	49	49
Shamir Optispeed	South Africa	25	25	13	25
Shamir Emerald	South Africa	0	0	14	28
VisionWeb	United States	44	44	44	44

(a) See Note 34 for more details.

The accounting policies and methods applied by associates comply with IFRS and are the same as the Group's accounting policies.

Essilor's share of these companies' equity – corresponding to the carrying amount of its investment – and of their after-tax profits is as follows (the amounts shown correspond to the ownership interest held):

€ millions	2013 Share of equity	2013 Share of net profit	2012 Share of equity	2012 Share of net profit
Transitions group	124	22	121	24
Shamir Optispeed & Shamir Emerald	0	0	0	0
VisionWeb[a]	(11)	0	(11)	0
TOTAL	**113**	**22**	**110**	**24**

(a) In addition to its original investment, the Company holds long-term interests that form an integral part of its net investment in VisionWeb.

In accordance with IAS 28.29 and IAS 28.30, if the Company's share of losses of an associate equals or exceeds its interest in the associate, it discontinues recognizing its share of further losses. If the associate subsequently reports profits, the Company resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

Essilor International's share of associates' combined balance sheets

€ millions	December 2013	December 2012
Intangible assets and property, plant and equipment, net	47	48
Other non-current assets	10	27
Current assets	145	114
Non-current liabilities	3	8
Current liabilities	86	73

NOTE 16. Other non-current financial assets

Long-term financial investments fulfill the criteria for classification as "available-for-sale financial assets" under IAS 39 (see Note 1.24).

€ millions	At the beginning of fiscal year	Changes in scope of and other movements	Acquisitions, new loans	Disposals, repay-ments	Transla-tion diffe-rence	Reeval.	Net allocation to provisions	At the end of the fiscal year
2013								
Investments and other non-current assets at fair value	**39**	**(22)**	**3**			**(1)**	**(2)**	**17**
Non-consolidated interests	37	(22)	3			(1)	(2)	15
Other available-for-sale financial assets	2							2
Investments and other non-current assets at amortized cost	**80**	**(3)**	**10**	**4**	**(3)**			**80**
Loans, including accrued interest	81	(2)	10	4	(3)			82
Provisions	1	1	0	0	0			2
Other long-term financial assets	**119**	**(25)**	**13**	**4**	**(3)**	**(1)**	**(2)**	**97**
2012								
Investments and other non-current assets at fair value	**32**	**(7)**	**13**	**1**		**2**		**39**
Non-consolidated interests	29	(7)	13			2		37
Other available-for-sale financial assets	3			1				2
Investments and other non-current assets at amortized cost	**61**	**4**	**18**	**2**	**(1)**			**80**
Loans, including accrued interest	61	5	18	2	(1)			81
Provisions		1						1
Other long-term financial assets	**93**	**(3)**	**31**	**3**	**(1)**	**2**		**119**

NOTE 17. Inventories

€ millions	2013	2012
Raw materials and other supplies	327	339
Goods for resale	194	172
Finished and semi-finished products and work in progress	496	463
GROSS AMOUNT	**1,017**	**974**
Valuation allowance	(148)	(144)
NET AMOUNT	**869**	**830**

NOTE 18. Short-term receivables and payables

Short-term receivables break down as follows:

€ millions	2013	2012
Trade receivables		
Gross amount	1,152	1,112
Valuation allowance	(65)	(57)
Net amount of trade receivables	**1,087**	**1,055**
Other short-term receivables		
Gross amount	106	93
Valuation allowance	(1)	
Net amount of other operating receivables	**105**	**93**
TOTAL SHORT-TERM RECEIVABLES, NET	**1,192**	**1,148**

Short-term payables break down as follows:

€ millions	2013	2012
Trade payables	502	489
Accrued taxes and personnel expense	276	267
Other short-term payables	282	259
TOTAL SHORT-TERM PAYABLES	**1,060**	**1,015**

NOTE 19. Cash and cash equivalents

Cash and cash equivalents break down as follows:

€ millions	2013	2012
Cash	396	381
Money market funds	304	135
Bank deposits	70	100
Other cash equivalents	16	45
TOTAL	**786**	**661**

NOTE 20. Pension and other post-retirement benefit obligations

Due to the retrospective nature of the entry into force of the revised IAS 19 (Employee benefits), the 2012 financial data appearing in this note have been restated in accordance with the standard (see Note 1.4).

The Group's pension and other post-retirement benefit obligations mainly include:

- supplementary pension plans in France, Germany, the United Kingdom and the United States;
- retirement benefits granted to employees in France and other European countries;
- other long-term benefits, consisting mainly of length-of-service awards granted in France and other countries.

Provisions for pensions

€ millions	2013	2012
Non-current assets (plan surpluses)	1	1
Provisions for pensions in liabilities	209	213

Analysis of changes in net recognized benefit obligations

€ millions	Obligation	Fair value of funds	Other	Net recognized benefit obligations
AT DECEMBER 31, 2012	**326**	**(114)**		**212**
Cost of services rendered in the period	11			11
Interest expense on discounting	9			9
Interest income for the period		(3)		(3)
Cost of past services	(1)			(1)
Employee contributions	1	(1)		0
Contributions to plan assets		(12)		(12)
Benefits paid	(18)	18		0
Actuarial gains and losses	(5)	(1)		(6)
Plan reduction and liquidation	(2)	2		0
Other movements	0			0
Changes in scope of consolidation	2			2
Translation difference	(10)	6		(4)
AT DECEMBER 31, 2013	**313**	**(105)**		**208**
of which Obligations funded in whole or in part by a fund	160			160
of which Obligations not funded by a plan assets	153			153

€ millions	Obligation	Fair value of funds	Other	Net recognized benefit obligations
AT JANUARY 1, 2012	**268**	**(83)**		**185**
Cost of services rendered in the period	10			10
Interest expense on discounting	11			11
Interest income for the period		(3)		(3)
Cost of past services	0			0
Employee contributions	1	(1)		0
Contributions to plan assets		(27)		(27)
Benefits paid	(17)	17		0
Actuarial gains and losses	38	(8)		30
Plan reduction and liquidation	(1)			(1)
Other movements	3	(2)		1
Changes in scope of consolidation	16	(8)		8
Translation difference	(3)	1		(2)
AT DECEMBER 31, 2012	**326**	**(114)**		**212**
of which Obligations funded in whole or in part by a fund	168			168
of which Obligations not funded by a plan assets	158			158

Analysis of change in actuarial gains and losses recognized in equity

€ millions	2013	2012
Actuarial gains (losses) recognized in equity at opening	**98**	**68**
Gains (losses) recognized over the period	(6)	30
Translation difference	(2)	0
Actuarial gains (losses) recognized in equity at closing	**90**	**98**

Analysis of rights

€ millions	Obligation	Funds	Net obligation 2013
Pensions (supplementary and guaranteed income plans)	231	(97)	134
Retirement benefits	57	(7)	50
Other benefits	25	(1)	24
TOTAL	**313**	**(105)**	**208**

€ millions	Obligation	Funds	Net obligation 2012
Pensions (supplementary and guaranteed income plans)	244	(106)	138
Retirement benefits	57	(8)	49
Other benefits	25	0	25
TOTAL	**326**	**(114)**	**212**

Actuarial assumptions used to estimate commitments in the main countries concerned

A major assumption taken into account in the valuation of pensions and similar obligations is the discount rate. In accordance with IAS 19, the rates were determined by monetary zone by referring to the return on premium private bonds with a maturity equal to the term of the plans, or the return on government bonds when the private market has insufficient liquidity.

The return on plan assets is determined based on the allocation of the assets and the discount rates used.

The main rates used by the Group are on follows:

	2013			2012		
As a %	Euro zone	United States	United Kingdom	Euro zone	United States	United Kingdom
Discount rate	3.3	5.0	4.4	3.2	3.8	4.1
Inflation rate	2.0	3.5	3.5	2.0	3.5	3.0
Weighted average rate of return on plan assets		3.7			4.2	
Weighted average rate of salary increases		2.0			1.9	

The discount rate used for length-of-service awards in France was 3.3% in 2013 (3.2% in 2012).

Additionally, had the discount rate been 25 basis points lower than the rate actually applied, the total obligation of the Group at December 31, 2013 would have been €11 million higher. If the discount rate had been 25 basis points higher than the rate actually applied, the total obligation of the Group at December 31, 2013 would have been €13 million lower.

Additionally, had salaries been 25 basis points lower than the salaries actually applied, the total obligation of the Group at December 31, 2013 would have been €3 million lower. If salaries had been 25 basis points higher than the salaries actually applied, the total obligation of the Group at December 31, 2013 would have been €4 million higher.

The recognized actuarial gains or losses correspond to experience adjustments (differences between assumptions used and actual data) and changes in financial and demographic assumptions.

In 2013, actuarial gains or losses in terms of projected benefit obligations at closing were -€1 million as a result of experience adjustments, -€6 million as a result of changes in financial assumptions and +€1 million as a result of changes in demographic assumptions.

Composition by type of plan assets

As a %	2013	2012
Shares	18	18
Bonds	33	32
General insurance funds	49	50

Actual returns on plan assets were €4 million in 2013 (2012: €11 million).

At December 31, 2013, plan assets did not include any Group shares.

Assets associated with funded obligations are invested in pension funds or insurance companies. Investments comply with local regulations in the countries in question.

Invested assets are managed directly by pension fund managers or insurance companies. They determine appropriate investment strategies and funding allocations.

Expenses for the year

Income (expenses) € millions	**2013**	**2012**
Cost of services rendered in the period	(11)	(11)
Interest expense on discounting and interest income	(6)	(7)
Actuarial gains and losses on short-term benefits	0	0
Plan reduction and liquidation		1
Expenses for the year	**(17)**	**(17)**
Contributions to plan assets	4	20
Benefits paid	8	7
TOTAL INCREASE (DECREASE) IN PROVISIONS	**(5)**	**10**

NOTE 21. Provisions

€ millions	At the beginning of the fiscal year	Provisions for the fiscal year	Utilizations for the fiscal year	Reversals not applicable	Translation difference	Scope	Other movements	At the end of the fiscal year
2013								
Provisions for losses in subsidiaries and affiliates	1							1
Restructuring provisions	8	5	(5)		(1)			7
Warranty provisions	25	3	(3)		(1)	1		25
Other	93	12	(5)	(13)	(1)	12		98
TOTAL	**127**	**20**	**(13)**	**(13)**	**(3)**	**13**		**131**
2012								
Provisions for losses in subsidiaries and affiliates						1		1
Restructuring provisions	9	7	(9)	(1)		1	1	8
Warranty provisions	24	3	(1)	(1)	(1)	1		25
Other	108	27	(19)	(20)		(1)	(2)	93
TOTAL	**141**	**37**	**(29)**	**(22)**	**(1)**	**2**	**(1)**	**127**

Provisions for other risks at December 31, 2013 include in particular provisions for tax audits and litigation affecting income tax and other taxes for a total amount of €17 million (€21 million at December 31, 2012), and the provision of €51 million created for potential violations of the cartel laws in Germany (€51 million at December 31, 2012, see Note 28 – Litigation). Other provisions recognized in this item are individually not significant.

NOTE 22. Net debt and borrowings

22.1. Net debt

The Group's net debt can be analyzed as follows:

€ millions[a]	2013	2012
Long-term borrowings	607	526
Short-term borrowings	525	306
Short-term bank loans and overdrafts	37	81
Accrued interest	5	3
TOTAL LIABILITIES	**1,174**	**916**
Cash and cash equivalents	(786)	(661)
Marketable securities[b]	(5)	(6)
TOTAL ASSETS	**(791)**	**(667)**
CROSS CURRENCY SWAP [c]	**(14)**	**(12)**
NET DEBT	**369**	**237**

(a) Sign convention: + debt/- excess cash or securities.
(b) Marketable securities are included by the Group in net debt (Note 1.28).
(c) The Cross Currency Swap is valued at fair market value at December 31 of every year (see Note 23.2).

Long-term borrowings

At December 31, 2013, the Group's long-term financing structure was as follows:

€ millions	2013	2012	Issue date	Maturity
Bank loan		250	2007	2014
US private placement (2 tranches)	217	227	2012	2017/2019
US private placement (7 tranches)	363		2013	2017/2023
Other	27	49		
LONG-TERM BORROWINGS	**607**	**526**		

Private placements are subject to a financial covenant, which was met on December 31, 2013.

Short-term borrowings

At December 31, 2013, the Group's short-term financing structure was as follows:

€ millions	2013	2012	Issue date	Maturity
Bank loan	250		2007	2014
Commercial paper (program)	215	130	2013	2014
Syndicated credit facility		148	2007	2013
Bank overdraft	37	81		
Other	65	31		
SHORT-TERM BORROWINGS	**567**	**390**		

22.2 Borrowings

Financial debt by maturity

Borrowings can be analyzed as follows by maturity:

€ millions	2013	2012
Due within one year	567	390
Due in 1 to 5 years	316	450
Due beyond 5 years	291	76
TOTAL	**1,174**	**916**

Financial debt by currency

Borrowings break down as follows by currency:

€ millions	2013	2012
US dollar	877	643
Euro	234	172
Other currencies	63	101
TOTAL	**1,174**	**916**

Fair value of debt

The fair value of borrowings is as follows:

€ millions	2013	2012
Long-term borrowings	626	514
Short-term borrowings	543	305
Short-term bank loans, overdrafts and accrued interest	42	85
TOTAL	**1,211**	**904**

Finance lease liabilities

	2013		2012	
€ millions	Principal	Interest	Principal	Interest
Due within one year	0	0	2	0
Due in 1 to 5 years	4	0	4	0
Due beyond 5 years				
TOTAL FINANCE LEASE LIABILITIES	**4**	**0**	**6**	**0**

NOTE 23. Financial instruments

23.1 Financial instruments recognized in the balance sheet

Financial instruments carried in the consolidated balance sheet at December 31, 2013 and 2012 fall into the following categories:

		Category of instruments				
2013 € millions	Balance sheet value	Fair value recognized in profit or loss	Fair value recognized in equity(a)	Loans, receivables	Debts at amortized cost	Derivative instruments
Non-current financial assets	97		17	80		
Long-term receivables	17			17		
Prepayments to suppliers	16			16		
Short-term receivables	1,192			1,192		
Tax receivables	67			67		
Other receivables	33			33		
Derivative financial assets	17					17
Marketable securities	5		5			
Cash and cash equivalents	786	786				
FINANCIAL ASSETS	**2,230**	**786**	**22**	**1,405**		**17**
Long-term borrowings	607				607	
Other long-term liabilities	517		331		186	
Short-term borrowings	567				567	
Customer prepayments	28				28	
Short-term payables	1,060				1,060	
Tax payables	63				63	
Other current liabilities	156		64		92	
Derivative financial liabilities	17					17
FINANCIAL LIABILITIES	**3,015**		**395**		**2,603**	**17**

(a) Assets available for sale as defined by IAS 39, liabilities revalued in accordance with the accounting policies described in Note 1.33.

2012 € millions	Balance sheet value	Category of instruments Fair value recognized in profit or loss	Fair value recognized in equity[(a)]	Loans, receivables	Debts at amortized cost	Derivatives
Non-current financial assets	119		40	79		
Long-term receivables	25			25		
Prepayments to suppliers	16			16		
Short-term receivables	1,148			1,148		
Tax receivables	56			56		
Other receivables	36			36		
Derivative financial assets	34					34
Marketable securities	6		6			
Cash and cash equivalents	661	661				
FINANCIAL ASSETS	**2,101**	**661**	**46**	**1,360**		**34**
Long-term borrowings	526				526	
Other long-term liabilities	233		229		4	
Short-term borrowings	390				390	
Customer prepayments	17				17	
Short-term payables	1,015				1,015	
Tax payables	76				76	
Other current liabilities	208		65		143	
Derivative financial liabilities	30					30
FINANCIAL LIABILITIES	**2,495**		**294**		**2,171**	**30**

(a) Assets available for sale as defined by IAS 39, liabilities revalued in accordance with the accounting policies described in Note 1.33.

Financial assets and liabilities (including operating receivables and payables) at December 31, 2013 break down as follows by contractual maturity:

€ millions	Less than one year	1 to 5 years	Beyond 5 years	Total Treasury
Financial liabilities other than financial instruments	(1,875)	(756)	(367)	(2,998)
Financial assets other than financial instruments	2,141	57	15	2,213
Net fair value of financial instruments	5	(5)	0	0
NET POSITION	**271**	**(704)**	**(352)**	**(785)**

23.2 Market value of derivative instruments

Certain derivatives and certain types of transactions that in substance represent hedges do not qualify for hedge accounting under IAS 39. Gains and losses from the fair value measurement of these derivative instruments are recognized directly in financial income and expenses, in accordance with the criteria of IAS 39.

The market value of Group derivatives is presented below:

Market value by instrument type

	2013		2012	
€ millions	Nominal	Fair value	Nominal	Fair value
Forward Currency transactions	1,182	(9)	550	(1)
Currency options	68	0	1	0
Cross currency swap EUR/USD	250	14	250	12
Interest rate swaps USD	109	(5)	114	(7)
Interest rate options (caps)	86	0	88	0
TOTAL DERIVATIVE INSTRUMENTS	**1,695**	**0**	**1,003**	**4**

Market value by hedge type

€ millions	2013	2012
Cash flow hedges:		
■ Forward exchange contracts	(7)	
■ *Interest* rate swaps	(5)	(7)
Fair value hedges:		
■ Forward exchange contracts	0	0
■ *Cross currency swaps*	14	12
Instruments not qualifying for hedge accounting:		
■ Forward exchange contracts	(2)	(1)
■ Currency options	0	
■ Interest rate options (caps)	0	
MARKET VALUE OF DERIVATIVE INSTRUMENTS	**0**	**4**
Derivative financial instruments recognized in assets	17	34
Derivative financial instruments recognized in liabilities	(17)	(30)

In 2007, Essilor of America set up a fixed-rate borrowing of €250 million with maturity in 2014. This transaction is hedged via a cross-currency swap, which converted the initial borrowing into US dollars at a variable rate. This transaction is classified as a fair value hedge.

Forward foreign exchange transaction details at December 31, 2013 (nominal amount)

	Currency purchased													
€ millions	EUR	USD	THB	GBP	JPY	MXN	PHP	PLN	SGD	INR	AUD	CHF	Other	TOTAL
Currency sold														
EUR		483	22	58	21			18	1		4	2	2	611
USD	37		58		14	25	12		14	8				168
GBP	156	18												174
CAD	73	9												82
AUD	21	25												46
BRL		29												29
INR		13												13
SEK	11													11
SGD	9													9
THB					8									8
CHF	7													7
KRW		4												4
MXN	4													4
NZD	1										2			3
ZAR	3													3
TRY	3													3
Other	7	0												7
TOTAL	**332**	**581**	**80**	**58**	**43**	**25**	**12**	**18**	**15**	**8**	**6**	**2**	**2**	**1,182**

23.3 Profit (loss) on settling cash flow hedges

The effects on the gross margin of settling cash flow hedges set up at the end of the prior year are as follows: -€1 million for 2013, compared with +€2 million for 2012.

NOTE 24. Other current and non-current liabilities

€ millions	2013	2012
Liabilities related to long-term put options granted to minority shareholders	331	229
Trade payables and liabilities on long-term financial investments	186	4
TOTAL OTHER NON-CURRENT LIABILITIES	**517**	**233**
Liabilities to suppliers related to tangible and intangible fixed assets	6	5
Liabilities related to long-term financial investments	57	110
Liabilities related to short-term put options granted to minority shareholders	64	65
Other	29	28
TOTAL OTHER CURRENT LIABILITIES	**156**	**208**

NOTE 25. Off-balance sheet commitments

€ millions	2013	2012
Commitments given		
Guarantees and endorsements	89	95
Debt secured by collateral:		
■ Liabilities	0	0
■ Carrying amount of collateral	3	2
Commitments received		
Guarantees, endorsements and sureties received	2	6
Commitments under operating leases and for royalties		
Within one year	26	23
In 1 to 5 years	64	69
Beyond 5 years	6	14
TOTAL OPERATING LEASING COMMITMENTS	**96**	**106**

NOTE 26. Market risks

Market risks are managed by the Group Treasury Department. The head of this Department reports to the Chief Financial Officer, who is a member of the Executive Committee.

26.1 Liquidity risk

The Company's financing strategy is based on security: security over time through long-term financing, security in terms of the amounts available, and security in the diversity of its financing sources.

Generally speaking, the parent company negotiates with its banking partners for the lines necessary for the proper functioning of Group business activity and refinances the great majority of its subsidiaries in the short and medium term through cash pooling and inter-company loans.

The Group has the following confirmed credit facilities or bank loans with leading banks.

€ millions	Amount 2013	Issue date	Maturity
Syndicated credit facility	850	2013	2018[(a)]
Bilateral bank facilities	703	2012/2013	2015/2017
Acquisition loan	326	2013	2016

(a) With the option to extend for another 2 years.

Drawing down on these lines is not subject to any particular covenant.

At December 31, 2013, none of these lines had been drawned.

The distribution of the Group's net financial debt and available credit lines by contractual maturity at December 31, 2013 was as follows:

(Please also refer to Note 22 to the consolidated financial statements, Net debt and net borrowings)

€ millions	2014	2015	2016	2017	2018	2019	2020	>2020	Total
Commercial paper[a]					215				215
Bank loans[b]	295	9	3	9					316
US private placements				199	91	170	98	22	580
Bank overdraft									37
Other liabilities	6	5				1			12
GROSS DEBT	**338**	**14**	**3**	**208**	**306**	**171**	**98**	**22**	**1,160**
Cash	(786)								(786)
Marketable securities			(4)					(1)	(5)
NET DEBT[C]	**(448)**	**14**	**(1)**	**208**	**306**	**171**	**98**	**21**	**369**
Available committed credit facilities		235	476	318	850 [d]				1,879

(a) Commercial paper is set to mature in 2018 (maturity of credit facilities).
(b) Including cross currency swaps.
(c) > to 0: net debt; < to 0: net cash surplus.
(d) With the option to extend for another 2 years

26.2 Currency risk

In view of the fact that the Group operates in numerous countries, it is exposed to currency fluctuations. Exposures to currency risk are routinely hedged by the appropriate market instruments: forward currency purchases and sales or currency options. Foreign exchange market transactions are entered into solely to hedge risks arising on business operations. The Company does not carry out any currency trading transactions without any underlying commercial transaction.

Invoicing in local currency of importing or exporting companies allows the concentration of the bulk of foreign exchange risk on a small number of entities. Those companies that are exposed to significant currency risk are hedged with the support of the Group Treasury Department. The risk to other subsidiaries, if reduced, is nonetheless monitored centrally.

All foreign exchange transactions are processed within predetermined management limits with the purpose of optimizing exchange rate risk hedging.

Commercial transactions, the payment of dividends, royalties and management fees from the subsidiaries are hedged within a range of 80 to 100% of the identified risk position.

Currency risks on financial transactions, such as business acquisitions and disposals and capital increases, are managed on a case-by-case basis according to the probability that the transaction will take place, using the most appropriate financial instruments.

The Group applies hedge accounting to currency transactions. Sometimes, even though the transactions are justified economically, they do not meet the conditions for being recorded as hedge accounting. In this case, the revaluation of currency transactions impacts the income statement.

The Group's total net currency exposure at December 31, 2013 represented an amount equivalent to some €108 million.

Consolidated exposure to currency risk on assets and liabilities at December 31, 2013

(assets and liabilities denominated in a currency other than the functional currency of the entity concerned)

€ millions	Balance sheet amount before hedging[(a)]	Hedges on balance sheet items[(b)]	Net exposure after hedging[(c)]	Cash flow hedges[(d)]
Exposed currency				
USD	78	18	96	60
EUR	(16)	0	(16)	2
JPY	(6)	8	2	42
GBP	11	(2)	9	(45)
CAD	3	0	3	(7)
Other	6	8	14	22
TOTAL	**76**	**32**	**108**	**74**

(a) > to 0: Assets to be hedged; < to 0: liabilities to be hedged.
(b) > to 0: Net currency purchases; < to 0: net currency sales.
(c) > to 0: Unhedged assets; < to 0: unhedged liabilities.
(d) > to 0: Currency purchase hedges; < to 0: currency sale hedges.

Sensitivity of equity and profit to changes in the fair value of derivatives at December 31, 2013

Sensitivity is calculated solely on the valuation of derivatives at the end of the year.

The impact of a change in fair value of the derivatives following a rise or fall in the euro *versus* all other currencies is presented below:

Impact of change (€ millions)

On equity		On Profit before tax	
+5% increase	**-5% increase**	**+5% increase**	**-5% increase**
0.0	(1.2)	0.1	0.7

The impact of the change in equity would be generated by foreign exchange and interest rate instruments eligible to be recorded as cash flow hedges.

The impact of the change in financial income is generated by foreign exchange instruments not eligible to be recorded as hedges and by the change in the ineffective portion of the cash flow hedges.

26.3 Interest rate risk

The objective of the interest rate risk management policy is to minimize financing costs while protecting the Group from an adverse change in interest rates.

Since the great majority of Group financing is concentrated on the parent company, interest rate risk management is also centralized there.

The interest rate position before and after hedging is as follows:

	Before hedging		Hedges[(a)]			After hedging[(a)]		
€ millions	Fixed rate	Variable rate	Fixed rate	Variable rate	Cap	Fixed rate	Variable rate	Capped variable rate
Gross debt	824	350	(141)	41	86	683	391	86
Cash and similar	(5)	(786)				(5)	(786)	
SUB-TOTAL	**819**	**(436)**	**(141)**	**41**	**86**	**678**	**(395)**	**86**
NET DEBT		**383**			**(14)**			**369**

(a) Including fair value of cross currency swap.

The interest rate position, by currency, before and after hedging is as follows:

	Before hedging		Hedges[(a)]			After hedging[(a)]		
€ millions	Fixed rate	Variable rate	Fixed rate	Variable rate	Cap	Fixed rate	Variable rate	Capped variable rate
EUR	255	(171)	(250)	(10)	50	5	(181)	50
USD	547	(41)	109	(53)	36	656	(94)	36
Other	17	(224)		104		17	(120)	
SUB-TOTAL	**819**	**(436)**	**(141)**	**41**	**86**	**678**	**(395)**	**86**
NET DEBT		**383**			**(14)**			**369**

(a) Including fair value of cross currency swap.

As of December 31, 2013, 58% of gross debt after hedging was at fixed rate (*versus* 41% in 2012).

The actual average weighted interest rate was 2.10% at the end of 2013 (1.68% at the end of 2012).

A parallel shift by 1% of the interest rate curves at December 31, 2013 applied to the components of net debt would have the following impact:

€ millions	Cash effect on income statement
1% increase	3
1% decrease	(3)

The distribution of the net financial debt by currency is as follows :

€ millions	Gross debt	Cash and similar	Hedges[a]	Net debt after hedging[a]
EUR	484	(400)	(210)	(126)
USD	627	(121)	92	598
BRL	2	(20)		(18)
KRW		(28)		(28)
JPY		(31)		(31)
GBP		(7)	45	38
CNY	2	(26)	0	(24)
CAD	0	(25)	63	38
SGD	2	(27)	9	(16)
Other	57	(106)	(13)	(62)
SUB-TOTAL	**1,174**	**(791)**	**(14)**	**369**
NET DEBT		**383**	**(14)**	**369**

(a) Including market value of cross currency swap.

26.4 Counterparty risk

Available cash is invested in accordance with the two overarching principles of security and liquidity.

The Group sets limits on investment periods and vehicles, as well as on concentrations of counterparty risks.

At December 31, 2013, counterparties for investment and capital markets transactions carried out by the Group Treasury Department were all rated at least A-2 (short-term) and A- (long-term) by Standard & Poor's. At that date, 71% of investments made by Group subsidiaries had a minimum Standard & Poor's long-term rating of A-.

At December 31, 2013, all the banks providing Essilor International with credit facilities had a minimum Standard & Poor's long-term rating of A-.

26.5 Credit risk

Non-provisioned outstanding customer accounts receivable due totaled €169 million at December 31, 2013 (€122 million at December 31, 2012). This was comprised mostly of receivables due in less than 3 months (88.8% in 2013; 85.9% in 2012) that were slightly past due.

€ millions	2013	2012
Trade receivables due within one year, net	1,087	1,055
Trade receivables due beyond one year, net	17	25
TRADE RECEIVABLES, NET	**1,104**	**1,080**
Trade receivables not yet due	897	917
Past-due trade receivables, net	207	163
Guarantees received, recoverable VAT	(38)	(41)
Past-due trade receivables, net of provisions and guarantees	169	122

Information relating to the twenty largest Group clients is presented in Note 3, Segment Information.

NOTE 27. Environmental risks

The Company is not exposed to any material environmental risks.

NOTE 28. Litigation

The accounting principals applied to provisions for contingencies is presented in Note 1.32 of the accounting principles in the notes to the consolidated financial statements. Moreover, Note 5.1 to these consolidated financial statements as at 31 December 2013 presents the details of the other operating income and expenses and Note 21 presents activity in provisions.

The main disputes facing the Company are:

Germany

At the end of 2008, the German competition authorities, the "Bundeskartellamt" ("BKA"), launched an investigation into possible breaches of German competition law by major players in the ophthalmic optics market, including two of our subsidiaries, Essilor GmbH and Rupp & Hubrach Optik GmbH.

Following this investigation, on June 10, 2010, the BKA sent formal notification of fines to the major ophthalmic optic companies in Germany. Accordingly, our two subsidiaries were officially notified of violations representing an aggregate amount of around €50 million.

Essilor GmbH and Rupp & Hubrach Optik GmbH are contesting both the grounds for the BKA's conclusions and the amount of the fine, which they deem to be disproportionate. Two appeals were therefore lodged against the BKA's decisions on June 15 and 16, 2010. None of the fines will be paid while these appeals are pending. The Group is not currently in a position to forecast their outcome or timetable.

Following the receipt of the notices from the BKA, the Group booked provisions of €51 million in its December 31, 2010 consolidated financial statements.

Since that date, there have been no further developments in proceedings, other than the appointment of a new prosecutor in charge of the case. The provisions initially created were maintained in the accounts at December 31, 2013.

United States and Canada

Following the settlement of charges brought by the Federal Trade Commission after an investigation into Transitions Optical Inc's business practices in 2009, around twenty motions for authorization to bring class actions have been filed since late March 2010 against Transitions Optical Inc, Essilor International, Essilor of America and Essilor Laboratories of America before US and Canadian courts. The plaintiffs in these motions are alleging that the companies concerned endeavored to jointly monopolize the market for the development, manufacture and sale of photochromic lenses between 1999 and March 2010.

Joinder of the US cases in a federal court in Florida was authorized in late 2010. The plaintiffs' admissibility proceedings began in the first half of 2011 and the discovery phase was completed in late 2012. A court decision is awaited to confirm or deny the qualification of the motions as class actions and determine the procedure's next steps. The claims received contain no claims for damages. For this reason, the Group had not recorded any provisions at December 31, 2013.

Other disputes

To the knowledge of the Company, there is no other dispute, governmental or legal proceedings, or arbitration that may have or recently had significant impacts on the financial position, earnings, profitability, business activity, and assets of the Company or the Group.

NOTE 29. Number of employees and personnel costs

Number of employees	2013	2012
Managerial personnel	6,541	6,262
Supervisors and administrative	16,721	14,061
Production	29,700	29,889
TOTAL AVERAGE NUMBER OF EMPLOYEES FOR THE PERIOD	**52,962**	**50,212**

€ millions	2013	2012
PERSONNEL COSTS	**1,597**	**1,550**
(Salaries, payroll taxes and compensation costs on share-based payments)		

Number of employees	2013	2012
NUMBER OF EMPLOYEES AT THE END OF THE PERIOD	**55,129**	**50,668**
including employees of proportionately consolidated companies (on a 100%-basis)	18	14

NOTE 30. Related party transactions

Senior management compensation

€ millions	2013	2012
Total compensation and benefits paid to the Executive Committee[a]	14	13
Directors' fees paid to the Executive Committee		
TOTAL SENIOR MANAGEMENT COMPENSATION	**14**	**13**

(a) Gross amount before payroll and other taxes paid to current members of the Executive Committee at December 31.

The Executive Committee had 24 members at December 31, 2013 compared with 23 at December 31, 2012.

Post-employment benefits for Executive Committee members

- Defined-benefit obligations: €34.8 million at December 31, 2013 (€29.6 million at December 31, 2012).
- Length-of-service awards: €1.6 million at December 31, 2013 (€1.7 million at December 31, 2012).

These obligations are payable under Group plans set up by Essilor International for all employees or for certain employee categories. The obligations are funded under insured plans, with any unfunded portion covered by provisions. In addition, these obligations are fully funded by retirement provisions recorded in the Group financial statements.

Stock options and performance shares granted to Executive Committee members

The cost of these plans shown below reflects the recognition over the acquisition period of the fair value of stock options and performance shares at the grant date (see Note 1.14 for more details).

The costs recognized in 2013 for stock options and performance shares granted to Executive Committee members are as follows:

- €0 (2012: €1.1 million) for stock subscription options.
- €7.5 million (2012: €5.6 million) for performance shares.

Related party transactions

Related parties are companies accounted for by the equity method:

- Vision Web, 44%-owned by Essilor.

  Essilor of America laboratories use the Vision Web ordering system in the United States;
- Groupe Transitions, 49%-owned by Essilor.

  Essilor sells stock lenses to the Transitions group, for transformation into variable-tint lenses. Essilor also distributes Transitions products across its networks.

Balances and related party transactions

€ millions	2013	2012
Product sales	110	102
Product purchases	(424)	(398)
Trade receivables	25	15
Trade payables	62	59

Other related party transactions

There were no non-current transactions with members of Senior management.

NOTE 31. Subsequent events

Material changes in Essilor's financial or trading position

No material change in Essilor's financial or trading position has occurred since December 31, 2013.

New acquisitions

Essilor finalized the acquisition of all outstanding shares of Costa Inc., a US leader in high-performance sunglasses.

The transaction, announced on November 8, 2013, was approved by Costa Inc. shareholders in the special meeting of shareholders held on January 30, 2014. It has also received all required regulatory approvals. Costa Inc. shares have ceased to be publicly traded on Nasdaq.

Based in Lincoln, Rhode Island (USA), Costa Inc. designs, assembles and markets sunglasses under the Costa® and Native® brands. Costa has become the fastest growing performance sunglass brand in the United States. The company generated revenue of nearly US$100 million in 2013.

Costa Inc. has been included in Essilor's scope of consolidation since February 1, 2014. Based on current estimates and excluding the impact of the one-time transaction-related costs, the acquisition will be accretive to Essilor's earnings per share in 2014.

In the United States, Essilor acquired a majority stake in the Arkansas-based prescription laboratory Plunkett Optical, which generates annual revenue of US$3.3 million.

Transitions Optical Inc.

On July 29, 2013, Essilor announced the signing of an agreement to acquire the 51% stake in Transitions Optical owned by PPG. Transitions Optical is a leading provider of photochromic lenses to optical manufacturers worldwide. Following the transaction, Essilor will own 100% of the capital of Transitions Optical. Transitions Optical generated revenue of US$814 million in 2012, of which around US$310 million with lens manufacturers other than Essilor. Under the agreement, Essilor will also acquire 100% of the capital of Intercast, a high-performance sun lens manufacturer based in Parma, Italy. In 2012, Intercast revenue stood at nearly US$34 million.

The consideration for the transaction amounts to US$1.73 billion at closing, as well as a deferred payment of US$125 million over five years, for 51% of the capital of Transitions Optical and 100% of Intercast.

Subject to various regulatory approvals, the transaction is expected to close during the first half of 2014.

Based on current estimates, the transaction should have a positive impact on Essilor's financial indicators and, in particular, an accretive impact on earnings per share as of year one of the integration and of at least 5% in subsequent years.

Following the transaction, the consolidated debt-to-equity ratio will remain below 40%.

NOTE 32. List of fully-consolidated companies

Company	Country	% control	% interest
FRANCE			
Activ Screen	France	68	68
BBGR	France	100	100
BNL Eurolens	France	100	100
BNL Polyofta	France	100	100
Dac Vision SAS	France	60	60
Delamare Sovra	France	100	100
Domlens	France	65	65
Essidev	France	100	100
Essiholding	France	100	100
Essor	France	65	65
FGX Holding SASU	France	100	100
Fred Management (Holding)	France	100	100
Invoptic	France	100	100
Interactif Visual System	France	68	68
IVS Technical Center	France	68	68
Mega Optic Design	France	75	75
Mont-Royal	France	64	64
Novacel Ophtalmique	France	75	75
Novisia	France	100	100
Omi	France	100	100
Optim	France	100	100
Satisloh SAS	France	100	100
Shamir France SARL	France	100	50
Tikai Vision (formerly Barbara)	France	100	100
EUROPE			
BBGR GmbH	Germany	100	100
Essilor GmbH	Germany	100	100
Infield Safety GmbH	Germany	100	100
Neckarsee GmbH	Germany	100	100
Nika Optics	Germany	100	100
Rupp & Hubrach Optik GmbH	Germany	100	100
Satisloh GmbH	Germany	100	100
Shamir Optic GmbH	Germany	100	50
Signet Armorlite Germany Holding GmbH	Germany	100	100
Signet Armorlite Optic	Germany	100	100
Essilor Austria GmbH	Austria	100	100
De Ceynunck & Co. NV	Belgium	100	100
Essilor Belgium S.A.	Belgium	100	100
Essilor Optika doo	Croatia	100	100
Essilor Danmark A.S.	Denmark	100	100
BBGR Lens Iberia S.A.	Spain	100	100
Essilor Espana S.A.	Spain	100	100
Essilor Optica International Holding S.L	Spain	100	100
Satisloh Iberica	Spain	100	100
Shamir Optical Espana, SL	Spain	100	50
Signet Armorlite Iberica	Spain	100	100
Essilor OY	Finland	100	100
BBGR United Kingdom	United Kingdom	100	100
Crossbows Optical Ltd	United Kingdom	100	100
Essilor European Shared Service Centre Ltd.	United Kingdom	100	100
Essilor Ltd	United Kingdom	100	100
FGX Europe Limited	United Kingdom	100	100
Horizon Optical Company Ltd.	United Kingdom	100	100
Humanware Europe	United Kingdom	63	63
Infield Safety UK, Ltd.	United Kingdom	100	100
Leicester	United Kingdom	80	80
Nikon Optical UK	United Kingdom	50	50
Shamir UK Limited	United Kingdom	100	50

Company	Country	% control	% interest
Sight Station Ltd	United Kingdom	100	100
Signet Armorlite Europe Ltd	United Kingdom	100	100
Sinclair Optical Laboratories	United Kingdom	100	100
United Optical Laboratories	United Kingdom	100	100
Wholesale Lens Corporation Limited	United Kingdom	100	100
Essilor Optika Kft	Hungary	100	100
Athlone	Ireland	100	100
Essilor Ireland (Sales) Ltd	Ireland	100	100
Organic Lens Manufacturing (branch)	Ireland	100	100
Essilor Italia S.p.A.	Italy	100	100
Infield Safety Italia, SRL	Italy	100	100
LTL S.p.A.	Italy	100	100
Oftalmika Galileo Spa	Italy	100	100
Optilens Italia s.r.l.	Italy	100	100
Polinelli SRL	Italy	100	100
Satisloh Italy Spa	Italy	100	100
Shamir RX Italia SRL	Italy	100	50
Impasoles	Luxembourg	100	100
Essilor Norge A.S.	Norway	100	100
Sentralslip	Norway	100	100
Essilor Nederland BV	Netherlands	100	100
Essilor Nederland Holding BV	Netherlands	100	100
Holland Optical Corp. BV	Netherlands	100	100
Holland Optical Instruments BV	Netherlands	100	100
B.V. Nederlandse Optische Industrie E.N.O.T.	Netherlands	50	50
O'Max BV	Netherlands	100	100
Shamir Nederland B.V	Netherlands	100	50
Signet Armorlite (Holland) BV	Netherlands	100	100
Essilor Optical laboratory Polska Sp. Z.o.o.	Poland	100	100
Essilor Polonia	Poland	100	100
JZO	Poland	98	98
Shamir Polska Sp. zo.o	Poland	100	50
Essilor Portugal	Portugal	100	100
Shamir Portugal, LDA	Portugal	100	50
Signet Armorlite Portugal – Unipessoal, LDA	Portugal	100	100
Essilor Optika Spol s.r.o.	Czech Republic	100	100
Omega Optix S.R.O. (Czechia)	Czech Republic	100	100
Essilor Romania SRL	Romania	100	100
Essilor Optika OOO	Russia	100	100
Luis Optica	Russia	80	80

Company	Country	% control	% interest
Moc BBGR	Russia	51	51
Shamir Russia LLC	Russia	100	50
Essilor Slovakia	Slovakia	100	100
Omega Optix S.R.O. (Slovakia)	Slovakia	100	100
Essilor D.O.O Slovenia	Slovenia	100	100
BBGR Skandinaviska	Sweden	100	100
Essilor AB	Sweden	100	100
Essilor (Switzerland) S.A.	Switzerland	100	100
Reize	Switzerland	65	65
Satisloh AG	Switzerland	100	100
Satisloh Holding AG	Switzerland	100	100
Satisloh Photonics AG	Switzerland	100	100
Vaco Holding S.A.	Switzerland	100	100
NORTH AND CENTRAL AMERICA			
Active Vision	Canada	100	61
AN Optical	Canada	51	31
Aries Optical Ltd.	Canada	100	100
Benson Edwards Optica	Canada	50	50
BBGR Optique Canada Inc.	Canada	100	100
Bugaboos Eyewear Corporation	Canada	100	100
Canoptec Inc.	Canada	100	100
Cascade Optical Ltd	Canada	60	60
Clearlen	Canada	100	61
CPS 360 Optical	Canada	50	50
Custom Surface Ltd.	Canada	100	100
Eastern Optical Laboratories Ltd.	Canada	100	100
Econo Optics	Canada	60	60
Essilor Canada Ltd.	Canada	100	100
FGX Canada Corp	Canada	100	100
Fundy Vision	Canada	80	80
Groupe Vision Optique	Canada	100	100
K & W Optical Ltd.	Canada	100	100
Imperial Laboratories Inc	Canada	60	60
Laboratoire d'Optique de Hull Inc	Canada	100	100
Laboratoire d'Optique SDL	Canada	97	97
Metro Optical Ltd.	Canada	100	100
Morrison Optical	Canada	100	100
Naked Eye Enterprises Inc.	Canada	100	100
Nikon Optical Canada Inc.	Canada	50	50
OMICS Software Inc	Canada	100	100
OPSG Ltd.	Canada	100	100
Optique Cristal	Canada	70	70
Optique de l'Estrie Inc.	Canada	100	100

Company	Country	% control	% interest
Perspectics	Canada	100	100
Pioneer Optical Inc.	Canada	100	100
Pro Optic Canada Inc.	Canada	100	100
Purelab DLP INC	Canada	50	25
R & R Optical Laboratory Ltd.	Canada	100	100
Riverside Opticalab & Subidiaries	Canada	61	61
SDL	Canada	90	90
Shamir Canada	Canada	100	50
Signet Armorlite Canada, Inc	Canada	100	100
Stylemark Canada	Canada	100	100
Suntech	Canada	100	100
Superlab	Canada	100	61
Technologies Humanware	Canada	63	63
UTMC	Canada	100	61
Westlab	Canada	100	100
21st Century Optics Inc.	United States	100	100
Accu Rx Inc	United States	95	95
Advance Optical	United States	95	95
AG Opticals Inc	United States	100	100
Apex Optical Company Inc.	United States	100	100
Balester Optical	United States	100	100
Barnett & Ramel Optical Co. of Nebr.	United States	80	80
Bazell	United States	70	70
Beitler Mc Kee Company	United States	90	90
Blue Optics	United States	80	80
BSA Industries	United States	100	100
Bugaboos Eyewear Inc.	United States	100	100
Carskadden Optical	United States	100	100
Central Optical	United States	60	60
Classic Optical	United States	95	95
Collard Rose	United States	95	95
Cordless Network Service (Frame Displays)	United States	80	80
Custom Optical	United States	100	100
Dac Vision Inc	United States	60	60
Deschutes	United States	80	80
Dibok Aspen Optical	United States	100	100
Dioptics Medical Products	United States	100	100
Eye Buy Direct US	United States	61	61
ELOA California Acquisition Corp.	United States	100	100
E-Magine Optical	United States	80	80
Empire	United States	85	85
Encore LLC	United States	50	50
Epics Labs Inc	United States	80	80

Company	Country	% control	% interest
Essilor Laboratories of America Corporation	United States	100	100
Essilor Laboratories of America Holding Co Inc.	United States	100	100
Essilor Laboratories of America, Inc (including US laboratories)	United States	100	100
Essilor Laboratories of America, LP (including Avisia, Omega, Duffens)	United States	100	100
Essilor Latin America & Caribbean Inc.	United States	100	100
Essilor of America Holding Co Inc.	United States	100	100
Essilor of America Inc.	United States	100	100
Eye Care Express Lab Inc	United States	95	95
Eyewear LLC	United States	61	61
FGX Direct LLC	United States	100	100
FGX International Holdings Limited	United States	100	100
FGX International II Limited	United States	100	100
FGX International, Inc	United States	100	100
Focus Optical Labs, Inc	United States	90	90
Frames For America	United States	70	43
Future Optics FL Inc	United States	92	92
Future Optics TE Inc	United States	100	100
Gentex Optics Inc.	United States	100	100
Gulfstates Optical Laboratories Inc.	United States	80	80
Hawkins Optical Laboratories Inc	United States	100	100
Hirsch Optical	United States	100	100
Homer Optical	United States	100	100
Humanware USA	United States	63	63
Interstate Optical	United States	80	80
Jorgenson Optical Supply Cy.	United States	95	95
Katz & Klein	United States	100	100
Lenstech Optical Lab Inc.	United States	80	80
Mc Leod Optical Company Inc.	United States	80	52
MGM	United States	85	85
MOC Acquisition Corporation	United States	84	84
Nassau Lens Co Inc.	United States	100	100
NEA Optical LLC	United States	80	80
Next generation	United States	100	100
Nikon Optical US	United States	50	50
NOA	United States	100	100
OOGP	United States	100	100
Optical One	United States	80	80
Optical Suppliers Inc. (Hawaii)	United States	85	85
Optical Venture Inc	United States	80	80

Company	Country	% control	% interest
Optics East	United States	100	100
Optimatrix	United States	100	100
Optisource International Inc.	United States	90	90
Opt. Lab. Software Solutions	United States	100	100
Ozarks Optical Laboratories	United States	80	80
Pasch Optical Laboratory Inc.	United States	50	40
Pech Optical	United States	100	100
Peninsula Optical Lab.	United States	80	80
Perferx Optical Co Inc	United States	94	94
Personnal Eyes	United States	100	100
Polyvision INC	United States	50	50
Precision Optical Co. (Connecticut)	United States	80	80
Precision Optical Lab. (Tennessee)	United States	95	95
Premier Optics Corp	United States	90	90
Prodigy	United States	100	100
Professional Opthalmic Lab	United States	80	80
RD Cherry	United States	80	80
Satisloh North America	United States	100	100
Shamir Insight, Inc.	United States	100	50
Shamir USA	United States	100	50
Signet Armorlite Inc	United States	100	100
Signet Armorlite USA	United States	100	100
Skaggs and Gruber, Ltd d.b.a Trucker Meadows	United States	80	80
Southwest lens	United States	65	65
Speciality Lens Corp.	United States	100	100
Stereo Optical Co. Inc.	United States	100	100
Stylemark	United States	100	100
SunStar Inc.	United States	80	80
Sutherlin Optical Company	United States	100	100
Tri Supreme Optical LLC	United States	100	100
Ultimate Optical Lab	United States	100	100
VIP Optical	United States	100	100
Vision-Craft Inc.	United States	100	100
Winchester Optical Company	United States	80	80
X-Cell	United States	80	80
Rainbow Optical	Puerto Rico	100	100
OTHER			
Easy Vision Pty Ltd	South Africa	100	100
Essilor South Africa (Pty) Ltd.	South Africa	100	100
Evolution Optical	South Africa	51	51
Spherical Optics (Pty) Ltd.	South Africa	100	100
Vision & Value	South Africa	80	80

Company	Country	% control	% interest
AR Coating S.A.	Argentina	96	96
Essilor Argentine S.A.	Argentina	100	100
Optovision S.A.	Argentina	51	51
City Optical Pty Ltd.	Australia	100	100
Essilor Australia Pty Ltd.	Australia	100	100
Essilor Laboratory South Australia Pty Ltd.	Australia	100	100
Essilor Lens Australia Pty Ltd.	Australia	100	100
Eyebiz	Australia	70	70
Humanware Australia	Australia	63	63
Precision Optics Pty Ltd.	Australia	100	100
Prescription Safety Glasses Pty Ltd	Australia	51	51
Shamir Australia (Pty) Ltd.	Australia	66	33
Sunix Computer Consultants Pty Ltd	Australia	50	50
Tasmanian Optical Cy Pty LTD	Australia	100	100
Wallace Everett Lens Technology	Australia	66	66
Brazil 2.5 New Vision Generation	Brazil	100	100
Brasilor Participacoes Sc Ltda.	Brazil	100	100
Canto e Mello	Brazil	70	70
Ceditop	Brazil	76	76
Comopticos	Brazil	70	70
Comprol	Brazil	51	51
Embrapol Sul	Brazil	73	73
Essilor Da Amazonia Industria e Commercio Ltda.	Brazil	100	100
Farol	Brazil	70	70
GBO	Brazil	74	74
Grown	Brazil	51	51
Mult Block	Brazil	51	51
Mult Laboptical	Brazil	51	51
Multi Optica Distribuidora Ltda.	Brazil	100	100
Optiminas	Brazil	70	70
Orgalent	Brazil	51	51
PSA Nilo	Brazil	51	51
Riachuelo	Brazil	70	70
Repro	Brazil	70	70
Satisloh do Brasil	Brazil	100	100
Shamir Brasil Commercial LTDA	Brazil	100	50
Styll	Brazil	51	51
Sudop Industria Optica Ltda.	Brazil	100	100

Company	Country	% control	% interest
Technopark Comercio de Artigos Opticos S.A	Brazil	51	51
Tecnolens	Brazil	71	71
Unilab	Brazil	75	75
YTT Holding	Brazil	51	51
Essilor Cambodia	Cambodia	51	51
Codi Sivo	Cameroon	55	28
Megalux	Chile	51	51
Chemilens Co. Ltd	China	50	50
Danyang	China	80	80
Eye Buy Direct China	China	61	61
Essilor China Holding Co Ltd	China	100	100
FGX International Limited China	China	100	100
Nikon Beijing Co. Ltd	China	50	50
Satisloh Trading Shenzen	China	100	100
Satisloh Zhongshan	China	100	100
Seeworld Optical Co.	China	51	51
Shamir Optical (Shanghai Co. Ltd)	China	100	50
Shanghaï Essilor Optical Co. Ltd.	China	100	100
Shanghaï NVG Optical	China	100	100
Tian Hong	China	50	50
Wanxin	China	50	50
Xiamen Artgri Optical Company Ltd	China	50	50
Xiamen Yarui Optical Company Ltd	China	50	50
Youli Optics Co Ltd.	China	51	51
Essilor Colombia	Colombia	100	100
Ivortest	Colombia	100	100
Servioptica	Colombia	51	51
Signet Armorlite Columbia SA	Colombia	96	96
Chemiglas	South Korea	50	50
Dekovision	South Korea	50	50
Essilor Korea	South Korea	50	50
Incheon Optics	South Korea	80	40
Onbitt	South Korea	51	51
Laboratoires Sivo Abidjan	Ivory Coast	90	50
Essilor Amico LLC	United Arab Emirates	50	50
Essilor Amico Middle East FZCO	United Arab Emirates	50	50
Essilor Middle East Limited	United Arab Emirates	100	100
Osme	United Arab Emirates	100	100
Ghanada	United Arab Emirates	80	40

Company	Country	% control	% interest
GKB Emirates	United Arab Emirates	50	50
Eye Buy Direct HK	Hong Kong	61	61
Essilor Hong Kong	Hong Kong	100	100
Foster Grant Hong Kong Limited	Hong Kong	100	100
Polycore Optical (HK) Ltd	Hong Kong	50	50
Polylite Hong Kong	Hong Kong	51	51
Satisloh Asia and Trading Ltd	Hong Kong	100	100
20 20 Optics	India	70	70
Beauty Glass Pvt Ltd.	India	88	88
Deepak Lens Pvt Ltd	India	60	60
Delta CNC	India	76	39
Delta Lens Pvt Ltd	India	51	51
Enterprise Ophtalmics Pvt Ltd	India	50	50
Essilor India Pvt Ltd (ex- Esssilor SRF Optics Ltd)	India	100	100
Essilor Lens & Specs	India	60	60
Essilor Manufacturing India Pvt Ltd (ex- Indian Ophtalmic Lenses Manuf.)	India	100	100
GKB Hi Tech	India	50	50
GKB Optic Tech Private Ltd	India	51	51
GKB Rx Lens Private Ltd.	India	76	76
India New Vision Generation Pvt Ltd	India	100	100
Optics India Equipment Pvt Ltd	India	50	50
OSD Optics	India	100	100
Sankar	India	70	70
Vijay Vision Pvt Ltd.	India	88	88
P.T Optical Support of Indonesia	Indonesia	70	70
P.T. Essilor Indonesia	Indonesia	100	100
P.T. Polyvisi Rama Optik	Indonesia	50	49
P.T. Supravisi Rama Optik Manufacturing	Indonesia	50	49
Essilor Israel Holding	Israel	100	100
Essilor Israel Laboratories Ltd (Optiplas)	Israel	100	50
Shamir Holding Optical	Israel	50	50
Shamir Optical Industry	Israel	50	50
Shamir Special Optical Products Ltd.	Israel	100	50
Shamir Eyal Ltd.	Israel	100	50
Shamir Israel Optical Marketing Ltd.	Israel	100	50
Shamir Or Ltd.	Israel	100	50
Inray Ltd.	Israel	100	50
Aichi Nikon Co. Ltd.	Japan	50	50
Nasu Nikon Co. Ltd.	Japan	50	50
Nikon – Essilor Co. Ltd	Japan	50	50
Essilor Amico Kuwait	Kuwait	100	50

Company	Country	% control	% interest
Essilor Lao Co Ltd	Laos	100	100
Essilor Malaysia Sdn Bhd	Malaysia	100	100
Frames and Lenses	Malaysia	90	90
ILT Malaysia	Malaysia	81	81
Polycore Optical (Malaysia) Sdn Bhd	Malaysia	50	50
Essilor Management North and West Africa	Morocco	100	100
L'N Optics	Morocco	51	51
Optiben	Morocco	80	80
Sivom	Morocco	51	28
VST Lab	Morocco	80	80
Aai Joske's S de RL de CV	Mexico	100	100
Centro Integral Optico S.A de C.V	Mexico	51	26
Cristal y Plastico S.A. de CV	Mexico	51	51
Essilor Mexico	Mexico	100	100
Shalens S.A C.V	Mexico	51	26
Signet Armorlite de Mexico, SA et CV	Mexico	99	99
Sofi de Chihuahua	Mexico	100	100
Essilor Laboratories New Zealand Ltd. (formerly OHL Lenses Ltd)	New Zealand	100	100
Essilor New Zealand Ltd.	New Zealand	100	100
Optical Laboratories	New Zealand	100	100
Prolab	New Zealand	100	100
Epodi	Philippines	51	51
Essilor Manufacturing Philippines Inc.	Philippines	100	100
Optodev	Philippines	100	100
Amico Qatar	Qatar	98	49
Opti Express	Dominican Republic	51	51
Sivo Togo	Togolese Republic	51	28
Artgri Group International Pte Ltd	Singapore	50	50
Essilor AMERA Pte Ltd.	Singapore	100	100
Essilor Philippines Holding	Singapore	51	51
ETC South East Asia Pte Ltd.	Singapore	70	70
ILT To Latin america	Singapore	51	51

Company	Country	% control	% interest
Integrated Lens Technology	Singapore	100	100
Kaleido Vision Pte Ltd (ex Unique Ophtalmic)	Singapore	100	100
OSA Investments Holdings Pte Ltd	Singapore	100	100
Polycore Optical (SG) Pte Ltd	Singapore	50	50
Polilyte Asia Pacific Pte Ltd	Singapore	51	51
Seeworld Holding Pte Ltd	Singapore	51	51
Signet Armorlite Asia (ex Visitech)	Singapore	100	100
SMJ Holding Pte Ltd	Singapore	70	70
Trend Optical Singapore	Singapore	70	70
Global Lens Lanka	Sri Lanka	50	50
SHIH Heng Optical Taïwan Branch	Taiwan	70	70
Trend Optical Taiwan Branch	Taiwan	70	70
Polylite Taiwan Optilab	Taiwan	51	51
SMJ Holding Pte Ltd Taiwan Branch	Taiwan	70	70
Essilor Distribution Thailand Co. Ltd.	Thailand	100	100
Essilor Manufacturing (Thaïland) Co Ltd.	Thailand	100	100
Essilor Optical Laboratory Thailande	Thailand	100	100
Eyebiz Laboratory Co Ltd	Thailand	70	70
K-T Optic Co., Ltd.	Thailand	98	24
ShamirLens Thailand Co., Ltd.	Thailand	49	24
Essilor Sivo	Tunisia	55	55
Sicom	Tunisia	100	55
Altra Optik Sanayi ve Ticaret A.S	Turkey	100	50
Essilor Management Turkey	Turkey	100	100
Ipek	Turkey	70	70
Isbir	Turkey	73	73
Opak	Turkey	51	51
Yeda Tora	Turkey	70	70
Chemilens Vietnam	Vietnam	50	50

NOTE 33. List of proportionately-consolidated companies

Company	Country	% control	% interest
Nikon and Essilor International Joint Research Center Co. Ltd	Japan	50	50

This proportionately-consolidated company's contribution to the Group's consolidated financial statement was immaterial.

NOTE 34. List of associates

Company	Country	% control	% interest
Transitions group			
■ Transitions Optical Pty Ltd.	Australia	49	49
■ Transitions Optical Do Brazil Limitada	Brazil	49	49
■ Transitions Optical Inc.	United States	49	49
■ Transitions Optical India	India	49	49
■ Transitions Optical Limited	Ireland	49	49
■ Transitions Optical Japan	Japan	49	49
■ Transitions Optical Holdings BV	Netherlands	49	49
■ Transitions Optical Philippines Inc.	Philippines	49	49
■ Transitions Optical Singapore	Singapore	49	49
■ Transitions Optical Thailande	Thailand	49	49
Shamir Optispeed	South Africa	25	25
Vision Web	United States	44	44

NOTE 35. List of non-consolidated companies

Combined financial data for non-consolidated companies

Combined financial data for the main non-consolidated companies held by consolidated companies are as follows (based on a theoretical 100% holding):

				Carrying amount of the shares	
€ millions	Equity	Revenue	Net profit	Gross	Net
Total non-consolidated companies	23	99	1	22	14

N.B.: As allowed under Article 24(11) of French Decree 83.1020 of November 29, 1983, detailed information by subsidiary is not provided as its disclosure would be prejudicial to the Company's interests.

List of non-consolidated companies

Company	Country	% control
FRANCE		
Distrilens	France	100
Optical Supply of Europe	France	100
Essilor Academy Europe	France	100
EUROPE		
Essilor Logistik GmbH	Germany	100
Essilor Bulgaria	Bulgaria	100
AVS	Spain	25
ANFAO (association)	Spain	14
OHO	Estonia	100
Itallenti	Italy	5
UAB JZP Optika Lituania	Lithuania	100
Mec & Ciesse Optical	Italy	70
Rhein Vision BV	Netherlands	33
Optika JZO Zoo	Poland	100
Optikos SP Zoo	Poland	100
Neolens SP Zoo	Poland	100
Essilor Optics d.o.o	Serbia	100
JZO Optika Ukraina	Ukraine	100
AFRICA		
Simex	Côte d'Ivoire	73
Essilor Maroc Management	Morocco	100
Movisia	Morocco	51
NORTH AMERICA		
Superior Optical Lab.	United States	45
e-vision LLC	United States	17
AOS	United States	4
Shamir Eyesware Service Inc.	United States	50
REST OF THE WORLD		
Tianjing vx Technical School	China	100
Polylite Shanghai	China	15
Shandong Xin Yi Trading Ltd. Co	China	30
Shangai Global Optical Lens Distribution	China	100
Zheng Zhou Fang Yuan	China	51
ILT Costa Rica	Costa Rica	100
Dac Vision	Hong Kong	100
CP Services PVT Ltd.	India	100
Essilor Australia Advance Optical	Australia	35
Top Con Vision Care Japan	Japan	10
Nikon Optical Shop Co.	Japan	50
Xtra Vision	India	51
Nemkul	Nepal	51
Essilab Philippines Inc	Philippines	40
Eyeland	Philippines	39
Optoland	Philippines	40
Essilor South Thailand	Thailand	49
Lab. South Thailand	Thailand	87
Polylite Taiwan Co Ltd.	Taiwan	11
OSA Ltd. Liability Co.	Vietnam	33

3.5 Report of the Auditors on the consolidated financial statements

Fiscal year ended December 31, 2013

To the Shareholders,

In compliance with the assignment entrusted to us by your General Meeting, we hereby report to you, for the year ended December 31, 2013, on:

- the audit of the accompanying consolidated financial statements of Essilor International;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group at December 31, 2013 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Without qualifying our opinion, we draw your attention to Note 1.4 to the consolidated financial statements, which describes the impact of the mandatory application of new standards and their amendments to existing standards from January 1, 2013 and, in particular, the amended version of IAS 19 “Employee Benefits”.

II. Justification of our assessments

In accordance with the requirements of Article L.823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

Goodwill is tested for impairment in accordance with the accounting principles described in Note 1.21 to the consolidated financial statements. We reviewed the methods and assumptions used to carry out these impairment tests and we verified that Note 11 provides appropriate disclosures.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verification

As required by law and in accordance with professional standards applicable in France, we have also verified the information presented in the Group’s Management Report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Neuilly-sur-Seine and Courbevoie, March 11, 2014

The Statutory Auditors

PricewaterhouseCoopers Audit	Mazars
Christine Bouvry	Daniel Escudeiro

3.6 Fees paid to the Auditors and the members of their networks

Fiscal years covered: 2013 and 2012.

€ thousands, except for percentages	PricewaterhouseCoopers				Mazars			
	Amount (net of VAT)		As a %		Amount (net of VAT)		As a %	
	Fiscal year 2013	Fiscal year 2012	Fiscal year 2013	Fiscal year 2012	Fiscal year 2013	Fiscal year 2012	Fiscal year 2013	Fiscal year 2012
AUDIT								
Statutory and contractual audit services:								
■ Parent company	447	447	10%	14%	282	282	10%	11%
■ Fully consolidated subsidiaries	2,318	2,257	52%	69%	2,017	1,776	71%	66%
Other audit-related services								
■ Parent company	922	325	21%	10%	162	171	5%	6%
■ Fully consolidated subsidiaries	611	170	14%	5%	314	404	11%	15%
SUB-TOTAL	**4,298**	**3,199**	**97%**	**98%**	**2,775**	**2,633**	**97%**	**98%**
OTHER SERVICES PROVIDED TO CONSOLIDATED SUBSIDIARIES								
Legal and tax advice	128	75	3%	2%	49	41	2%	2%
Other	0	0	0%	0%	32		1%	0%
SUB-TOTAL	**128**	**75**	**3%**	**2%**	**82**	**41**	**3%**	**2%**
TOTAL	**4,426**	**3,274**	**100%**	**100%**	**2,857**	**2,673**	**100%**	**100%**

The other work and services directly linked to the duties of the Statutory Auditor correspond principally to the work conducted within the context of acquisition transactions of companies to be included in the scope of consolidation.

3.7 Annual financial statements of Essilor International

The 2013 annual financial statements comprise the income statement, balance sheet, cash flow statement and notes, presented below.

The Auditors Report on the 2013 annual financial statements is presented in Section 3.9 of this Registration Document.

3.7.1 Key financial data at December 31, 2013

€ thousands, except per share data which is in €	2013	2012
Income statement		
Revenue	800,847	737,543
Operating profit	103,583	17,233
Profit before non-operating items and tax	339,269	383,657
Net profit	326,184	407,376
Balance sheet		
Share capital	38,646	38,650
Equity	2,366,655	2,232,155
Net debt	456,519	275,815
Non-current assets, net	2,837,898	2,632,632
TOTAL ASSETS	**3,857,618**	**3,363,034**
Net dividend per ordinary share, in €	0.94[a]	0.88

(a) Subject to the decision of the Shareholders' Meeting of May 7, 2014.

Essilor International's revenue excluding the Puerto Rico branch was up 9.2% on 2012. Sales of lenses were up by 10% in France and by 14.6% in the export market. Sales of instruments remained stable in France and were up 14.2% in the export market. After a 35.7% rise in 2012, the Logistics business was down by 10.4%, particularly in the export market. Finally, the Puerto Rico branch recorded a slowdown in business reflected by a drop in revenue of 7.9%.

Operating income was up €86.3 million compared to 2012. In addition to the sales-related rise in operating income, the Company reviewed its service provision and chargeback practices in respect of Group entities. This work resulted in various adjustments to chargeback amounts based on recommendations from external consultants. This generated additional revenue for Essilor International. Certain operational changes in Essilor International's supply chain also made a positive contribution to operating income.

After a 54.4% increase in financial income in 2012, there was a 35.7% decrease in 2013. This change in financial income was largely the result of significant dividend payments in 2012 which were not repeated in 2013 (in particular, by the Essilor of America and Essilor AMERA Ltd subsidiaries).

Essilor International was the subject of a tax audit for 2009 to 2011 inclusive. The Company received a notification which will be examined. Without prejudging the final position of the French tax authorities, a provision for tax risk was recorded in the 2013 financial statements. As a result, extraordinary income amounted to -€12 million and included, in addition to the provision for the 2009 to 2011 tax audit, the impact of excess tax depreciation.

The tax liability recognized in the financial statements for fiscal year 2013 amounted to €1 million. This amount reflects a number of factors:

- the impact of a reduced tax rate on taxable income;
- tax income corresponding to the tax credits applicable (especially the research tax credit), and to the tax savings from fiscal consolidation (the Company posting negative taxable income on its earnings taxable at the ordinary rate);
- tax income corresponding to an additional tax loss carryback claim resulting from the 2006 to 2008 tax audit.

Net profit totaled €326.2 million, down 19.9% compared to the previous fiscal year.

3.7.2 Income statement at December 31, 2013

€ thousands	Note	2013	2012
Revenue	2	800,847	737,543
Production transferred to inventory		(5,127)	565
Production of assets for own use		5,348	5,953
Reversals of depreciation, amortization and provisions	13	69,753	68,597
Other income	3	255,727	203,537
TOTAL OPERATING PROFIT		**1,126,547**	**1,016,195**
Purchases of materials and change in inventories		391,745	363,930
Other external purchases and expenses	4	205,307	210,935
Taxes other than income tax		27,800	25,706
Personnel expense	16	336,223	330,858
Depreciation, amortization and provisions, net		56,369	61,441
Other expenses	13	5,519	6,092
TOTAL OPERATING EXPENSES		**1,022,964**	**998,962**
OPERATING PROFIT		**103,583**	**17,233**
Net financial income	5	235,685	366,424
PROFIT BEFORE NON-OPERATING ITEMS AND TAX		**339,269**	**383,656**
Net non-operating income (expenses)	6	(12,019)	35,013
Income tax expense	7	1,066	11,294
NET PROFIT		**326,184**	**407,376**

3.7.3 Balance sheet at December 31, 2013

Assets

€ thousands	Note	2013 Gross amount	2013 Depreciation, amortization, provisions	2013 Net amount	2012 Net amount
Intangible assets	8	140,802	91,189	49,613	47,926
Property, plant and equipment	9	363,341	240,079	123,262	115,056
Investments and other non-current assets	10	2,722,614	57,591	2,665,023	2,469,650
NON-CURRENT ASSETS, NET		**3,226,757**	**388,860**	**2,837,898**	**2,632,632**
Inventories	11.1	70,286	17,673	52,613	60,464
Suppliers prepayments	11.2	2,074	8	2,066	1,411
Trade receivables	11.2	286,702	3,886	282,815	224,556
Other receivables	11.2	285,095	10,833	274,263	161,112
Marketable securities	11.3	374,888		374,888	247,219
Cash		10,905		10,905	18,677
CURRENT ASSETS		**1,029,949**	**32,400**	**997,549**	**713,439**
Prepaid expenses	11.4	16,174		16,174	16,720
Conversion losses		5,998		5,998	244
TOTAL ASSETS		**4,278,878**	**421,260**	**3,857,618**	**3,363,034**

Equity and liabilities

€ thousands	Note	2013	2012
Share capital	12.1	38,646	38,650
Additional paid-in capital		302,160	311,622
Legal reserve		3,879	3,879
Other reserves		1,646,408	1,428,408
Retained earnings		15,601	11,558
Net profit		326,184	407,376
Government grants		95	236
Untaxed provisions		36,042	32,138
Translation reserve	1.12	(2,361)	(1,713)
EQUITY	**12.2**	**2,366,655**	**2,232,155**
PROVISIONS	**13.1**	**114,220**	**81,460**
Convertible bond issue		0	0
Other bonds	14.1	583,294	229,260
Bank borrowings and current account advances from subsidiaries	14.1	229,081	306,593
Total borrowings	14.1	29,937	5,858
BORROWINGS	**14**	**842,312**	**541,711**
Trade payables	14.1	136,007	127,239
Accrued taxes and personnel expense	14.1	96,422	89,333
Other liabilities	14.1	301,033	290,458
TOTAL PAYABLES AND ACCRUALS		**533,461**	**507,031**
Deferred income		129	506
Conversion gains		841	171
TOTAL EQUITY AND LIABILITIES		**3,857,618**	**3,363,034**

3.7.4 Cash flow statement at December 31, 2013

€ thousands	2013	2012
Net profit for the fiscal year	326,184	407,376
Elimination of non-cash items	68,780	21,242
Cash flow	394,964	428,618
Change in working capital[(a)]	(142,025)	(11,699)
NET CASH FROM OPERATING ACTIVITIES	**252,939**	**416,918**
Purchases of property, plant and equipment	(37,761)	(33,845)
Acquisition of shares in subsidiaries and affiliates and other investments	(131,610)	(54,125)
New loans extended	(939,604)	(863,714)
Proceeds from disposals of fixed assets	(12,692)	461
Repayment of long-term loans and advances	871,407	853,276
NET CASH USED IN INVESTING ACTIVITIES	**(250,260)**	**(97,947)**
Issue of share capital	67,291	4,191
Purchases and sales of treasury stock	(64,480)	25,066
Dividends paid	(185,339)	(176,619)
Increase/(Decrease) in borrowings	314,289	(57,622)
NET CASH FROM FINANCING ACTIVITIES	**131,761**	**(204,984)**
Change in cash and cash equivalents	134,440	113,987
Cash and cash equivalents at the beginning of the period	236,740	122,753
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**371,180**	**236,740**

(a) Changes in working capital are as follows:

€ thousands	2013	2012	Change
Prepayments to suppliers	2,066	1,411	(655)
Inventories	52,613	60,464	7,851
Operating receivables	305,118	245,367	(59,751)
Other receivables	251,381	139,558	(111,823)
Accrued interest on loans and dividends receivable	1,962	1,901	(61)
Advances and deposits from customers	0	0	0
Operating liabilities	(322,355)	(302,941)	19,414
Other liabilities	(210,528)	(203,451)	7,077
Accrued interest	(2,405)	(1,566)	839
Deferred income, prepaid expenses and conversion gains and losses	21,202	16,287	(4,915)
WORKING CAPITAL	**99,054**	**(42,971)**	**(142,025)**

Cash and cash equivalents correspond to cash and short-term deposits, less short-term bank loans and overdrafts.

3.8 Notes to the 2013 Annual Financial Statements

The following notes provide additional information about items reported in the balance sheet at December 31, 2013, which shows total assets of €3,857,618 thousand, and the income statement, which shows a net profit of €326,184 thousand.

The financial statements cover a 12-month period from January1 to December 31, 2013.

The parent company is Essilor International, hereinafter referred to as "Essilor."

All amounts are presented in thousands of euros, unless otherwise specified.

Significant events of the year

Commercial revenue

Essilor International's revenue excluding the Puerto Rico branch was up 9.2% on 2012. Sales of lenses were up by 10% in France and by 14.6% in the export market. Sales of instruments remained stable in France and were up 14.2% in the export market. After a 35.7% rise in 2012, the Logistics business was down by 10.4%, particularly in the export market. Finally, the Puerto Rico branch recorded a slowdown in business reflected by a drop in revenue of 7.9%.

Financial transactions

Treasury stock transactions

In 2013, Essilor bought back 2,192,298 treasury shares. This transaction took place as part of the share buyback policy conducted by Essilor since 2003, the goal of which is to limit the dilutive effects related to the granting of stock subscription options and performance shares. By decision of the Board of Directors of January 24, 2013 and November 25, 2013, Essilor conducted a share capital increase of €265,582.44, representing the issuance of 1,475,458 new shares and the cancellation of 1,500,000 shares, resulting in a share capital reduction of €270,000.

Finally, 625,369 shares were delivered from the pool of treasury shares due to the exercise of stock purchase options and following the completion of the performance of the performance share plans of 11/24/2011 and 12/21/2011.

At December 31, 2013, there were 4,454,406 treasury shares.

Acquisitions

As part of its acquisitions policy, Essilor International continues to strengthen its presence in high-growth countries.

- In South Korea, Essilor acquired a majority stake in Onbitt, a manufacturer of polarizing films for ophthalmic lenses.
- In Morocco, Essilor acquired Movisia, a Nikon® and Kodak® distributor.

New financing

In November 2013, Essilor International concluded a USD500 million private placement (7 tranches maturing in a range of between 3.5 and 10 years). This enabled the Company to strengthen its financial structure by extending the average maturity of its debt.

The Company also renewed its €850 million syndicated bank credit facility for another 5 years and agreed on additional option to extend for a further 2 years. At the same time, several bilateral credit facilities were agreed for periods of between 3 and 5 years.

Human resources

On November 25, 2013, the Board of Directors decided to grant 1,376,340 performance shares. These shares will vest only if the annualized growth rate of the share is greater than or equal to 2% of the reference price of €77.29 after the legal acquisition periods (which may last from 2 to 6 years). These new grants caused a provision to be created.

In addition, all of the commitments of the Company with respect to its employees are recorded in the financial statements (which correspond for the most part to retirement bonuses, retirement pension supplements, and length-of-service awards).

Income tax

The tax liability recognized in the financial statements for fiscal year 2013 amounted to €1.1 million. This amount reflects a number of factors:

- the impact of a reduced tax rate on taxable income;
- tax income corresponding to the tax credits applicable (especially the research tax credit), and to the tax savings from fiscal consolidation (the Company posting negative taxable income on its earnings taxable at the ordinary rate).

Essilor International was also the subject of a tax audit for 2009 to 2011 inclusive. The Company received notifications for the 2009 to 2011 fiscal years which will be examined by Essilor International. Without prejudging the final position of the French tax authorities, a provision for tax risk was recorded in the 2013 financial statements.

NOTE 1. Accounting principles

1.1 General

The annual financial statements have been prepared in accordance with the French 1999 General Accounting Plan and generally accepted accounting principles.

1.2 Intangible assets

Intangible assets correspond primarily to purchased goodwill, concessions, patents, licenses and software. Intangible assets are measured at acquisition or production cost and are amortized:

- by work unit;
- or on a straight-line basis over the following estimated useful lives:

Software	1 to 10 years
Patents	Period of legal protection

Qualifying software development costs are capitalized only when it is probable that they will generate future economic benefits. Qualifying costs include the costs of organic analyses, programming, tests and test decks, documentation, parameterization and the preparation of the software for its intended use, that are evidenced by invoices (external developers) or time sheets (internal developers).

Intangible assets are tested for impairment when the occurrence of an event or a change of circumstances indicates that their recoverable amount may be less than their carrying amount.

When the test shows that an asset's recoverable amount is less than its carrying amount, a provision for impairment is recorded. The recoverable amount of an asset is the higher of its fair value and value in use.

The initial cost of the asset includes related transaction costs. Conversely, the Company has not used the option to record borrowing expenses in the initial cost of the intangible assets.

1.3 Research and development costs

Research costs are recognized as an expense for the period in which they are incurred.

Development costs are capitalized if, and only if the following are demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the Group's intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- the reliable measurement of development expenditures.

Due to the risks and uncertainties concerning market developments and the large number of projects undertaken, the above criteria are considered as not being fulfilled for ophthalmic lens development projects. Consequently, development costs for these projects are recognized as an expense.

Instrument development costs are recognized as an intangible asset when the above criteria are fulfilled.

1.4 Property, plant and equipment

Property, plant and equipment are stated at acquisition or production cost.

Depreciation of property, plant and equipment is calculated on a straight-line basis over the following estimated useful lives:

Buildings	20 to 33 years
Building improvements	7 to 10 years
Machinery, equipment and tooling	3 to 20 years
Other	3 to 10 years

Land is not depreciated.

Differences between straight-line depreciation and reducing balance depreciation charged for tax purposes are included in untaxed provisions on the liabilities side of the balance sheet (regulated provisions).

All internal and external costs of producing items of property, plant and equipment are capitalized, with the exception of administrative, start-up and pre-operating costs.

Property, plant and equipment are tested for impairment when the occurrence of an event or a change of circumstances indicates that their recoverable amount may be less than their carrying amount.

When the test shows that an asset's recoverable amount is less than its carrying amount, a provision for impairment is recorded. The recoverable amount of an asset is the higher of its fair value and value in use.

The initial cost of the asset includes related transaction costs. Conversely, the Company has not used the option to record borrowing expenses in the initial cost of the intangible assets.

1.5 Investments and other non-current assets

Investment securities are recognized at acquisition cost. Acquisition costs for the investment securities are included in the initial costs.

The value in use of shares in subsidiaries and affiliates is estimated each year, generally on the basis of the investee's net assets and earnings outlook. In this case, the discount rate used is the weighted average cost of the capital.

Loans and receivables are stated at nominal value. Foreign currency loans and receivables are converted into euros at year-end at the closing exchange rate or the hedging rate. Provisions are recorded to cover any risk of non-recovery.

Own shares bought back by the Company are recorded under "Other long-term investments" at cost. A provision for impairment is recorded for any shares whose cost is greater than their average price for the last month of the fiscal year, except where the shares have been bought back in order to be canceled and those shares covered by a provision for risks because they were intended to hedge performance share plans and stock options.

For other investments, a provision for impairment is recorded when their recoverable amount, defined as the higher of fair value or value in use, is less than their carrying amount.

1.6 Inventories

Raw materials and goods inventories are stated at cost, including incidental expenses, determined by the weighted average cost method. Finished products, semi-finished products and work in progress are stated at actual production cost, which includes the cost of raw materials and direct and indirect production costs.

At each period-end, inventories are written down to net realizable value where applicable. Net realizable value is determined by reference to market prices, sales prospects and the risk of obsolescence, assessed on the basis of objective inventory levels.

1.7 Receivables and payables

Receivables and payables are stated at nominal value. Receivables and payables are converted as follows:

- translation of all receivables and payables denominated in foreign currencies, including hedged receivables and payables, at the closing rate;
- gains or losses in relation to original values are recognized in prepayments and accrued income or deferred income and accrued expenses (translation difference);
- creation of a provision for unrealized exchange losses.

Receivables are written down when their net realizable value, estimated by reference to the risk of non-recovery, is less than their carrying amount.

1.8 Marketable securities

Marketable securities, consisting primarily of units in SICAV mutual funds and bank deposits, are recognized at cost.

This item also includes own shares acquired under the liquidity contract.

A provision is recorded if the net asset value of the mutual fund units represents less than their cost.

1.9 Financial instruments

Derivative financial instruments are used only to hedge risks on commercial transactions and identified foreign currency receivables and payables *via* forward exchange contracts and currency options.

The Company uses derivative financial instruments solely for hedging purposes. All foreign exchange transactions are processed within predetermined management limits with the purpose of optimizing exchange rate risk hedging.

Gains and losses on hedging instruments are recognized in the year in which they are settled, on a symmetrical basis with the loss or gain on the hedged item. They are based on the forward rate at the balance sheet date for the remaining period to maturity.

The Company's interest rate management policy consists of hedging interest rate risks. To hedge interest rate risks, the Company uses interest rate and option swaps (Caps).

Financial expenses and profit related to interest-rate derivatives are recognized in income symmetrically to the gain or loss on the hedged item.

1.10 Foreign currency transactions

Any transactions that are not hedged are converted at the exchange rate on the transaction date.

At year-end, unhedged foreign currency receivables and payables are converted at the closing exchange rate. Differences arising on conversion are recorded under "Conversion losses" or "Conversion gains" on the assets or liabilities side of the balance sheet.

A provision is booked for conversion losses.

Foreign currency bank balances are hedged at the month-end exchange rate.

1.11 Pensions, length-of-service and other obligations

The Company has obligations towards employees for the payment of pensions, early-retirement benefits, length-of-service and other awards.

Where these benefits are payable under defined contribution plans, the contributions are expensed as incurred.

In the case of defined benefit plans, provisions are booked to cover the unfunded projected benefit obligation, as follows:

- the projected benefit obligation, corresponding to the vested rights of active and retired employees of the Company, is determined by the projected unit credit method, based on estimated final salaries, actuarial assumptions concerning inflation, staff turnover rates and the rate of future salary increases, and an appropriate discount rate;
- the discount rate corresponds to the prime interest rate in the country concerned for periods corresponding to the estimated average duration of the benefit obligation;
- in cases where all or part of the obligation is funded under an external plan, a provision is recorded for the difference between the projected benefit obligation and the fair value of the plan assets;
- actuarial gains and losses resulting from changes in assumptions and experience-based adjustments are recognized

in profit by the corridor method. This method consists of amortizing over the expected average remaining service lives of plan participants only the portion of the net cumulative gain or loss that exceeds the greater of 10% of either the projected benefit obligation or the fair value of the plan assets;

- if a company introduces a defined benefit plan or changes the benefit formula under an existing defined benefit plan and rights under the new or modified plan are unvested, the related change in the Company's obligation is recognized in profit on a straight-line basis over the expected average remaining service lives of the plan participants. If rights under the new or modified plan vest immediately, the resulting change in the Company's obligation is recognized in profit immediately;
- provisions recorded in the balance sheet correspond to the projected benefit obligation less the fair value of any plan assets, the value of unrealized actuarial gains and losses and unrecognized past service cost.

1.12 Foreign currency translation

The Essilor Industries financial statements are prepared in US dollars.

The financial statement conversion process for the Essilor Industries branch, which is considered an autonomous institution, is as follows:

- income statement items are translated at the average hedging rate for the year;
- balance sheet amounts were converted into euros, at the balance sheet closing date rate, except for:
  - equity items, which are translated at the historical rate,
  - net profit, which is translated at the hedging rate.

The difference arising on translation is recorded in equity under "Translation reserve."

1.13 Corporate income tax (Group relief)

Essilor International files a consolidated tax return with ESSILOR, BBGR, OPTIM, INVOPTIC, ESSILOR ACADEMY EUROPE, NOVISIA, ESSIDEV, OSE, TIKAI VISION, BNL EUROLENS, FGX HOLDING, DELAMARE SOVRA, OMI and ESSIHOLDING and pays the corporate income tax due by the tax group.

Each company in the tax group records the income tax charge that would apply if it were not a member of the tax group (with no impact on the Parent company financial statements).

The tax savings arising from the use of the tax losses of tax group members, which are returnable to them by Essilor are recognized as a liability through the recognition of a debt in the Company's balance sheet.

1.14 Recognition and measurement of provisions

Untaxed provisions

These mainly comprise provisions for excess tax depreciation.

Provisions for contingencies and charges

A provision is recognized when there is an obligation towards a third party and it is probable or certain that an outflow of resources generating economic benefits will be necessary to settle the obligation without any benefit of at least equivalent value being expected in return.

Contingent liabilities are not recognized in the balance sheet but are disclosed in the notes to the financial statements unless the probability of an outflow of resources generating economic benefits is remote.

Provisions for customer warranties

The provision is calculated:

- by multiplying revenue for the warranty period by a percentage corresponding to the ratio of average annual warranty costs to annual revenue; or
- when the estimated product return period is shorter, by multiplying revenue for the estimated return period by a percentage corresponding to the ratio of average annual warranty costs to annual revenue.

Provisions for treasury shares

- Shares held under stock option plans: Parent company shares held for stock option plans granted to Group employees are carried at cost under "Other long-term investments". They are recognized at acquisition cost. Where applicable, a provision is recorded to cover the difference between the option exercise price and the weighted average price of the corresponding shares held at the year-end.
- Grant of performance shares: A provision is recorded for the cost of performance shares, corresponding to the number of shares that are expected to vest multiplied by the weighted average price of our own treasury stock at the fiscal year-end. The estimate takes into account staff turnover rates and share price assumptions.

Effective from 2008, this provision is recognized over the performance share vesting period in accordance with Regulation CRC 2008-15 of December 4, 2008; one of the vesting conditions is the grantee's continued employment by the Company.

Since the granting of stock options and performance shares constitute a compensation item, these provisions are recognized as personnel expenses.

Provisions for losses from subsidiaries and affiliates

An impairment loss is recognized for investments whose current value is less than their net asset value. As necessary, the provision is allotted in the following order: securities, current account, long-term receivables and provision for risk for up to the contingent amount. However, this provision for risk is recognized only under the following conditions:

- the legal form implies that Essilor is indefinitely and jointly responsible for the liability; or
- for the amount of the commitments undertaken by Essilor, for the other legal forms.

1.15 Loan issuance charges

Loan issuance charges may be:

- kept in expenses in their entirety in the year they are incurred;
- or distributed over the term of the loan.

The choice between these two methods is made when a loan is issued and cannot be changed subsequently for that same loan.

NOTE 2. Revenue

2.1 Net revenue by business segment

2013 € thousands	**France**	**Export**	**Total Treasury**	**% Change 2013/2012**
Corrective lenses	338,404	279,869	618,273	12.0%
Optical instruments	32,246	58,762	91,008	9.1%
Industrial equipment	133	16,709	16,841	-25.3%
Other	14,963	59,762	74,725	-6.1%
TOTAL	**385,746**	**415,101**	**800,847**	**8.6%**

2012 € thousands	**France**	**Export**	**Total Treasury**	**% Change 2012/2011**
Corrective lenses	307,738	244,215	551,953	8.0%
Optical instruments	32,015	51,438	83,453	4.0%
Industrial equipment	186	22,356	22,542	35.7%
Other	15,391	64,204	79,595	12.8%
TOTAL	**355,330**	**382,213**	**737,543**	**8.7%**

2.2 Breakdown between intercompany and external sales, France and export

€ thousands	2013	2012	% Change 2013/2012
France:			
■ Group	68,097	45,180	50.7%
■ external	317,649	310,151	2.4%
SUB-TOTAL	**385,746**	**355,330**	**8.6%**
Export:			
■ Group	397,015	349,904	13.5%
■ external	18,085	32,309	-44.0%
SUB-TOTAL	**415,101**	**382,213**	**8.6%**
TOTAL	**800,847**	**737,543**	**8.6%**

NOTE 3. Other income

€ thousands	2013	2012
Royalties and rebilling of expenses to Group companies	255,448	203,512
Other	280	24
TOTAL	**255,727**	**203,537**

NOTE 4. Other external purchases and expenses

€ thousands	2013	2012
Outsourcing	52,221	49,663
Rentals, maintenance and Insurance	24,399	26,164
Studies, research and documentation	28,014	28,678
Temporary staff	13,867	13,222
Fees	27,203	27,620
Communication and advertising	26,361	28,243
Telecommunications, commissions and business travel	31,311	35,392
Other	1,931	1,953
TOTAL	**205,307**	**210,935**

NOTE 5. Financial income

€ thousands	2013	2012
Interest expense	(12,765)	(13,369)
Interest income		
■ Dividends	231,640	360,369
■ Investment income	3,381	5,041
■ Interest income from loans	21,104	20,114
Net discounts	(3,676)	(3,437)
Provisions for losses	(1,116)	(912)
Exchange gains and losses, net	2,542	(688)
Other	(5,424)	(695)
TOTAL	**235,685**	**366,424**

NOTE 6. Extraordinary income

€ thousands	2013	2012
REVENUE TRANSACTIONS	**(2,533)**	**(5,709)**
Other income and expenses from revenue transactions	(2,533)	(5,708)
Restructuring costs		(1)
CAPITAL TRANSACTIONS	**112**	**21,372**
Disposal of investments		
Other extraordinary income and expenses from capital transactions[a]	112	21,372
PROVISION MOVEMENTS	**(9,597)**	**19,350**
Untaxed provisions	(3,904)	(1,276)
Other[b]	(5,694)	20,626
TOTAL	**(12,018)**	**35,013**

(a) In 2012, other non-operating financial income and expenses mainly include the sale of intellectual property rights.
(b) "Other" mainly includes the provision reversal for tax audits.

NOTE 7. Corporate income tax

7.1 Profit excluding overriding tax assessments

€ thousands	2013	2012
Net profit	326,184	407,376
Income tax expense	1,066	11,294
Pre-tax profit	327,250	418,670
Change in regulated provisions	3,904	1,276
Profit before tax, excluding overriding tax assessments	331,154	419,946

Besides a tax charge of €30,117 thousand, taxes recognized at Essilor include income related to the research tax credit of €16,000 thousand and tax consolidation income of €5,478 thousand. In addition, the Company filed an additional tax loss carryback claim which generated tax income of €5,167 thousand. Essilor tax income ended up totaling €1,066 thousand.

7.2 Breakdown of income tax expense

Income tax expense breaks down as follows between operating and non-operating items:

2013 € thousands	Before tax	Corresponding tax	After tax
Profit before non-operating items and tax [a]	339,269	1,948	341,216
Non-operating income (expense), net	(12,019)	(3,014)	(15,033)
NET PROFIT			**326,184**

(a) *Of which €231,640 thousand in dividends subject to the parent company-subsidiary treatment and €155,076 thousand in royalties taxed at the reduced rate of 15%.*

2012 € thousands	Before tax	Corresponding tax	After tax
Profit before non-operating items and tax	383,657	(5,991)	377,666
Non-operating income (expense), net	35,013	(5,303)	29,710
NET PROFIT			**407,376**

7.3 Unrecognized deferred tax assets and liabilities

Assets

No deferred tax assets are recognized in the balance sheet.

€ thousands	2013	2012
Pension plan	29,514	30,050
Provisions for paid vacation[a]	12,349	12,002
Impairment of investments in subsidiaries and affiliates	56,098	62,662
Other	19,231	12,494
TOTAL	**117,192**	**117,208**
TAX LOSS CARRYFORWARD[b]	**241,030**	**242,638**
Or a tax of 38% (36.10% in 2012)	136,124	129,904

(a) *The Company has elected to apply the provisions of Article 8 of the 1987 French Finance Act, allowing the deduction of vacation pay on a cash basis. The provision is therefore not deductible, giving rise to a future tax saving.*

(b) *This cumulative tax loss carryforward corresponds to the tax loss carryforward of the tax group. The tax savings arising from the use of the tax losses of tax group members, which are returnable to them by Essilor are recognized as a liability through the recognition of a debt in the Company's balance sheet. The amount of this tax loss is €3,535 thousand at December 31, 2013. The Company believes it will be able to use its tax loss carryforwards.*

Equity and liabilities

No deferred tax liabilities are recognized in the balance sheet. Recognition of deferred taxes on the timing differences shown below would have the effect of increasing income tax expense by €13,732 thousand.

€ thousands	At 2011 year-end	2012 increase	2012 decrease	At 2012 year-end	2013 increase	2013 decrease	At 2013 year-end
Provisions for:							
■ Excess tax depreciation	30,863	7,457	6,181	32,138	10,438	6,535	36,042
■ Other	124	112		236	(141)		95
TOTAL	**30,987**	**7,568**	**6,181**	**32,374**	**10,298**	**6,535**	**36,137**
Future tax liability (38%)	11,186			11,687			13,732

NOTE 8. Intangible assets

€ thousands	Value at the start of the year	Acquisitions	Disposals	Movements	Provisions for the year	Reversals for the year	Value at year-end
2013							
R&D expenditure	4,752	2,714		0			7,466
Patents, trademarks, licenses	117,659	7,709	648	2,776			127,496
Goodwill	434						434
Other intangible assets	8,153	0	0	(2,746)			5,406
GROSS AMOUNT	**130,998**	**10,423**	**648**	**29**			**140,802**
Amortization, depreciation and impairment	83,072				8,765	648	91,189
NET AMOUNT	**47,926**						**49,612**
2012							
R&D expenditure	3,551	9		1,191			4,752
Patents, trademarks, licenses	99,591	2,580	121	15,611			117,659
Goodwill	434						434
Other intangible assets	20,873	5,055	968	(16,807)			8,153
GROSS AMOUNT	**124,449**	**7,644**	**1,089**	**(5)**			**130,998**
Amortization, depreciation and impairment	74,410				9,751	1,089	83,072
NET AMOUNT	**50,039**						**47,926**

NOTE 9. Property, plant and equipment

€ thousands	Value at the start of the year	Acquisitions	Disposals	Movements	Provisions for the year	Reversals for the year	Value at year-end
2013							
Land	13,894	73	10	0			13,957
Buildings	116,204	14,877	406	27,807			158,482
Plant and equipment	137,922	7,973	6,904	353			139,344
Other Property, plant and equipment	45,072	1,998	1,303	30			45,797
Property, plant and equipment in progress	32,067	2,522		(28,950)			5,640
Advances and deposits	120	33		(33)			120
GROSS AMOUNT	**345,279**	**27,477**	**8,623**	**(792)**			**363,341**
Amortization, depreciation and impairment	230,224				18,044	8,188	240,079
NET AMOUNT	**115,056**						**123,262**
2012							
Land	13,881	21		(8)			13,894
Buildings	117,980	424	3,434	1,234			116,204
Plant and equipment	135,927	3,373	2,600	1,222			137,922
Other Property, plant and equipment	44,447	1,258	703	69			45,072
Property, plant and equipment in progress	13,860	21,066		(2,858)			32,067
Advances and deposits	9	120		(9)			120
GROSS AMOUNT	**326,103**	**26,262**	**6,736**	**(350)**			**345,279**
Amortization, depreciation and impairment	218,639				18,398	6,813	230,224
NET AMOUNT	**107,464**						**115,056**

NOTE 10. Investment and other non-current assets

10.1 Analysis

2013 € thousands	Value at the start of the year	Increases	Decreases	Movements	Provisions for the year	Reversals for the year	Value at year-end
Subsidiaries and affiliates[(a)]	1,811,968	43,873	13,941	805			1,842,706
Loans to subsidiaries and affiliates[(b)] (Loans to subsidiaries/Advances on share issues)	476,264	1,007,225	924,069				559,420
Other long-term investments (own shares)	241,057	251,465	186,985				305,537
Other loans	44						44
Other long-term financial investments[(c)]	6,463	10,207	957	(805)			14,908
GROSS AMOUNT	**2,535,796**	**1,312,771**	**1,125,953**				**2,722,614**
Impairment	66,147				17,243	25,799	57,591
NET AMOUNT	**2,469,650**						**2,665,023**

(a) Increases:
– Essilor Middle East, Essilor South Africa, Canoptec, O'Max, FGX Holding, Optiben and Ophtalmica Galiléo capital increases totaling €17.7 million;
– acquisition of 51% of Onbitt, 51% of Movisia and 10% of Top Con with total increases amounting to €4.2 million;
– acquisition of a further 60% of Armgol Holding bringing the total stake to 80%, a further 30% of Optika Hulgikaubanduse Oü bringing the total stake to 100%, a further 10% of Frames 'N' Lenses bringing the total stake to 90% with total increases amounting to €20.8 million;
– additional price for IVS of €0.6 million.
Decreases:
– Disposal of 60% of Ophtalmica Galiléo shares.
Movements:
– Long-term assets of various acquisition fees (€0.8 million).
(b) Increases and decreases are for the most part connected to renewals of loans to subsidiaries.
(c) Balance comprising various acquisition fees attached to ongoing acquisitions.

2012 € thousands	Value at the start of the fiscal year	Increases	Decreases	Movements	Provisions for the year	Reversals for the year	Value at year-end
Equity interests	1,771,360	49,398	9,945	1,155			1,811,968
Loans to subsidiaries and affiliates (Loans to subsidiaries/Advances on share issues)	465,870	883,105	872,711				476,264
Other long-term investments (own shares)	266,983	230,436	256,362				241,057
Other loans	44						44
Other long-term financial investments	4,375	5,584	2,341	(1,155)			6,463
GROSS AMOUNT	**2,508,631**	**1,168,524**	**1,141,359**				**2,535,796**
Impairment	74,966				14,157	22,977	66,147
NET AMOUNT	**2,433,665**						**2,469,650**

10.2 Subsidiaries and affiliates

Subsidiaries and affiliates whose gross value as a percentage of Essilor International's share capital is

€ thousands	Share capital	Other Other equity	Carrying amount of shares held Gross	Net	Loans and advances granted by the Company	Guarantees and endorsements given by the Company	Net revenue for the last fiscal year	Profit for the last fiscal year	Dividends cashed by the Company over the fiscal year
A – MORE THAN 1%									
French companies	113,523	270,309	268,380	252,902			404,324	38,441	46,033
International subsidiaries	484,559	1,328,984	1,572,870	1,532,598	278,160	319,380	5,097,684	492,209	185,361
B – LESS THAN 1%									
French companies									
International subsidiaries	4,941	26,221	1,456	1,109	83,727		149,316	18,488	250

10.3 Analysis of long-term loans and receivables by maturity

€ thousands	2013	2012
More than one year	319,034	329,793
Less than one year	255,337	152,978
TOTAL	**574,371**	**482,771**

NOTE 11. Current assets

11.1 Inventories

€ thousands	2013	2012
Raw materials and other supplies	37,452	39,657
Goods for resale	8,464	8,971
Finished and semi-finished products and work in progress	24,369	29,498
SUB-TOTAL	**70,286**	**78,126**
Provisions:		
■ Raw materials and other supplies	(11,591)	(11,713)
■ Goods for resale	(2,422)	(1,278)
■ Finished and semi-finished products and work in progress	(3,660)	(4,671)
SUB-TOTAL	**(17,673)**	**(17,662)**
TOTAL	**52,613**	**60,464**

11.2 Analysis of operating receivables by maturity

€ thousands	2013
MORE THAN ONE YEAR	**24,385**
Trade receivables	24,385
Other receivables[b]	0
LESS THAN ONE YEAR	**549,486**
Prepayments to suppliers	2,074
Trade receivables[a]	262,317
Other receivables[b]	285,095
TOTAL	**573,871**

(a) The portion related to commercial paper represents €455.3 thousand.
(b) The "Other receivables" line primarily includes current accounts with regard to subsidiaries of €225 million.

11.3 Marketable securities

	2013		2012	
€ thousands	Gross	Net	Gross	Net
SICAV[a]	304,119	304,119	146,174	146,174
Currency options	482	482	1,045	1,045
TOTAL	**304,601**	**304,601**	**147,219**	**147,219**
Bank deposits	70,287	70,287	100,000	100,000
TOTAL	**374,888**	**374,888**	**247,219**	**247,219**

(a) Money market funds held at closing are comprised solely of money market funds.

Cash investments are subject to a policy that encourages safety and liquidity on the return. Available cash is invested only in short-term money-market funds, which limit the risk of capital loss and are immediately available. At December 31, 2013, counterparties for investment and capital markets transactions carried out by the Group Treasury Department were all rated at least A-2 (short-term) and A- (long-term) by Standard & Poor's.

11.4 Prepaid expenses

€ thousands	2013	2012
Prepaid expenses:		
■ Operating profit	12,046	15,887
■ Financial income	4,128	833
TOTAL	**16,174**	**16,720**

11.5 Accrued income

€ thousands	2013	2012
Investments and other non-current assets		
Loans to subsidiaries and affiliates	1,962	1,901
Receivables		
Trade receivables[a]	63,639	22,924
Other receivables	3,697	1,895
TOTAL	**69,298**	**26,721**

(a) The change in trade receivables was mainly due to an increase in intra-Group receivables.

NOTE 12. Equity

12.1 Share capital

Number of shares, except per share data	Number of shares: At the start of the fiscal year	Issued	Canceled	Traded	At year-end	Par value (in €)
Ordinary shares	214,724,040	1,475,458	(1,500,000)		214,699,498	0.18
TOTAL	**214,724,040**	**1,475,458**	**(1,500,000)**		**214,699,498**	**0.18**

Of which own shares:

Number of securities	Number of shares at the start of the fiscal year	Share purchases	Cancellation	Exercises of Options	Exercises Performance shares	Number of shares at year-end
Long-term Investments	4,387,477	2,192,298	(1,500,000)		(625,369)	4,454,406
TOTAL	**4,387,477**	**2,192,298**	**(1,500,000)**		**(625,369)**	**4,454,406**

12.2 Statement of changes in equity

€ thousands	Share capital	Issue premiums	Reserves and retained earnings	Net profit	Untaxed provisions	Government grants	Translation reserve[(a)]	Total equity
EQUITY AT JANUARY 1, 2013	**38,650**	**311,622**	**1,443,845**	**407,376**	**32,138**	**236**	**(1,713)**	**2,232,155**
Capital increase								
■ FCP Mutual funds	68	23,267						23,335
■ Subscription options	198	44,800						44,998
Capital reduction	(270)	(77,530)						(77,800)
Other movements over the fiscal year			6		3,904	(141)	(648)	3,121
Allocation of profit			407,376	(407,376)				0
Dividends paid			(185,339)					(185,339)
Net profit for the fiscal year				326,184				326,184
EQUITY AT DECEMBER 31, 2013	**38,646**	**302,160**	**1,665,888**	**326,184**	**36,042**	**95**	**(2,361)**	**2,366,655**

(a) The translation difference relates to the Puerto Rico branch.

2013

Capital totaled €38,646 thousand, corresponding to a decrease of 24,542 ordinary shares following:

- a reduction of capital *via* cancellation of treasury shares (-1,500,000 shares);
- subscriptions to Essilor group FCP mutual funds (377,407 shares);
- stock subscription options (1,098,051 shares).

New shares were entitled to dividends starting January 1, 2013.

2012

Capital totaled €38,650 thousand, corresponding to an increase of 685,744 ordinary shares following:

- a reduction of capital *via* cancellation of treasury shares (-2,400,000 shares);
- subscriptions to Essilor group FCP mutual funds (385,354 shares);
- stock subscription options (2,700,390 shares).

New shares were entitled to dividends starting January 1, 2012.

12.3 Stock subscription and purchase options, performance shares and employee share issues

Stock subscription and purchase options

The exercise price of stock subscription or purchase options corresponds to the average of the share prices quoted over the 20 trading days preceding the date of the Board Meeting at which the grants are decided. Gains on options granted since 2004 (corresponding to the difference between the average share price during the 3 calendar months prior to the month of exercise of the option and the exercise price) are capped at 100% of the exercise price.

Stock subscription options granted in 2006, 2007 and January 2008 are subject to vesting conditions based on the share performance over a period of 2 to 4 years, as well as to the 100% cap on gains. Stock subscription options granted since November 2008 are subject to vesting conditions based on the share performance over a period of 2 to 6 years, as well as to the 100% cap on gains.

The following table analyzes changes in the number of performance shares at each period-end:

	Number of stock subscription options at January 1, 2013	Exercise of options	Options canceled and forfeited	Options granted	Number of stock subscription options at December 31, 2013
Stock subscription options	2,774,285	(1,098,051)	(60,679)	87,880	1,703,435
TOTAL	**2,774,285**	**(1,098,051)**	**(60,679)**	**87,880**	**1,703,435**

Performance shares

Since 2006, the Essilor group has launched performance-based bonus share allotment plans.

The number of shares vested at the end of a period of 2 to 6 years based on the grant date ranges from 0% to 100% of the number of shares originally granted, depending on the performance of the Essilor share compared with the reference price on the grant date (corresponding to the average of the prices quoted over the 20 trading days preceding the Board Meeting at which the grant is decided).

The following table analyzes changes in the number of performance shares at each period-end:

	Number of performance shares at January 1, 2013	Performance shares vested	Performance shares canceled	Grants	Number of performance shares at December 31, 2013
Performance shares	2,848,274	(625,369)	(68,660)	1,376,340	3,530,585
TOTAL	**2,848,274**	**(625,369)**	**(68,660)**	**1,376,340**	**3,530,585**

Employee share issues

The main features of the employee share issues are:

€	2013	2012
Share subscription price	61.83	57.08
Total discount amount	15.46	14.27
Number of shares subscribed	377,407	385,354

NOTE 13. Provisions

13.1 Provisions for contingencies and charges

2013 € thousands	Value at the start of the fiscal year	Provisions for the year	Reversals for the fiscal year (used)	Reversals for the fiscal year (unused)	Value at year-end
Provisions for pensions and other post-employment benefits	30,050	4,196	4,731		29,514
Provisions for losses in subsidiaries and affiliates	300				300
Provision for losses on performance shares	36,166	55,231	35,631		55,767
Provisions for restructuring	15			15	
Other provisions[a]	14,927	18,507	4,207	589	28,638
TOTAL	**81,460**	**77,934**	**44,570**	**604**	**114,220**

(a) At December 31, 2013, "Other provisions" were comprised primarily of the provision for tax audits, provision for product risk and provision for exchange rate loss.

2012 € thousands	Value at the start of the fiscal year	Provisions for the year	Reversals for the fiscal year (used)	Reversals for the year (unused)	Value at year-end
Provisions for pensions and other post-employment benefits	32,535	8,751	11,200	35	30,050
Provisions for losses in subsidiaries and affiliates	300				300
Provision for losses on performance shares	13,566	57,029	34,428		36,166
Provisions for restructuring		15			15
Other provisions[a]	34,038	10,549	16,980	12,710	14,927
TOTAL	**80,469**	**76,344**	**62,608**	**12,745**	**81,460**

(a) At end 2012, "Other provisions" were comprised primarily of the provision for tax audits, provision for legal disputes, provisions for operating risks and other provisions.

13.2 Provisions for impairment

€ thousands	Value at the start of the year	Provisions for the year	Reversals for the year	Value at year-end
2013				
PROVISIONS FOR IMPAIRMENT	**108,276**	**38,473**	**56,758**	**89,991**
Inventories	17,662	17,673	17,662	17,673
Receivables	24,460	3,557	13,298	14,719
Shares in subsidiaries and affiliates	62,662	17,077	23,641	56,098
Loans to subsidiaries and affiliates	3,485		2,158	1,327
Other long-term investments		166		166
Other	8			8
2012				
PROVISIONS FOR IMPAIRMENT	**112,577**	**39,008**	**43,310**	**108,277**
Inventories	17,914	17,662	17,914	17,662
Receivables	19,689	7,189	2,419	24,460
Shares in subsidiaries and affiliates	74,966	10,672	22,977	62,662
Loans to subsidiaries and affiliates		3,485		3,485
Other long-term investments				
Other	8			8

NOTE 14. Liabilities

14.1 Maturities of liabilities

Analysis of total liabilities by maturity and by category

€ thousands	2013	2012
DUE WITHIN ONE YEAR	**790,335**	**815,217**
Borrowings	262,224	314,335
Operating liabilities [(b)]	322,933	303,684
Other liabilities[(a) and (b)]	205,179	197,198
DUE IN ONE TO FIVE YEARS	**295,393**	**157,733**
Borrowings	290,044	151,584
Operating liabilities		
Other liabilities	5,349	6,149
DUE IN MORE THAN FIVE YEARS	**290,044**	**75,792**
Borrowings	290,044	75,792
Operating liabilities		
Other liabilities		
TOTAL	**1,375,773**	**1,048,742**

(a) The "Other payables" line primarily includes current accounts with regard to subsidiaries of €190 million.
(b) The portion related to commercial paper was zero in 2013.

Analysis by maturity (total liabilities)

€ thousands	2013	2012
2013		815,217
2014	790,335	4,498
2015	5,349	1,652
2017	199,405	151,584
2018	90,639	75,792
2019	170,401	
2020	97,890	
2023	21,753	
TOTAL	**1,375,773**	**1,048,743**

Analysis by currency (financial debt)

€ thousands	2013	2012
EUR	205,433	160,038
USD	608,664	377,080
GBP	600	613
THB	21,082	
MXN	942	1,001
PLN	5,591	2,978
TOTAL	**842,312**	**541,711**

Covenants

The Company's financing is not subject to special financial covenants. Only the USD 300 and USD 500 million US private placements issued in 2012 and 2013 are subject to a special financial ratio. This was complied with at December 31, 2013.

14.2 Accrued charges

€ thousands	2013	2012
Accrued interest	4,067	2,714
Trade payables	51,375	49,070
Accrued taxes and personnel expense		
■ Vacation pay	36,055	33,911
■ Discretionary profit sharing	5,975	5,172
■ Other	29,666	28,415
Other operating liabilities		
■ Discounts and allowances to be granted	83,816	82,005
■ Amounts due to customers	578	743
■ Credit notes to be issued	6,111	4,363
■ Affiliates, dividends to be paid		4
Liabilities on long-term assets and related accounts	3,528	1,833
TOTAL	**221,170**	**208,229**

14.3 Related party transactions

Related parties are companies that are fully consolidated in the Group's consolidated financial statements. Businesses with which the Company has capital ties correspond to other Group companies.

Balance sheet € thousands	Net amount concerning other companies Related parties	with which the Company has capital ties	Other	Total assets
Equity interests	1,708,854	77,754	0	1,786,608
Receivables from companies in which an equity interest is held	553,458	5,300	662	559,420
TOTAL LONG-TERM FINANCIAL ASSETS (NET)	**2,262,312**	**83,054**	**662**	**2,346,028**
Trade receivables	213,688	15,879	53,248	282,816
Other receivables	217,242	358	56,663	274,263
TOTAL CURRENT ASSETS (NET)	**430,930**	**16,237**	**109,912**	**557,078**
TOTAL ASSETS	**2,693,242**	**99,291**	**110,574**	**2,903,106**
Trade payables	64,368	4,313	67,325	136,007
Other operating liabilities	2,926	4	183,996	186,926
Other liabilities	202,289	0	8,239	210,528
TOTAL LIABILITIES	**269,584**	**4,317**	**259,560**	**533,461**

Income statement € thousands	Net amount concerning other companies Related parties	with which the Company has capital ties	Other	Total income statement
Financial expense[a]	46,531	826	56,301	103,658
Financial income[b]	189,519	87,292	62,532	339,344

(a) Financial expense breaks down as follows:
Financial expense reported under "Related parties" corresponds mainly to impairment losses on shares in subsidiaries, interest on advances from the cash pool and interest on borrowings;
Financial expense reported under "Other companies with which Essilor has capital ties" corresponds mainly to impairment losses on shares in affiliates;
Financial expenses reported under "Others" mainly concern conversions of transactions at the end-of-month rate, interest on borrowings, discounts granted.

(b) Financial income breaks down as follows:
Financial income reported under "Related parties" corresponds mainly to dividend income, reversals of impairment losses on shares in subsidiaries, and interest on loans;
Financial income reported under "Capital ties" mainly concern deposited dividends;
Financial income reported under "Others" mainly concern conversions of transactions at the end-of-month rate, capital gains on investments (SICAVs, certificates of deposit), interest on borrowings and provisions for risks "exchange rate losses".

NOTE 15. Off-balance sheet commitments

15.1 Financial commitments

Commitments given and received

€ thousands	2013	2012
Commitments given		
Guarantees and endorsements[a]	342,335	341,080
Commitments received		
Guarantees, endorsements and sureties received	0	0

(a) Mainly consisting of guarantees given by Essilor International to financial institutions in favor of Group subsidiaries.

Confirmed lines of credit not drawn down at December 31, 2013 amounted to €1,553 million.

Forward foreign exchange contracts

At December 31, 2013, forward foreign exchange transactions (excluding *cross currency swaps*) were as follows:

€ thousands	Contractual amounts (initial price)	Fair value at December 31, 2013
Foreign currency sell position	386,139	1,957
Foreign currency buy position	651,312	(9,105)
TOTAL		**(7,148)**

The Company is a net seller of GBP, SGD, AUD and CAD for the most part and is a net buyer of USD, JPY and THB.

Currency options

At December 31, 2010, currency options were as follows:

€ thousands	Nominal amount (valuation at exercise price)	Premiums received (paid) at inception	Fair value at December 31, 2013
Foreign currency put purchases	45,000	837	91
Foreign currency put sales	22,500	367	(53)
Foreign currency call purchases	202	8	
TOTAL		**1,211**	**39**

Cross-currency swap

In 2007, the Company implemented a financing transaction for its subsidiary Essilor of America for €250 million. This transaction was hedged by internal and external cross currency swaps which obtained the classification of hedges of existing assets or liabilities. This financing and the related cross currency swaps mature on February 24, 2014.

In thousands of currency units	Notional amount (USD)	Notional amount (EUR)	Fair value at December 31, 2013
External cross-currency swaps	328,375	250,000	13,383
Internal cross-currency swaps	328,375	250,000	(13,414)
Interest rate swaps	150,000		(4,502)
EUR interest rate caps		50,000	3
USD interest rate caps	50,000		2
TOTAL			**(4,527)**

15.2 Finance lease commitments

There have been no commitments under finance leases since 2006.

15.3 Commitments under non-cancelable operating leases and other contracts

Contractual obligations 2013 € thousands	Future minimum payments			
	up to 1 year	1 to 5 years	over 5 years	Total Treasury
Non-cancelable operating leases	4,029	2,360	197	6,586
TOTAL	**4,029**	**2,360**	**197**	**6,586**

15.4 Commitment relating to the sale of put options on minority interests

Essilor granted put options to the minority shareholders of various controlled subsidiaries. At December 31, 2013, the valuation of all of these put options if they were fully exercised totaled €62,690 thousand.

NOTE 16. Employee data

16.1 Pension, length-of-service and other obligations

Supplementary pensions

The Company's obligation to management and management-level employees for supplementary pensions was updated in 2013, using a retrospective method. 2013 actuarial assumptions were as follows: inflation rate (2%), staff turnover rate, rate of future salary increases (2.75%) and discount rate (3.3%).

Measured in this way, the obligation totaled €41,953 thousand, of which €9,843 thousand already paid into pension funds managed by an independent insurance company at December 31, 2013.

€ thousands	2013	2012
Projected benefit obligation	41,953	43,760
Fair value of plan assets	(9,843)	(18,913)
Deferred items[a]	(25,176)	(17,257)
PROVISIONS RECOGNIZED IN THE BALANCE SHEET	**6,934**	**7,590**

(a) Deferred items correspond to actuarial losses or gains and costs for past services. In 2013, these items included a reversal of €4.1 million corresponding to the reclassification to assets of an Article 39 tax surplus. The balance of €6.9 million corresponds to obligations under Article 83.

Length-of-service awards

The Company's obligation for the payment of length-of-service awards in application of French labor laws, collective bargaining agreements and trade union agreements was estimated at €2,355 thousand at December 31, 2013 based on a discount rate of 3.3%.

€ thousands	2013	2012
Projected benefit obligation	2,355	2,400
Fair value of plan assets	0	0
PROVISIONS RECOGNIZED IN THE BALANCE SHEET	**2,355**	**2,400**

Retirement benefits

The Company's obligation for the payment of retirement benefits for all types of retirement was estimated, according to a retrospective method, at €34,100 thousand at December 31, 2013 based on a discount rate of 3.3%.

€ thousands	2013	2012
Projected benefit obligation	34,100	34,619
Fair value of plan assets	0	0
Deferred items[a]	(14,894)	(16,262)
PROVISIONS RECOGNIZED IN THE BALANCE SHEET	**19,206**	**18,357**

(a) Deferred items correspond to actuarial losses or gains and costs for past services.

Expenses for the year

€ thousands	2013	2012
Cost of services rendered in the period	(4,025)	(3,637)
Interest expense on discounting	(2,458)	(3,011)
Contributions paid	0	16,800
Benefits paid	3,790	3,469
Expected return on plan assets	516	282
Actuarial losses (gains)	(3,319)	(2,268)
Cost of past services	(302)	(302)
EXPENSES FOR THE YEAR	**(5,798)**	**11,333**

16.2 Average workforce

Breakdown of average number of employees	2013	2012
Managerial personnel	1,327	1,293
Supervisors and administrative	1,268	1,299
Production	830	865
TOTAL	**3,425**	**3,457**

16.3 Management compensation

€ thousands	2013	2012
Executive bodies		
Compensation received[(a)]	1,791	1,661
Length-of-service award payable on retirement (actuarial value)	740	585
Supplementary retirement benefit obligations (actuarial value)	10,040	9,119
Value of performance share rights granted during the year[(b)]	1,521	1,213
TOTAL	**14,092**	**12,578**
Administrative bodies		
Compensation received	462	371
TOTAL	**462**	**371**

(a) Compensation paid by Essilor International SA or any other consolidated subsidiary.

(b) The amounts indicated are the fair-value accounting amounts of the options and stocks in accordance with IFRS. These are, therefore, not real amounts which may be realized upon acquisition of the stock, if vested. It should also be noted that awards of shares are subject to employment and performance conditions.

16.4 Other employee information

Individual Training Entitlement ("DIF")

The cumulative number of hours training available to employees under the "DIF" incentive was 321,645.

The cumulative number of hours for which no training request had been received at the balance sheet date was 303,660.

NOTE 17. Fees paid to the auditors and members of their networks

€ thousands, except for percentages	PricewaterhouseCoopers				Mazars			
	Amount		As a %		Amount		As a %	
	2013	2012	2013	2012	2013	2012	2013	2012
Audit								
Statutory and contractual audit services	447	447			282	282		
Other audit-related services	922	325			162	171		
SUB-TOTAL	**1,369**	**772**	**100%**	**100%**	**444**	**453**	**100%**	**100%**
Other services								
Legal and tax advice								
Other								
SUB-TOTAL	**0**	**0**	**0%**	**0%**	**0**	**0**	**0%**	**0%**
TOTAL	**1,369**	**772**	**100%**	**100%**	**444**	**453**	**100%**	**100%**

The other work and services directly linked to the duties of the Statutory Auditor correspond principally to the work conducted within the context of acquisition transactions of companies to be included in the scope of consolidation.

NOTE 18. Subsequent events

Acquisition of Transitions

On July 29, 2013, Essilor announced the signing of an agreement to acquire the 51% stake in Transitions Optical owned by PPG. Transitions Optical is a leading provider of photochromic lenses to optical manufacturers worldwide. Following the transaction, Essilor will own 100% of the capital of Transitions Optical. Transitions Optical generated revenue of USD814 million in 2012, of which around USD310 million with lens manufacturers other than Essilor. Under the agreement, Essilor will also acquire 100% of the capital of Intercast, a high-performance sun lens manufacturer based in Parma, Italy. In 2012, Intercast revenue stood at nearly USD34 million. The consideration for the transaction amounts to USD1.73 billion at closing, as well as a deferred payment of USD125 million over five years, for 51% of the capital of Transitions Optical and 100% of Intercast.

Subject to various regulatory approvals, the transaction is expected to close during the first half of 2014. Based on current estimates, the transaction should have a positive impact on Essilor's financial indicators and, in particular, an accretive impact on earnings per share as of year one of the integration and of at least 5% per year in subsequent years. Following the transactions, the consolidated debt-to-equity ratio will remain below 40%.

NOTE 19. Five-year financial summary

Capital at the fiscal year-end € thousands	2013	2012	2011	2010	2009
Share capital	38,646	38,650	38,527	38,098	38,792
Number of ordinary shares outstanding	214,699,498	214,724,040	214,038,296	211,655,342	215,509,972
o/w treasury stock	4,454,406	4,387,477	5,363,126	2,894,112	4,630,653
Number of preferred, non-voting shares outstanding (without voting rights)	0	0	0	0	0

Results of operations € thousands	2013	2012	2011	2010	2009
Net revenue	800,847	737,543	678,430	680,533	670,474
Profit before tax, depreciation, amortization and provisions	373,329	445,205	300,219	362,900	246,094
Income tax expense	1,066	11,294	(14,408)	(5,077)	(14,111)
Employee profit-sharing due for the year					
Profit after tax, depreciation, amortization and provisions	326,184	407,376	273,061	341,947	214,753
Total dividends	197,630	185,096	177,374	173,272	147,616

Per share data € thousands	2013	2012	2011	2010	2009
Earnings per share, after tax and employee profit-sharing, but before depreciation, amortization and provisions, excluding treasury stock	1.77	2.06	1.51	1.76	1.23
Earnings per share, after tax, employee profit-sharing, depreciation, amortization and provisions, excluding treasury stock	1.55	1.94	1.31	1.64	1.02
Net dividend per ordinary share	0.94[(a)]	0.88	0.85	0.83	0.70
Net dividend per preferred, non-voting share					

(a) Subject to the decision of the Shareholders' Meeting of May 7, 2014.

Employee data € thousands, except for the average number of employees	2013	2012	2011	2010	2009
Average number of employees in the year	3,425	3,457	3,464	3,528	3,584
Total payroll	172,407	167,943	161,028	157,673	151,855
Total benefits	97,673	96,729	81,492	79,270	76,982

3.9 Statutory Auditors' Report on the annual financial statements

Fiscal year ended December 31, 2013

To the Shareholders,

In compliance with the assignment entrusted to us by your General Meeting, we hereby report to you, for the year ended December 31, 2013, on:

- the audit of the accompanying financial statements of Essilor International;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I - Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company at December 31, 2013 and of the results of its operations for the year then ended in accordance with French accounting principles.

II - Justification of our assessments

In accordance with the requirements of Article L.823-9 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

Note 1.5 to the financial statements describes accounting policies and methods applied to investment securities.

As part of our assessment of the accounting principles and policies applied by the Company, we verified the appropriateness and correct application of these accounting methods and ensured that the notes to the financial statements contained appropriate disclosures.

These assessments were made as part of our audit of the financial statements, taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III - Specific verifications and information

In accordance with professional standards applicable in France, we have also performed the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the Management Report of the Board of Directors, and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of Article L.225-102-1 of the French Commercial Code relating to remuneration and benefits received by corporate officers and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlling it or controlled by it. Based on this work, we attest to the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the identity of shareholders and holders of the voting rights has been properly disclosed in the Management Report.

Neuilly-sur-Seine and Courbevoie, March 11, 2014

The Statutory Auditors

PricewaterhouseCoopers Audit	Mazars
Christine Bouvry	Daniel Escudeiro

CORPORATE, SOCIAL, AND ENVIRONMENTAL REPORTING

IN BRIEF

"TO IMPROVE LIVES BY IMPROVING SIGHT IS OUR BIGGEST COMMITMENT IN TERMS OF SUSTAINABLE AND RESPONSIBLE DEVELOPMENT"

"We are fortunate at Essilor to be driven by a strong social purpose: to improve people's lives and create a positive impact on the world by ensuring that each individual is aware of the importance of good vision and has access to the eyeglasses he or she needs. Our mission represents our biggest commitment in terms of sustainable and responsible development. It also sets the tone for our approach to doing business in an ethical and equitable manner that pays due attention to all our stakeholders and to the communities in which we operate.

In 2013, the Group reinforced its innovative transversal approach to sustainability and social responsibility with the creation of the Chief Corporate Mission Officer function and of a CSR Committee within its Board of Directors. This unique two-tier governance will enable Essilor to explore new territories and pioneer inclusive business models that will foster the continued growth of the company and its contribution to global social and economic development.

In this context I am pleased to renew Essilor's long-term commitment to integrate the 10 principles of the UN Global Compact both in its strategy and day-to-day operations and to share in this chapter of our 2013 Registration Document our annual Communication on Progress report."

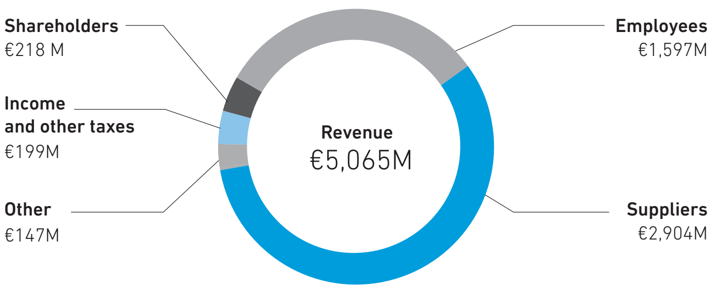
Hubert Sagnières
Chairman and Chief Executive Officer

WE SUPPORT

FTSE4Good

ECPI Sense in sustainability

SOCIAL AND ECONOMIC FOOTPRINT OF THE GROUP



4.1 Introduction

The 2013 fiscal year is the second year of formal introduction of Law **2010-788 of July 12, 2010, better known as the "Grenelle 2 Law,"** and its Implementing Decree **2012-557 of April 24, 2012, Article L.225-105-2. Essilor International is continuing to broaden the reporting perimeter of the Group's financially consolidated companies to meet its targeted coverage by 2017. Refer to the "Methodology" Section in this Chapter.**

Essilor International has been reporting on its corporate, social and environmental performance for **11** years (since fiscal year 2002). At the beginning, this information was provided in the Annual Report. In 2003 it was published in a separate report entitled "Seeing the world better/2003. Our contribution to sustainable development." That report was distributed at the Essilor International Shareholders' General Meeting and made available to all stakeholders. It was primarily intended for internal use as a means of making employees aware of sustainable development in action issues and the Company's social and societal responsibility.

In 2004 and 2005, reporting on these matters was included in the Annual Reports for those years. In 2006, the Group published a second, separate report entitled "Seeing the world better/2006. Our contribution to sustainable development." The purpose of that document was to take stock of the progress achieved in the three years since the initiative was formally implemented and review the Group's sustainable development actions. The report was mainly targeted at an external audience and distributed in large quantity to stakeholders worldwide following distribution at the Shareholders' General Meeting.

Since the 2007 fiscal year, reporting on these matters has been included in the annual Registration Document in an effort to produce an integrated report.

Lastly, since the 2012 fiscal year, Essilor International has continued to use the Global Reporting Intitiative (GRI) guidelines and to gradually extend the reporting perimeter, which covers most of Essilor's day-to-day operations. Eventually this will cover all legal entities financially consolidated by Essilor.

Consequently, the Group's annual Registration Document now combines the Grenelle 2 Law format with the Global Reporting Initiative (GRI) guidelines, which the Group has applied for many years.

The Group is unable to commit to 100% coverage and wishes to maintain a reserve of 15% to anticipate a situation where one or more companies with a large workforce are acquired within a single fiscal year, but are unable to report their non-financial and financial information within the same period when included in Essilor's financial statements for the first time.

Following the entry into force of Article 225 of the Grenelle 2 Law and its application decree of April 24, 2012, and as from fiscal 2013, the reports issued by KPMG Audit include a certification of inclusion and reasoned opinion on the fairness of the CSR information published in the Management Report and in Chapter 4 of the Registration Document.

As the audit relates to all published CSR information, we have discontinued the use of the ☑ symbols that appeared in the 2012 Registration Document identifying information subject to detailed tests.

The numerous corporate, social and environmental data included in this report are generally collected over a period of 12 months from October 1, 2012 to September 30, 2013.

The few data collected for the January 1, 2013 to December 31, 2013 fiscal year are followed in the text or in the indicator tables by an «at» symbol in superscript: @

4.2 Social information

Essilor's policy is to contribute to its employees' personal development and fulfillment by offering them career opportunities in a global, multi-cultural and decentralized organization; to provide a working environment that respects employees' physical and moral integrity, whatever their origins; to treat all employees fairly, in all circumstances; to enhance their employability, inside and outside the organization by facilitating their access to training throughout their career and increasing their empowerment and responsibilities in order to enrich their work and deepen their experience; and to help them become Company shareholders by implementing a responsible employee stock ownership policy.

Essilor's employee shareholding structure is a key characteristic of the Group's social policy. It is not only of benefit to employees but also shareholders by aligning their common interests regarding the Company's performance and the value created as a result. It brings the Group a particularly positive affectio societatis, which goes well beyond a simple sense of pride or of belonging.

Essilor's social policies have followed the Group's international orientation. They were implemented in the early decades by expatriate French executives. The policies then followed, and continue to follow, the Group's ongoing globalization through an approach to human resources management generally applied by local executives who are responsible for running operations in their respective countries.

4.2.1 Employment

Total workforce and breakdown of employees by gender, age and geographical area

As of December 31, 2013, Essilor had **55,129** employees worldwide (including all those of proportionately consolidated companies). The average workforce for 2013 was **52,962** (employees corresponding to the amount reported for consolidated employee benefits expense for the period).

Essilor does not employ many temporary workers (European Regulation 809/2004/EC, Appendix 1, Paragraph 17.1).

			2013	**2012**	**2011**
LA 01	**Workforce at the end of the period for the entire year 2013(@)**		**55,129 (@)**	50,668	48,700
LA 01	**Average workforce for the entire year 2013(@)**		**52,962 (@)**	50,212	44,952
LA 01	**Breakdown of workforce by geographical region (out of 55,129 employees at year end entire year in 2013)(@)**	North America	**12,548 (@) (22.7%)**	12,875 (25.6%)	14,481 (32.2%)
		Europe	**10,768 (@) (19.6%)**	11,613 (23.1%)	11,454 (25.5%)
		Latin America/Africa/Asia/Australia/Middle East/Russia	**31,813 (@) (57.7%)**	25,724 (51.3%)	19,017 (42.3%)
LA 01	**Workforce covered by 2013 reporting on the period**		**39,937**	34,075	33,530
	Coverage		**72.4%**	67.3%	68.9%
LA 01	**Breakdown of workforce by gender (out of 39,937 reported for the period)**	Women	**22,061 (55.2%)**	18,998 (55.8%)	17,809 (53.1%)
		Men	**17,876 (44.8%)**	15,077 (44.2%)	15,721 (46.9%)
LA 01	**Breakdown of workforce by category(@) (out of 52,962 an average workforce for the entire year 2013) (@)**	Production	**29,700 (@) (56.1%)**	29,888 (59.5%)	27,082 (60.2%)
		Supervisors and employees	**16,721(@) (31.6%)**	14,062 (28.0%)	12,170 (27.1%)
		Managerial personnel	**6,541(@) (12.3%)**	6,262 (12.5%)	5,700 (12.7%)

			2013	2012	2011
LA 01	**Breakdown of workforce by age group (out of 39,937 reported for the period)**	Under 18 years	**128 (0.32%)**	50 (0.15%)	N/C
		18 to 24 years	**4,095 (10.25%)**	3,451 (10.13%)	N/C
		25 to 34 years	**11,936 (29.89%)**	10,265 (30.12%)	N/C
		35 to 44 years	**10,649 (26.66%)**	8,907 (26.14%)	N/C
		45 to 54 years	**7,700 (19.28%)**	6,651 (19.52%)	N/C
		55 to 59 years	**2,963 (7.42%)**	2,572 (7.55%)	N/C
		60 years and over	**2,466 (6.18%)**	2,179 (6.39%)	N/C

New hires and layoffs

Workforce at the end of the period for the entire year in 2013: 55,129(@)

Workforce at the end of the period for the entire year in 2012: 50,668

Workforce at the end of the period for the entire year in 2011: 48,700

2013/2012 change: +9%(@)

The staff turnover calculation is known and measured in each legal entity but is currently not consolidated. That would not be relevant at the worldwide level since too many factors come into play and vary from year to year, one of the most important being the Group's growth. For the same reasons, just comparing total workforce year on year does not provide sufficiently detailed information with regard to the number of new hires and layoffs.

This is why one of the ways for Essilor International to resolve this complex issue and better assess the number of new hires and layoffs worldwide is to refer to staff turnover.

		2013	2012	2011
LA 02	**Staff turnover**	**8.9%**	8.5%	8.3%

Note*: for entities not yet reporting this data, the turnover rate is assessed on the basis of the entities' own multi-pronged assessment.*

Salary changes

Total salaries in 2013: €1,597 million(@)

Total salaries in 2012: €1,550 million

Total salaries in 2011: €1,288 million

2013/2012 change: +3%(@)

Average weighted salary changes could be calculated but this would not be relevant globally since there are too many variants from one year to the next (the Group's growth being one of the major variants).

Employees – Essilor's main shareholder

Since its founding, Essilor has been committed to a strong internal shareholding policy, and today nearly one in four employees is a company shareholder. Employees are Essilor's main shareholder, and this has given rise to an original method of governance that encourages dialogue and involves employees in the Group's key decisions. It also means that the interests of employees are aligned with those of shareholders. The employee shareholding is multi-faceted and tailored to the legal framework of each country. It has a unique structure comprising more than **seven thousand** employees and is managed by non-profit group **Valoptec Association** which is governed by the French law of 1901.

	2013	2012	2011
Number of employee shareholders	**12,041**	N/A	N/A
Percentage of employee shareholders	**22.7%**	N/A	N/A

Note*: Percentage calculation based on an average workforce of* **52,962** *for the entire year 2013*

Essilor International's Employee Shareholders' Department sets up and manages employee share ownership plans in all Essilor companies.

With eight multilingual employees, the Department helps establish rules for these plans and manages shareholder transactions on a daily basis. It provides regular information to employee shareholders, as it does for other shareholders.

In 2013, new plans were set up in Brazil, China, Finland, Germany, Hungary, Romania, Spain, Sweden, Switzerland and the United Kingdom. Performance shares were also distributed.

As of December 31, 2013, active and retired employees held **8.4%** of the share capital and **14.6%** of voting rights.

Note that all Essilor International shareholders who keep their registered shares for at least two years have a double voting right.

4.2.2 Organization of labor

Organization of working hours

Working hours vary considerably within the Essilor group. Each legal entity has the autonomy to decide the most appropriate working hours. Essilor International is unable to prepare a comprehensive document listing the working hours at each establishment.

When it comes to working hours, decisions are made locally based on at least the following main principles, which are just four of many others either existing or possible:

- meeting customer requirements;
- discussion with employees either via their representatives through any possible means, or directly, for smaller entities;
- compliance with all local laws relating to the organization of working hours;
- optimal operating efficiency.

Absenteeism

			2013	**2012**	**2011**
LA 07	**Rates of injury, occupational illnesses, lost days, absenteeism and total number of work-related fatalities** See LA 07 indicator table below for details	Rate of absenteeism	**4.7%**	4.8%	4.7%

***Note**: the rate of absenteeism at entities not yet reporting this data is assessed on the basis of the entities' own multi-faceted assessment.*

4.2.3 Labor/management relations

Organization of dialogue between management and employees, especially procedures for providing information to employees and the consulting and negotiation process

Dialogue between management and employees varies widely at Essilor. Each legal entity has complete autonomy to decide on the most appropriate labor-related dialogue. Essilor International is unable to prepare a comprehensive document listing labor-related dialogue at each establishment.

When it comes to dialogue between management and employees, Essilor promotes listening, discussion and transparency in local decision-making. It also encourages open communication with employees and strives to ensure that everyone can participate without hierarchical boundaries.

Labor-related dialogue is generally organized by employee representatives through any possible means or directly for the smallest entities or those not wishing to be represented by one or more third parties. Such dialogue covers more than 90% of the Group's total workforce.

Representative bodies include: Optical Union in Brazil; Shanghai Essilor Optical Company Limited Trade Union in China; Essilor European Dialogue and Information Committee (EEDIC) in Europe; Karmika Sangha in India; Confederation of Filipino Workers, Essilor Manufacturing Philippines Incorporated Chapter in the Philippines; Essilor Workers' Union of Thailand in Thailand; and numerous activity committees, communication committees, employee committees, factory committees, safety committees, welfare committees and similar bodies.

The European Works Council, which at Essilor International is called the Essilor European Dialogue and Information Committee (EEDIC), holds an annual plenary meeting. In 2013 this took place in the Paris region on May 23, 24 and 25.

There are two important points to note from this meeting:

- 2013 was the year for membership renewal, which must be done every four years. Of a total of 19 members, 11 joined the committee for the first time in 2013. All members then elected a new Board, which comprised six members, two of whom were, by law, French nationals. It should be noted that the Board's secretary is himself a newly elected member;
- the EEDIC Board, along with management, had decided to offer a training session to all members so that those new to the committee would have a better understanding of EEDIC's role and their duties, rights and obligations, and longer-serving members could be reminded of these points. This half-day training, held immediately before the plenary session and conducted by a training firm specializing in European Works Councils, was greatly appreciated.

In line with a strong, ongoing commitment to improve information sharing and access, the EEDIC intranet migrated to a Google® site, providing better access not only to EEDIC members but also to all employees of the various European entities.

At the same time, EEDIC members themselves proposed and then voted for a new committee logo to raise its profile.

The key goal of all of these initiatives, which result from the efforts of members of the EEDIC Board and Management, is to make EEDIC more visible and more active in Europe. This obviously complies with the new EU directive but most of all it demonstrates how genuinely committed the Essilor group has always been to high-quality labor-related information and dialogue.

Like every year, the Board met three times in ordinary session and twice in extraordinary session.

Reporting procedures can vary from one legal entity to another depending on the nature of the information, but Essilor consistently promotes these procedures throughout the world as a key factor in operating success and strategic alignment.

One of the many examples is the reporting procedure relating to the minimum notification period required in the event of a substantial change to operating activity. See GRI indicator LA 05.

Staff consultation also takes on a wide variety of forms depending on the legal entity, but Essilor consistently promotes this throughout the world as a key factor of success, performance and strategic alignment.

Global staff opinion polls are regularly conducted within the Group.

Similarly, staff negotiations vary from one establishment to another, but Essilor consistently promotes these throughout the world as a key factor in employee satisfaction.

LA 04	**Percentage of employees covered by collective bargaining agreements**	Essilor's management style is deeply rooted in the Group's history and its twofold economic and humanitarian objective, and underpinned in particular by the distribution, understanding and application of the rules contained in a document translated into **27** languages and *entitled Essilor Principles.* It encourages dialogue between management and employees, whether or not the employees are covered by a collective bargaining agreement. All Group employees have access to health and social security cover, which varies according to local characteristics and is the result of communication between employees and management. The Group's well-developed employee shareholder structure fosters an understanding of subjects linking economic and employee-related issues, and aligns the interests of salaried associates with those of shareholders.
LA 05	**Minimum notice period(s) regarding significant operational changes, including whether specified in collective agreements**	Notice is generally provided more than six months in advance.

Collective bargaining agreements

There are a vast number of collective bargaining agreements per establishment or group of establishments, or per country. Each legal entity has the autonomy to implement collective bargaining agreements. Essilor International is unable to provide the complete list of collective bargaining agreements in a comprehensive document.

Essilor promotes collective bargaining agreements as a way to attract and retain employees who contribute to the Group's performance by virtue of their expertise and/or talent. The vast majority of collective bargaining agreements pertain to the introduction of both long-term benefits (medical coverage, pensions, health and disability insurance, life insurance, etc.) as well as short-term benefits (performance bonuses, distribution of performance shares, shareholding, etc.).

Most collective bargaining agreements are renewed at regular intervals, often after being reviewed and improved.

The 2013 collective bargaining agreements generally fit this trend.

4.2.4 Health and Safety

Health and safety in the workplace

With a staff that includes experts in occupational health and safety, chemical management and ergonomics, the Global Environment, Health and Safety (EHS) Department provides the network of EHS correspondents throughout the organization with assistance and support in these areas.

In line with Essilor's decentralized management policy, which focuses on empowering local front-line managers, the individual entities have their own health, safety and environment experts.

Occupational health and safety management systems that address local objectives have been set up and are maintained at Essilor's 13 upstream plants. Production facilities in Brazil (1), China (1), France (3), Ireland (1), Mexico (1), the Philippines (2), Puerto Rico (1), Thailand (1) and the United States (2) were OHSAS 18001-certified as of December 31, 2013 and, in fact, have been since December 31, 2008. The certification ratio of the occupational health and safety management systems of the Group's upstream production facilities remains at its maximum level of 100% (13/13).

In 2013, inspection audits were carried out as planned.

In addition to the mass production sites mentioned above, some of the larger prescription and service laboratories in terms of volume handled have set up and maintain occupational health and safety systems. They are OHSAS 18001-certified whenever relevant.

Other prescription and service laboratories and smaller entities for which the formal installation of an occupational health and safety management system is not justified ensure that occupational health and safety and working conditions are handled in a similar fashion. This is done by their *ad hoc* committees, typically a local version of France's committee for hygiene, safety and working conditions (CHSCT), as part of a continuous improvement process, much like the Plan-Do-Check-Act (PDCA) cycle.

Action plans have been implemented with specific objectives and targets for better prevention and reduction of occupational health and safety risks.

OHSAS 18001 guidelines represent an entry point to occupational health and safety policies at all facilities. One of the goals of these policies is to improve occupational health and safety awareness, training and communication.

In 2013, the *ad hoc* working group continued to implement action plans that successfully brought Essilor into compliance with REACH. The Group is made up of managers and/or experts in purchasing, legal affairs, sustainable development, the environment, workplace health and safety, and research and development. It also uses an external consultant and the Technical Center of a professional body. It will continue to monitor REACH compliance over the long term, undertaking upgrade programs as required. The working group members include representatives of the Instruments Division and other Essilor subsidiaries and legal entities.

The Global EHS Department also uses a tool to manage safety data sheets worldwide. The tool applies the directives of the Globally Harmonized System (GHS) and is used in combination with an HSE guide for new products and projects, which was updated in 2013 and is a further means of improving EHS risk management.

Occupational health and safety agreements signed with trade unions or employee representatives

To our knowledge, there are strictly speaking no agreements to date signed with trade unions or employee representatives limited solely to occupational health and safety issues.

Agreements signed on such issues typically have a broader framework in respect of general working conditions and therefore include occupational health and safety.

Please also refer to the above description of the health and safety management systems.

Workplace accidents, particularly frequency and seriousness

			2013	2012	2011
LA 07	**Rates of injury, occupational illnesses, lost days, absenteeism and total number of work-related fatalities**	Accidents wth lost work time	**192**	216	156
		Accidents without lost work time	**386**	638	387
		Fatal accidents	**0**	0	0
		Lost work days	**4,179**	2,735	3,772
		Rate of absenteeism	**4.7%**	4.8%	4.7%
	Frequency rate for the period		**2.6**(@)	3.5	3.8
	Severity rate for the period		**0.06**(@)	0.08	0.11

Occupational illnesses

Identifying and monitoring the possible occurrence of occupational illnesses is the task of each establishment but to date their quantification has not been consolidated. It is therefore not included in GRI indicator LA 07. The vast majority of reported occupational illnesses fall within the category of musculoskeletal disorders (MSDs). An ergonomics position has been created within the Global EHS Department to initiate and monitor programs set up to reduce the existing number of cases and prevent the occurrence of new ones. These programs were strengthened in 2013.

LA 08	**Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members in the event of serious illness**	The Group takes action in this area whenever necessary. In 2005, it formed a health watch unit tasked in particular with monitoring avian flu. In 2009, the unit established an action plan to monitor changes in influenza type A (H1N1) and provide support as necessary. Still on the alert in 2013, the watch unit continues to work closely with contracted health experts who follow the recommendations of the World Health Organization. The watch unit can be activated immediately in the event of a new crisis.

4.2.5 Training

Training policies

Throughout the world, Essilor entities invest in training. Such investment underpins the Group's operational excellence, ensures ongoing employee training and increases employees' knowledge, experience and professional profile. Training policies vary enormously from one establishment to another, depending on the main business activity. However, they have many elements in common, the three key elements being:

- training tailored to the activity of the facility and focused on the facility's operating strategies (mass production, prescription and service laboratories, distribution centers, distribution subsidiaries, etc.) that the Human Resource Departments translate into new skills;
- individual support provided to employees to improve their performance within their business area; and
- development of talent and employability.

The main goal of training policies is to help staff successfully perform their daily work in the short and medium term. These policies follow changes in the Company and are tailored to its strategies. Particular attention is paid to offering training programs that use all methods of learning. The use of independent trainers, or courses and exchange programs with other companies help acquire new know-how and offer openings beyond the boundaries of the Company. In-house programs are adapted according to local need. Programs where employees take responsibility for their own development are also offered. Communication with line management is fully transparent and new skills are approved so that progress can be recorded.

In 2013 a substantial number of training courses were held on quality management, both for products and processes, customer service and satisfaction, the environment, and occupational health and safety. Essilor continued to invest in the professional development of its managers, with the help of training programs created in 2012, as part of its ongoing goal to support the Group's growth momentum.

In connection with its talent management policy, Essilor focused on Group managers who are key to its success and whose professional development is important. The programs have been constructed to apply to several management levels:

- the General Management Program (GMP) is aimed at those who primarily work with their teams to perform strategy-related operational tasks. It offers a selection of business topics (strategy, marketing, operations, finance) as part of the continuous learning program underpinned by Harvard ManageMentor®. Organized in three major regions, the program is run in partnership with three management schools and has a common curriculum to which is added an appropriate local component. Leadership is an integral part of the program which prepares managers to constantly steer change in a more effective manner;

- the Advanced Management Program (AMP) is aimed at those who are primarily involved in transforming key strategic objectives and then sharing them with their operating teams. This program has a dual purpose. Firstly, it develops a strategic approach for steering change, and secondly, it develops the qualities needed to lead teams in this context of change. A portion of the program is held in a high-growth country for greater insight into the growth opportunities such markets offer;
- a Senior Management Program (SMP) is currently being developed for managers with a direct role in strategy development. With the emergence of new roles in the organization, aligning the content of this program with the Group's strategy demands careful and serious thought.

In 2013, three groups took part in the GMP (one per region) and one new group began the AMP, for a total of 165 managers. The 2012 AMP group (35 managers) finished its training course in Indonesia as the next group began its program, which will terminate in India in early 2014.

A leadership program has also been established to complement the GMP and AMP and better prepare future leaders. Based on the principles of self-assessment and joint development, this program has had a major impact on our managers who not only get immediate benefit from the training but can use it to develop their future careers. Two sessions have been held attended by 55 managers.

Meanwhile, Vision Essilor is an orientation program for new managers consisting of an entire week dedicated to direct discussions with general management. The purpose is to identify challenges, seize opportunities, share good practices, and instill awareness of the Group's culture and values, which are regularly enriched by new partners joining the Group. Essilor's principles are widely communicated at these sessions. Two such programs were organized during the year, which is a remarkable investment by the Group's top management in the professional development of its managers. More than 200 people from different geographical regions and business groups took part.

With regard to diversity, 32% of participants in these programs were women, with more than 30 different countries represented in an accurate reflection of the Group's diversity.

To support the Group's strategy, training has been developed specifically for our partners, combining academic and in-house content. The first participants were a group of 30 managers from China.

Close attention has also been paid to bringing together the training community and creating a genuine proactive dialogue that benefits everyone.

Essilor has also strengthened the role of e-learning in the professional development of its managers and employees. Modules now feature customized corporate content (Essilor Principles and compliance), business-line content (products and sales), and management-specific content (developed in the United States in collaboration with the Center for Creative Leadership) and they fully complement the training sessions organized around the world.

In 2013, more than 2,000 managers and other staff attended at least one of these e-learning modules, and the plan for 2014 is to continue the program with the help of a globally available tool.

Lastly, the Group's global approach to capitalizing on its know-how was recognized by the ***Trophée du Capital Humain*** human resources awards. Over the last five years the Group has trained more than 14,000 employees, directly encouraging staff members to become trainers and to share their knowledge with the support of digital technology.

Total number of training hours

The number of employee training hours was down considerably (-29%) compared with the previous fiscal year. This was because the largest laboratories are now at "cruising speed" and are substantially increasing the number of supervisory staff (+17%) required in particular by the new talent management programs.

			2013	2012	2011
LA 10	**Average number of training hours per year, per employee**	Number of employee hours	**282,969**	399,438	506,762
		Number of management hours	**161,895**	138,083	209,526
		TOTAL	**444,864**	**537,521**	**716,288**

4.2.6 Equal opportunities

Measures taken to promote gender equality

Essilor entities have introduced various measures to preserve gender equality. Aware of the value that diversity brings to the Company's performance, Essilor offers the same promotional opportunities to men and women. Job-related decisions are based on merit, qualifications and individual ability. Essilor does not engage in any discrimination based on a person's gender in respect of employment, the job itself or promotional opportunities.

Measures taken to promote the employment and integration of people with disabilities

Similarly, Essilor entities have introduced measures to promote the employment and integration of people with disabilities. Recruitment procedures allow such individuals real and interesting job opportunities. All reasonable efforts are made to adjust work stations so that they are accessible to persons with disabilities whose performance might otherwise be affected. Essilor does not engage in any discrimination based on a person's disability in respect of employment, the job itself or promotional opportunities.

Anti-discrimination policy

In the case of indicator HR 04, Essilor complies in particular with Fundamental Conventions Nos. 100, covering equal pay, and 111, covering discrimination (employment and occupation). The few allegations brought to us each year and which have triggered a procedure to classify incidents of discrimination (on average two to five a year Group-wide) have not been proven. There was no procedure leading to sanctions in 2013.

Essilor entities fight all forms of discrimination. Aware of the value that diversity brings to the Company's performance, Essilor offers everyone the same promotional opportunities. Job-related decisions are based on merit, qualifications and individual ability. Essilor does not engage in any discrimination based, for example, on a person's color, religion, gender, disability, nationality, age or sexual orientation in respect of employment, the job itself or promotional opportunities.

		2013	2012	2011
HR 04	**Total number of incidents of discrimination and corrective actions taken.**	**0**	0	0
LA 13	**Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity**	Currently, this diversity indicator is known and measured locally when the laws permit, but is not consolidated as a whole. The Essilor International Board of Directors is composed of **four women and 11 men** (**27%** and **73%** respectively).		
LA 14	**Ratio of basic salary of women to men by employee category**	Currently, this diversity indicator is known and measured locally but is not consolidated as a whole.		

4.2.7 Promotion and upholding of the Fundamental Conventions of the International Labour Organization

As a signatory to the Global Compact, Essilor supports, promotes and complies with the Universal Declaration of Human Rights corresponding to the first and second of its ten principles, and the eight Conventions of the ILO, corresponding to the third, fourth, fifth and sixth of its ten principles.

In the case of GRI indicators HR 05 and LA 04, Essilor complies in particular with Article 20 of the Universal Declaration of Human Rights, namely that:

- everyone has the right to freedom of peaceful assembly and association; and
- no one may be compelled to belong to an association.

Compliance with the freedom of association and the right to collective bargaining

In the case of GRI indicators HR 05 and LA 04, Essilor complies in particular with Fundamental Conventions Nos. 87, covering union freedom and the protection of union rights, and 98, covering the right to organize and collective bargaining. To date, no activity has been identified as presenting a compliance risk in this area.

		2013	2012	2011
HR 05	**Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.**	**0**	0	0

The elimination of discrimination in respect of employment and occupation

In the case of indicator HR 04, Essilor complies in particular with Fundamental Conventions Nos. 100, covering equal pay, and 111, covering discrimination (employment and occupation). The few allegations brought to us each year and which have triggered a procedure to classify incidents of discrimination (on average two to five a year Group-wide) have not been proven. There was no procedure leading to sanctions in 2013.

See also "Anti-discrimination policy" above in the "Equal opportunities" Section.

		2013	2012	2011
HR 04	**Total number of incidents of discrimination and corrective actions taken.**	**0**	0	0

Elimination of forced or compulsory labor

In the case of indicator HR 07, Essilor complies in particular with Fundamental Conventions Nos. 29, covering forced labor, and 105, covering the abolition of forced labor. To date, no activity has been identified as presenting a compliance risk in this area.

		2013	2012	2011
HR 07	**Operations identified as having significant risk for incidents of forced or compulsory labor, and measures taken to contribute to the elimination of all forms of forced or compulsory labor.**	**0**	0	0

The effective abolition of child labor

In the case of indicator HR 06, Essilor complies in particular with Fundamental Conventions Nos. 138, covering minimum age, and 182, covering the worst forms of child labor. To date, no activity has been identified as presenting a compliance risk in this area.

		2013	2012	2011
HR 06	**Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.**	**0**	0	0

4.3 Environmental information

As a signatory to the Global Compact, and in its desire to comply with, support and promote within its sphere of influence the seventh, eighth and ninth of the Compact's 10 principles in particular (although not restricted to those), Essilor adopts a precautionary approach vis-à-vis the environment, researching initiatives to promote environmental responsibility and encouraging the development and dissemination of environmentally friendly technologies.

The Group is committed to participating in sustainable development initiatives by helping to protect the environment and by promoting recyclable products. It also complies fully with all applicable environmental regulations, regardless of application scope or geographical region. By its very nature, Essilor's business has only a limited impact on the environment. Nevertheless, a voluntary process has long been in place to accurately determine the environmental impact, however slight, of its activities. Essilor manages several hundred thousand stock-keeping units and its products must be kept immaculately clean throughout the production process. By optimizing the use of natural resources (water and energy, for example) on an ongoing basis, and by keeping premises clean and orderly, the Group's environmental management systems contribute significantly to plant efficiency.

Essilor's "green revolution" began in the middle of last century with the introduction of the famous ORMA® (ORganic MAterial) lens to replace mineral lenses. This technological breakthrough paved the way to the abandonment of traditional manufacturing methods which consisted of extracting silica, treating it with heavy minerals (potash, soda, metal oxides, etc.) and melting it in high-temperature furnaces. Today this substitution is almost complete in mature markets but requires further encouragement in most emerging markets if the same levels of success are to be achieved. To convince eyeglass wearers of the benefits of this simple solution to the integrity, health and safety of the eye, Essilor is now promoting only the lightest, most resistant and most environmentally friendly corrective lenses made of thermoset resins or thermoplastics. Corrective lenses made from thermoplastic materials can be recycled to manufacture new items, but may not be used again in the manufacture of corrective lenses. This means that it is not possible to introduce a circular economy in the optics businesses. One pair of corrective lenses does not represent significant final waste for the environment.

Against this backdrop, the Group is still steadily reducing its use of resources per corrective lens produced and delivered, and working hard to make even more improvements in this area.

In 2013, Essilor opened its new French Innovation and Technology Center (CIT) in Créteil. It is the world's largest research center entirely dedicated to ophthalmic optics. Its goal is to strengthen the capacity for innovation at Essilor, which has a global network in keeping with its ambitions as market leader.

The French Center for Innovation and Technology is home to almost 900 employees from R&D, Engineering, Worldwide Operations, Logistics, Purchasing, and Quality. It is a multi-disciplinary organization that will strengthen the teams' operational efficiency.

The project was architecturally ambitious and designed to be environmentally friendly. It includes a four-level, 15,000 m2 building entirely dedicated to research, development and engineering, with space divided into research laboratories, high-tech facilities and offices.

Most importantly, the building was constructed to high-quality environmental standards and is certified under France's HEQ (High Environmental Quality) system. Essilor chose to make the building energy efficient through the use of renewable energies such as geothermal energy, the installation of 700 m2 of solar panels, and optimized consumption of resources. The building's upper levels operate at "positive energy," meaning that they produce more energy than they consume. Planted terraces and green spaces complement these new facilities to provide a modern, pleasant work environment.

4.3.1 General environmental policy

Organization of the Company to take into account environmental issues and, where appropriate, processes for environmental assessment or certification

Staffed in particular with experts in the environment and chemical management, the Global Environment, Health and Safety (EHS) Department provides the network of EHS correspondents throughout the organization with assistance and support in these areas.

In line with Essilor's decentralized management policy, which focuses on empowering local front-line managers, the individual entities have their own health, safety and environment experts.

ISO 14001-certified environmental management systems addressing local targets and objectives have been set up and are maintained at Essilor's 13 upstream plants. All of the production facilities worldwide, i.e. in Brazil (1), China (1), France (3), Ireland (1), Mexico (1), the Philippines (2), Puerto Rico (1), Thailand (1) and the United States (2) were ISO 14001-certified as of December 31, 2013 and, in fact, have been since December 31, 2005. The certification ratio of the environmental management systems at the Group's upstream production facilities remains at its maximum level of 100% (13/13).

In 2013, inspection audits were carried out as planned.

In addition to the mass production sites mentioned above, and whenever relevant, some of the largest prescription and service laboratories in terms of volume handled have also set up environmental management systems that are ISO 14001-certified.

Other prescription and service laboratories, as well as smaller entities for which the formal installation of an environmental management system is not justified, ensure that preventative environmental impact management is handled in similar fashion by their *ad hoc* committees, composed of general service or maintenance experts, as part of a continuous improvement process, much like the Plan-Do-Check-Act (PDCA) cycle.

In 2013, Essilor's prescription laboratories stepped up their efforts to reduce water and energy consumption, continuing the initiatives already well under way at mass production plants. A total of 112 laboratories in North America (USA and Canada), South America (Brazil), Europe and the AMERA (Asia-Pacific, Middle East, Russia, Africa) region (effectively, the rest of the world) have been singled out to create specific action plans and set themselves targets for 2014.

Employee training and information on environmental protection

The ISO 14001 program provides for the introduction of an environmental policy at each site. One of the recurring aims of this policy is to improve training and internal communication on environmental issues.

In 2013 numerous training courses were held on aspects of environmental management in the various entities. The Global Environment, Health and Safety (EHS) Department continued the roll-out of a program developed in 2012 to raise awareness of the EHS policy and the tools for managing EHS risks. It comprises five modules:

- "When everyone plays their part, we all win";
- "Dealing with the problem at its source";
- "Observe and understand";
- "Taking action";
- "EHS management: essential guidelines."

The goal is to help site employees implement the principles of the Group's EHS policy both locally and practically. This teaching is usually done in the presence of a team or site manager who uses these modules to support training and interaction on local specificities. The modules can also be used individually as part of an online training course.

Available in English, they are distributed to the entire EHS network for on-site use and made available to new entities joining the Group during their first meeting with the Global EHS Department.

Means employed to prevent environmental and pollution risk

For the 12-month reporting period from October 1, 2012 to September 30, 2013, a total of **€3,710,000** (*versus* €1,460,000 in 2012) was spent or invested to help prevent environmental risk and pollution. Two exceptional investments were made during the period for €1,200,000 and €800,000 respectively. These two amounts alone accounted for 54% of the Group total and correspond to the renewal of facilities at the end of their amortization period.

Annual target-based action plans are drawn up to help prevent and reduce environmental risks. Lastly, and despite the very low risk, each site has set up a structure to deal with pollution incidents that could have consequences – however small – on the environment beyond the Company's facilities.

Amount of provisions and guarantees for environmental risk, except in cases where such information is likely to cause serious damage to the Company in an ongoing dispute

Essilor made no provision for environmental risk in 2013. Such risks are self-insured.

4.3.2 Pollution and waste management

Measures to prevent, reduce or repair air, water and soil discharges that seriously impact the environment

Environmental impact assessments of Essilor's operations are the basis for the environmental management systems that use ISO 14001. They help identify the risk of air, water and soil discharge. To date, no risk of air, water or soil discharge has been identified as likely to have significant impact on the environment.

The prevention and reduction of air discharges are taken into account whenever relevant. For example, the Group's entities invest in devices to treat volatile organic compound (VOC) emissions, ranging from simple on-site extractors to computer-controlled biofilters and activated carbon filters or similar devices adapted as needed. They set reduction objectives and targets for existing discharges and indirect greenhouse gas emissions, essentially CO_2 related to power consumption, by controlling energy consumption and streamlining logistics and shipping.

The prevention and reduction of water discharges are taken into account whenever relevant. This involves investing in waste water treatment systems, from single or combined filtering, neutralization, settling and degreasing processes to complete processing units, purification plants or similar treatment facilities. These measures are designed to reduce loads in existing effluent, which, in the case of prescription laboratories, are essentially suspended solids related to surfacing that are filtered at the job site and sent to a dump as solid waste.

The possibility of soil discharges likely to impact the environment, even slightly, has been assessed and has led to the implementation of appropriate prevention measures, such as retention devices to deal with accidental spills or the outfitting and special management of chemical storage premises.

EN21	**Total water discharges by quality and destination**	The Group controls the quality of its water discharges. Suspended materials, COD, five-day BOD, heavy metals and other general criteria like pH or more specific ones depending on the requirements of local water agencies are monitored through the environmental management systems. The consolidation of the local data reported in EN21 is not considered relevant information. The Group's water discharges are treated in compliance with local regulations.

Measures to prevent, recycle and dispose of waste

■ Emissions, effluents and waste

				2013	2012
EN22	**Total weight of waste by type and disposal method**	Total quantity of solid waste		**22,727t**	22,676t
		Of which:			
		Ordinary waste: *(still called non-hazardous)*	**17,111t**		
		Special waste: *(still called hazardous)*	**5,616t**		
EN23	**Total number and volume of significant spills**			**2**	1

***Note**: Relates to a first accidental spill in October 2012 of 150 liters of monomer and a second in April 2013 of 150 kilograms of preparation for polymerization. These spills flowed by gravity into retention areas provided for this purpose and were then recovered by the HSE services according to established procedures. No effect was observed on either personnel present at the time of the incident, personnel involved in remedying the situation, or on the environment. A procedural review was conducted following the report of the incident and a causal tree analysis.*

Products and services

EN26	**Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation**	The wide range of Airwear® ophthalmic lenses includes corrective lenses made from thermoplastic recyclable material. For reasons of quality, the use of this recycled material is not possible in the manufacture of new lenses. Such materials are used for other products. The objectives and targets regularly defined in the environmental management systems are essentially designed to reduce the environmental impacts, and in particular to reduce, recycle and reuse resources as much as possible.
EN27	**Percentage of products sold and their packaging materials that are reclaimed by category**	In 2007 Essilor Worldwide Operations launched an excellence initiative called the Change Accelerating Program (CAP) based on the fundamentals of the EFQM model. A key strategic initiative, CAP makes it possible to structure and update economic, customer, supplier, human (social and societal) and environmental targets over three years and to develop systems to achieve them. The results are shared with all employees through meetings and other communications tools, such as booklets, which are distributed to all employees in all languages. The program has led to solid strategies, especially concerning the development of human capital, relationships and partnerships with customers, and environmental safeguarding. The Group has initiated permanent measures to reduce, reuse and recycle its packaging materials. All of Essilor's ranges of ophthalmic lenses are delivered to eye care professionals in cardboard boxes or envelopes made of recycled paper. Cupless® packaging, which has been used for several years and received an innovation award when it was launched at a packaging materials trade show, has made it possible to eliminate the use of several hundred million plastic cups. The elimination of eyewear at the end of the life cycle is not a significant environmental nuisance.

Compliance

		2013	2012
EN28	**Monetary value of significant fines**	**0** (@)	0
EN28	**Total number of non-monetary sanctions for non-compliance with environmental laws and regulations**	**0** (@)	0

Preventing waste generation starts with consistently good results from quality-control management systems, which significantly limits the potential occurrence of manufacturing defects. This is followed by recycling and reusing materials and/or components whenever appropriate. Two good examples of this are:

- the recycling of more than 95% of elastomer joints used in large-scale manufacturing and which are cleaned, ground and finally mixed with 5% new material to produce new joints; and
- the use of Cupless boxes, an innovation in cardboard packaging that offers a number of benefits, including dispensing with the plastic cup previously used to protect the lens inside, without altering the level of protection.

Essilor entities have a waste sorting system to manage their ordinary and special industrial waste. This waste is recorded and taken away by certified specialist companies.

Consideration of noise pollution and any other form of pollution specific to an activity

No complaints about noise, odor or any other form of specific pollution were received in 2013.

4.3.3 Sustainable use of resources

Water used

The targets set for 2014 by the environmental management systems apply worldwide and are part of the Worldwide Operations Change Accelerating Program (CAP) which aims to further reduce water consumption by approximately 10% at equal produced volume.

			2013	2012
EN 08	**Total water withdrawal**	Total water use	**4,061,716 m^3**	2,993,065 m^3

Note*: The increase in water use in absolute value (1,068,651 m3) and as a pe[rcentage (35.7%)] is due to the addition of entities to the reporting perimeter, a portion of which comes from entities from the previous period whose water use had not been disclosed in the first year of reporting as a precaution. Overall, the average amount of water used per lens produced at Essilor continues to decrease.*

Water supply based on local restrictions

Most Essilor sites are generally located in industrial or urban areas where access to water is provided by local authorities. As part of its Environment, Health and Safety medium-term rolling action plan, the Group has incorporated the reduction of water and energy consumption into its Change Accelerating Program (CAP) and made this a priority. Within the Group's worldwide scope, targets have been set regarding the overall reduction in the amount of water used per lens produced. This reduction corresponds to an ongoing improvement under the "three Rs program," introduced to "reduce, reuse and recycle" this resource.

Consumption of raw materials and measures taken to improve the efficiency of their use

Materials

One of the key measures employed by Essilor on a daily basis for more efficient use of raw materials is the quality-control management systems set up and maintained at the Group's upstream production facilities, prescription and service laboratories, and distribution centers. Where appropriate, these systems are ISO 9001-certified, such as those at the Group's upstream production facilities. They operate in a number of different ways, depending on the activity. The Group also conducts a more general EFQM process across all disciplines.

This continuous improvement in total quality management helps optimize returns and minimize manufacturing waste.

The quality of Essilor's logistics operations is also particularly crucial: every day the Group delivers around a million corrective lenses to eye care professionals (its customers) around the world. These lenses are then passed on to some 500,000 customers, who not only have different names but also different prescriptions. Thanks to the vast array of methods used by Essilor to manage the quality of its products and services, the Company delivers products to its customers that have the correct name and are medically exact, thus limiting the risk of dissatisfaction, returns and re-manufacture.

Lastly, Essilor uses all methods to streamline the use of its consumable goods, reduce factory waste, and recover, reuse or recycle materials whenever possible.

			2013	2012
EN 01	**Materials used**	Raw materials – standard substrates	**7,547 t** (@)	7,188t
		Raw materials – other substrates	**8,025 t** (@)	7,602t
EN 02	**Percentage of materials used that are recycled input materials**		In general, the Group cannot use recycled materials to manufacture its corrective lenses. It recycles all input materials that can be realistically recycled, sometimes in very significant proportions (95% for elastomer joints, for example). For reasons of quality, the use of recycled organic materials cannot be considered in the manufacture of ophthalmic lenses. Such materials are used for other products.	

Energy consumption and measures taken to improve energy efficiency and the use of renewable energies

Essilor has been steadily improving energy efficiency at its sites for many years, consistently introducing objectives and targets as part of programs to control energy consumption related to the medium-term rolling action plan, which is reviewed annually by the Global EHS Department. The first nine sections of this plan are devoted to energy.

Gains have been made in the most traditional areas and the general need now is to continue to make strides in at least two directions that are less immediately practical and feasible, namely:

- improving energy efficiency in existing buildings with a view to possibly rebuilding them; and
- producing detailed energy studies of proven production processes in view of making changes in the future while continuing to adhere to strict manufacturing quality criteria.

To date it is still difficult for most sites to use renewable energies, except in countries where these are available and offered as an option to industrial customers by energy providers.

One of the three online training sessions available on the Essilor Academy to Save Energy (EASE) intranet site is designed to provide training and a continuous flow of information on good practices, and monitor energy-saving technological developments.

The targets set for 2014 by the environmental management systems apply worldwide and are part of the Worldwide Operations Change Accelerating Program (CAP) which aims to further reduce energy consumption by approximately 10% at equal produced volume.

This Worldwide Operations strategy is built on the fundamental concepts of the EFQM excellence model. It makes it possible to organize three-year program targets into areas of economics and finance, customers, people (employees and the community) and the environment, and to develop strategies to achieve them.

			2013	2012
EN 03	**Direct energy consumption by primary energy source**	Electricity	**518.0 GWh**	461.5 GWh
		Gas	**68.9 GWh**	65.5 GWh
		Liquid fuel	**8.6 GWh**	7.7 GWh
		TOTAL	**595.5 GWh**	**534.7 GWh**
EN 04	**Indirect energy consumption by primary energy source**		Transportation is assessed for energy consumption in four separate categories: primary (from manufacturing unit to distribution center), secondary (from distribution center to subsidiary), tertiary (from subsidiary to customer) and business travel. In 2013, the first two categories were calculated and translated into tons of CO_2 equivalent emitted, which are provided under EN17. A second assessment of emissions of CO_2 equivalent from tertiary transportation, of the order of a thousand tons, was once again performed in 2013. Its reporting perimeter included measuring flows directly to the end customers of six high-volume global prescription laboratories plus the flows from the last kilometer of prescription laboratories in France and the United States. Emissions related to business travel recorded for a population group of 1,500, of whom at least half are considered "major travelers," are also reported in EN17. The use of corrective lenses does not require any energy source. Their end-of-life impact is negligible.	

***Note**: The increase in energy use in absolute value (60.4 GWh) and as a percentage (11.3%) year-on-year is due to the addition of entities to the reporting perimeter, a portion of which come from entities from the previous period whose energy use had not been disclosed in the first year of reporting as a precaution. Overall, the average amount of energy used per lens produced at Essilor is constantly decreasing.*

Use of soil

Essilor carries out its business in industrial buildings, usually located in existing industrial zones or commercial premises. Soil is therefore not used in the Group's operations per se, but rather is associated with the buildings the Group occupies.

4.3.4 Climate change

Greenhouse gas emissions

CO_2 emissions related to energy consumption (electricity, liquid and gaseous fuel) provided under EN 03 in the above table were assessed at **60,908t** for 2013 (2012: 55,100t). This figure is provided in the EN16 indicator table below, under "Total direct and indirect greenhouse gas emissions."

The following three headings are totaled in the EN17 indicator table below, under "Other relevant indirect greenhouse gas emissions." These include:

- CO_2 emissions related to primary transportation (from a production unit to a distribution center) were assessed at **4,830t** for 2013 (2012: 4,680t);
- CO_2 emissions related to secondary transportation (from a distribution center to a subsidiary) were assessed at **10,980t** for 2012 (2011: 11,230t);
- CO_2 emissions related to a significant portion of professional travel were assessed at **6,810t** in 2013 (2012: 7,990t).

This made a total for 2013 of **22,620t** (2012: 23,900t).

The assessment of CO_2 emissions related to tertiary transportation (the so-called last-kilometer deliveries to eye care professionals) was further refined in 2013 by expanding the measurements to cover a broader perimeter, including deliveries to Group customers across a large portion of the United States, France, part of the rest of Europe, and part of Asia. For more than seven years, this first calculation has been adding approximately 2,000 tons to the quantities measured and documented for primary and secondary transportation. It is still too early to publish a figure with a sufficiently significant scope. However, it underscores once again that the final kilometer tends to have relatively little impact on the total. The reason, which is counterintuitive but applies across all Group businesses, is that the products transported are light and compact and delivery schedules are streamlined. Throughout the world, no truck leaves with only one pair of lenses for delivery to a single eye care professional if it is to return empty. Deliveries are made via all means of transport available at a Group supplier, including in some cases electric vehicles and cargo tricycles.

		2013	2012
EN16	**Total direct and indirect greenhouse gas emissions by weight ($tCO2e_q$)**	**60,908t(@)**	55,100t
EN17	**Other relevant indirect greenhouse gas emissions by weight ($tCO2e_q$)**	**22,620t(@)**	23,900t

Note 1: *For fiscal year 2013, Essilor uses the following conversion factors:*
- 86 grams of CO_2 equivalent per kilowatt-hour of electricity;
- 200 grams of CO_2 equivalent per kilowatt-hour of gas;
- 300 grams of CO_2 equivalent per kilowatt-hour of fuel oil.
They have been applied to the total consumption of the entities that report it. The same factors were applied for fiscal year 2012, which makes the comparison easier.

Note 2: *Essilor was late in receiving the new 2009-2011 data from the International Energy Agency announcing a conversion factor of 71 grams of CO2 equivalent per kilowatt-hour of electricity for France, and 533 grams of CO_2 equivalent per kilowatt-hour in electricity for the world average. The Group wanted to keep the conversion factor of 86 grams of CO_2 equivalent per kilowatt-hour of electricity.*

Listed in the Low Carbon 100 Europe® Index, Essilor International is already in the low carbon economy thanks to the light environmental footprint of its products and services, particularly with regard to greenhouse gases.

The Group's greenhouse gas emissions are largely indirect emissions of carbon dioxide (CO_2) generated by the manufacture and distribution of corrective lenses and the Group's peripheral activities. However, they are limited to a few hundred grams per lens produced. In most countries, the service life of a lens far exceeds one year.

In terms of an analysis of the ecological life cycle, a corrective lens delivered to a customer by an eye care professional requires no energy to "function." Contrary to any logic, an old pair of spectacles is only rarely thrown away when a new pair is received. In general, it is kept. When it is finally thrown away, the end-of-life impact is negligible.

Corrective lenses from the Airwear® range of products are made from thermoplastic material which can be recycled at the end of its life cycle to produce items other than corrective lenses. The logistics involved in the recovery of this material are complicated and the economic and ecological tally remains negative to date. Recovery initiatives are currently being developed by the recycling centers with which the Group works. These initiatives to recycle old spectacles for re-use are gradually being discontinued because of their complexity, ineffectiveness and limits in terms of visual accuracy and aesthetic acceptance.

		2013	2012
EN16 + EN17	**Total emissions related to EN16 and EN17**	**83,528t**	79,000t
EN 19	**Emissions of ozone-depleting substances by weight**	**0t**	0t
EN 20	**NOx, SOx and other significant air emissions by type and weight**	**ε t(@)**	εt

***Note**: The Group's NOx and SOx emissions are negligible and therefore a negligible amount is reported as ε in the table for indicator EN20.*

Adapting to the consequences of climate change

As a signatory to the United Nations Caring for Climate initiative, Essilor International is aware of the challenges related to climate change in general.

From the first stages preceding a potential acquisition to the implementation of specific action plans in environmental management systems, the Company strives to identify all possible risks, including those of natural disasters related to climate change. Essilor wants to protect against such risks as much as possible and react early and optimally should they occur.

To this end, the Group pays particular attention to the locations of its manufacturing plants.

4.3.5 Safeguarding biodiversity

Measures taken to safeguard or develop biodiversity

		2013	2012
EN 11	**Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas**	**0 m²**	0 m²
EN 12	**Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity outside protected areas**	*See note below*	*See note below*

***Note**: Finding potential significant impacts on biodiversity is one of the aims of the environmental management systems. No such significant impact has been identified at this time. Should a potential significant impact come to be identified following a change in existing conditions, the environmental management systems making such a discovery will also be used immediately to conduct analyses and then implement target and objective-based action plans. This new information will be automatically incorporated into the continuous system improvement process to find an effective solution.*

Essilor uses biodiversity mapping at all of its sites around the world. This method supplements the Group's traditional reporting procedures and provides information on indicator EN11 in particular. The mapping is updated at regular intervals and is extremely useful for characterizing a location's biodiversity during the due diligence process.

4.4 Information on societal commitment to promote sustainable development

Essilor's products and services have great social utility and a light environmental footprint. The Company's mission therefore fits very naturally with the economic, human and environmental objectives of sustainable development and several of the Millennium Development Goals.

Giving everyone access to visual health is Essilor's main sustainable development challenge and opportunities. It combines the Group's economic operations and its contribution to society, since the principle of good sight for a better life has a very strong positive impact and is a major societal challenge.

This mission, summed up in the Group's motto ("Seeing the world better®") and in that of its Foundation ("Better life through better sight℠"), is geared toward eye care professionals and is what drives the Group to serve an ever increasing number of countries, given that equal sight for all is still not guaranteed around the world for those who were not born with perfect eyes and perfect sight.

The Company's strategy and mission, along with the commitment of its employees, is therefore entirely dedicated to this goal, which is both economic and human.

4.4.1 Regional, economic and social impact of the Company's activities

Impact on employment and regional development

The production and distribution of corrective lenses, which are a useful product by their very nature, has only a light environmental footprint. As a rule, it does not bother local populations, who greatly welcome these products.

The Group's activities generate direct and indirect jobs. On average, local suppliers and subcontractors represent around 50% of a production site's purchasing, a percentage that is often considerably higher for a prescription laboratory or distribution subsidiary.

The Group's global purchasing guidelines pertain to materials, components or equipment used directly in the manufacture of corrective lenses. This controlled, sound approach ensures compliance with the international quality criteria established by the Group, their reproducibility and the ease with which sites can diversify their production as needed.

In addition to the development generated by the Group's activities, products are often distributed regionally.

EC 01	**Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings and payments to capital providers and governments**	The Group's economic value breaks down into many components (revenue, operating expenses, employee expenses, donations, income and payroll taxes, dividends, etc.) that are itemized herein. Refer to the corresponding pages. **Essilor's socio-economic** footprint for fiscal year 2013 can be summarized by the following items in descending order of importance: ■ revenue: **€5,065** million; ■ trade payables: **€2,904** million; ■ employees: **€1,597** million; ■ income and payroll taxes: **€199** million; ■ shareholders: **€218** million; and ■ financial expenses: **€8** million.
EC 02	**Financial implications and other risks and opportunities for the organization's activities due to climate change**	The Group is not usually exposed to natural risks. It is not concerned by emission permits. Nevertheless, the Group is participating in the "Carbon Disclosure Project" and "Water *Disclosure Project" initiatives and is* signatory to the "Caring *for Climate" initiative.* Opportunities relating to the protection of eyes through corrective lenses in a context where climate change may influence the quantity and/or the nature of harmful rays have not yet been evaluated with enough precision. However, the protection function of the corrective lens may be included here, particularly against harmful ultraviolet rays in general (Xpério® and several other lens ranges) and a particular type of blue ray (the Preventia® lens).

EC 03	**Coverage of the organization's defined benefit plan obligations.**	The Group offers employees a wide variety of pension and savings plans in countries around the world. Refer to the corresponding pages of this 2013 Registration Document.
EC 04	**Significant financial assistance received from government.**	The Group enjoys total operational independence.

Impact on local and neighboring populations

Essilor's activities generate employment directly and indirectly. These activities benefit employees and their families, and extend to the entire community.

By providing training, the Group helps raise the skill levels and employability of local workers. The association and close correlation between Vision and Development allows Essilor to undertake initiatives that link education professionals with eye care professionals. For Essilor, most of these initiatives consist in conducting screening campaigns (mostly in schools) under the oversight of its customers and prescribers, followed by eyesight tests and equipment manufacturing.

Alongside these initiatives, which focus on Essilor's core business and the skills of its employees, Essilor spearheads other charitable actions usually related to solving problems and seeking opportunities related to what is most needed in the community. They are conducted under the aegis of the Essilor Vision Foundation network.

EC 06	**Policy, practices, and proportion of spending on locally based suppliers at significant locations of operation**	Essilor has a centralized purchasing policy to ensure consistency of supplies, high quality throughout the world, and compliance with universal good manufacturing practices. This policy is generally applied to raw materials and key products or services used in the composition or manufacture of corrective lenses. The Group also generates significant business flows with its suppliers of generally consumable products and local services on a quasi-exclusive basis for all purchases outside the scope of this central referencing. Local distributors of centrally referenced products also benefit from the Group's proximity, which results in a balanced situation. *The Group has a responsible purchasing policy which includes items featured in a Responsible Purchasing Charter based essentially on the goal of complying with the 10 principles of the Global Compact.*
EC 07	**Procedures for local hiring and proportion of senior management hired at significant locations of operation**	*The Group encourages the local recruitment of management teams in its subsidiaries and, more generally, enforces the principle of local decision-making. The proportion of senior managers hired locally at the main operational sites is greater than 80%.*
EC 08	**Development and impact of infrastructure investments and services provided primarily for public benefit through a commercial, in-kind, or pro bono engagement**	*The global indicator EC 08 is not relevant to the Group's industry segment. It is therefore not reported.*

4.4.2 Relationships with persons or organizations interested in the company's business activities, particularly inclusion associations, educational establishments, environmental protection associations, consumer associations, and neighboring populations

Conditions for interacting with the above

The Group's key stakeholders are its employees, customers, prescribers, shareholders, suppliers and various local authorities in the countries in which it operates. Relationships with these and other stakeholders are generally handled locally by the facilities, departments, services and individuals concerned, under the supervision of the Legal Entity Department.

Inclusion associations are managed by local departments as part of their relationships with stakeholders. When a program is initiated or developed and has global scope, it is managed at the Group level. One such example would be Special Olympics, an international charitable association operating in 170 countries and which supports some 200 million mentally disabled people, both adults and children, offering them sporting activities and educational and health programs, including visual health. Essilor supports all Special Olympics events and provides athletes with corrective lenses.

Relationships with **educational establishments** also fall under the responsibility of local departments. These logically pertain to establishments teaching topics related to jobs in the eye care industry but are not solely limited to this field. Again, when a program aimed at an educational establishment is initiated or developed and has global scope, it is managed at the Group level.

An example of a program managed at Group level is the Vision and Development International Forum, which was organized in partnership with UNESCO in 2004, 2005 and 2006 for World Sight Day. It brought together educational professionals and sight professionals. There is in fact a close correlation between good sight and an individual's development when they have access to education, science and culture. To the extent possible, Essilor makes a modest contribution to UNESCO's Education for All movement and to achieving the second Millennium Development Goal: universal primary education. In addition to helping individuals, this support fosters the harmonious development of societies as a whole.

A good example of a program managed by Group employees at the Foundation level is the Adopt-A-School program.

Relationships with **environmental protection associations** are also handled locally by local departments and their environmental experts. These relationships are part of local environmental management systems. The Group's Corporate Sustainability Department represents Essilor International on official bodies and associations or in global initiatives, particularly, although not limited to, those related to United Nations environmental actions. To the extent possible, Essilor makes a modest contribution to achieving the seventh Millennium Development Goal: ensuring environmental sustainability.

In general, Essilor does not have a direct relationship with the end consumer. Its products and services require a prescription, set-up and adjustment by an eye care professional. Therefore, it is to eye care professionals that **consumer associations** turn. However, if Essilor customers or prescribers have insufficient information to answer questions from consumer associations about corrective lenses, Essilor will provide these eye care professionals with additional details on its products and services.

It is also essentially these professionals who manage relationships with corrective lens wearers, relationships that lead to innovation and improvements or additions to the Group's range of products and services. Essilor's consumer relations departments typically refer consumer questions to the professionals who have helped them individually.

Relationships with **neighboring populations** are handled locally, usually through resident associations. A number of the Group's plants organize open days where local residents can visit the site to see how it operates. The visits are arranged so that circulation within workshops is limited, intellectual property is protected and safety and security are maintained.

Partnership or sponsorship initiatives

Partnership or skills sponsorship initiatives at Essilor take on a variety of forms and may be local or international. When a partnership is initiated or developed and has international scope, it is managed at the Group level.

One such partnership is that set up by Essilor International with the Lions Clubs International Foundation. The partnership has a number of targeted actions, the key one being the long-term establishment of self-sufficient, long-lasting optics and eyewear dispensaries in ophthalmic hospitals, whose activity had previously been largely limited to cataract operations.

The program began in 2005 in one country, Madagascar, at the Antananarivo Ophthalmology Hospital. It was co-financed by the Sight First program and the Madagascan Lions Clubs, which teamed up with Sight First Madagascar. The pilot project had all the elements for success, from training eye care professionals to managing the optics and eyewear center. Support was provided in large part by the Group's retired specialists, who provided training for a career as an optician. The center became self-sufficient within five years.

For the Lions Clubs International Foundation and Essilor, the experience was mutually beneficial and demonstrated how a traditional charitable, humanitarian approach can gradually be transformed into an inclusive-economy model in which local responsibility consists in generating an economy based on building entrepreneurial skills. This success led the two partners to extend their collaboration by signing a long-term agreement aimed at developing this model in other countries. To the extent possible, Essilor makes a modest contribution to achieving the eighth Millennium Development Goal: instituting a global partnership for development.

In 2013, the two partners created two new centers on the African continent, one in Cameroon and the other in Kenya. Essilor International offered each center an initial inventory of 10,000 lenses under the aegis of the Essilor Vision Foundation.

As in Africa, Essilor's strictly charitable initiatives throughout the world are carried out under the aegis of the Essilor Vision Foundation.

The Foundation was created in 2007 in the United States based on two programs, Adopt-A-School and Kids Vision for Life. Its goal is to eliminate poor sight and its consequences throughout a person's lifetime. It provides expertise to Essilor entities and supervises projects that fall within its selection standards. It also consistently studies the impact of actions undertaken.

In 2013, Essilor Vision Foundations were created in Brazil and Colombia.

SO1	**Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations in communities, including entering, operating and exiting**	The Group is aware of its role in the communities in which its employees live and work. Its presence generates business for local entrepreneurs and jobs for local populations. Environmental commitments and impacts are assessed in the context of the Group's environmental management systems. The many examples of the Group's contributions to communities are provided on the Company's website (www.essilor.com) and on the website of the Essilor Foundation (www.essilorvisionfoundation.org). *Refer to the above.*

4.4.3 Subcontractors and suppliers

Social and environmental challenges incorporated into the Company's purchasing policy

Since 2003, Essilor has included environmental and social criteria in its general purchasing conditions.

Essilor's purchasing and supply policy is aligned with the *Essilor Principles* and contains a **Responsible Purchasing Charter** based on the principles of the Global Compact signed by Essilor in 2003.

The policy is based on compliance of its suppliers and the quality of their products and services. Adherence to the Responsible Purchasing Charter and compliance with its principles are an integral part of supplier evaluation, on a par with the assessment of their competitiveness and control over the quality of their products or services. The purpose behind supplier dialogue is to achieve continuous improvement.

This strategy is communicated to suppliers and to Group employees involved in purchasing and supply. Specific awareness-raising modules have been created. They contain methods enabling those involved to link elements of the Responsible Purchasing Charter with supplier evaluation.

Importance of subcontracting and taking account of the social and environmental responsibility of suppliers and subcontractors

Subcontracting is largely limited to activities outside the core business of manufacturing and distributing corrective lenses. These range from building maintenance to contracts with local or international shippers. Like suppliers, subcontractors are subject to Essilor's purchasing and supply policy, its Responsible Purchasing Charter and its general purchasing conditions.

4.4.4 Fair practices

To promote fair practices in its business, one of the many steps taken by Essilor International is the dissemination, understanding and use of various documents based on its existing *Guide to Group Standards*. For example, the document entitled *Minimum Control Standards* serves as a point of reference for internal control. It is part of the following series of documents:

- *Essilor Principles;*
- *Minimum Control Standards;*
- *Guide to Group Standards;*
- *Detailed Rules and Policies* (local, regional and/or Group level).

It is divided into 19 sections as follows:

- Group requirements – general guidelines;
- Information systems;
- Roles and responsibilities;
- Business continuity plan;
- Purchasing and supplies;
- Fixed assets;
- Inventories;
- Sales and receivables;
- Cash and financing;
- Reporting and consolidation;
- Legal affairs and tax laws;
- Tax policy;
- Insurance policy;
- Intellectual property policy;
- Legal compliance;
- Personnel management and human resources;
- Health, safety and the environment;
- Acquisitions;
- Capital transactions.

Translated into more than 30 languages, it is available on the Group's Internal Audit portal.

In addition, the increasingly strict legal and regulatory contexts have required compliance efforts to be stepped up to protect against legal risk.

Legal compliance consists in implementing procedures for internal control and preventing the legal risk posed by the company's activities.

The Group Legal Affairs and Development Department therefore created a Legal Compliance Division in January 2009 that meets the new legal requirements. Its cross-disciplinary role is to identify and prevent legal risk upstream by ensuring that our actions comply with the rules of law. The new division defines and carries out awareness and information campaigns, performs legal audits, and assists Group employees in their compliance effort.

To fulfil its remit, the Legal Compliance Division focuses as much on company stakeholders as it does on compliance with the rules of law in order to:

- educate stakeholders about the fact that compliance depends on their behavior;
- provide information on compliant behavior;
- make the basic concepts of law easier to understand;
- shape, in consequence, judgment to promote best practices;
- instill reflection and vigilance.

To achieve the above, the division has to be familiar with practices, and therefore it:

- performs legal audits to understand and improve behavior;
- identifies risks and the compliance actions to be implemented;
- deploys the Group's compliance policy in collaboration with local legal advisors and reports on this policy along with the associated legal risks;
- formalizes and disseminates the rules of conduct in legal matters.

Anti-corruption initiatives

The sector in which Essilor operates is not considered a sector in which corruption is a characteristic challenge. This does not prevent the Group from taking action within its sphere of influence against all forms of corruption, including extortion and bribery. As a signatory to the Global Compact and member of Transparency International®, Essilor complies with, supports and promotes the UN convention against corruption.

One of the documents on the list of Rules and Policies specified at local, regional and/or Group level is dedicated to corruption issues.

Translated into local languages, it is formally presented to staff, usually by managers and/or local and global experts. Awareness-raising modules, called "audio-video kits," have been developed to adapt the document to the local culture and legal environment of each country.

Group employees receive regular information and education on the Group's gifts policy and conflicts of interest, and specific training has been introduced for Group buyers. Anti-corruption information is provided on a regular basis on the Group Legal Affairs and Development Department's intranet site, in the section reserved for the Legal Compliance Division.

Corruption

		2013	2012
SO 02	**Percentage and total number of business units analyzed for risks related to corruption**	ε %	ε %
SO 03	**Percentage of employees trained in the organization's anti-corruption policies and procedures**	Currently, the number of employees trained as a percentage is not reported. Training in the local language follows educational programs rolled out gradually by the Group's Executive Committee. All Group senior managers received training, except for a few rare exceptions due to being hired too recently or other exceptional circumstances.	
SO 04	**Actions taken in response to incidents of corruption**	Termination for cause. Sanctions are listed in the Internal Regulations and/or other relevant documents.	

Note*: As needed, certain areas of strategic activities, including but not limited to acquisitions, are analyzed for corruption risks, hence the negligible percentage (ε) in the table for indicator SO2.*

Public policies

SO 05	**Public policy positions and participation in public policy development and lobbying**	The Group is not involved in political activities. It collaborates with public sector stakeholders as and when necessary. It participates in the compilation of international standards and in other global activities of interest to its business. It is a member of professional associations related to its industry.

Compliance

			2013	2012
SO 08	**Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations**	Significant fines	**0**(@)	0
SO 08		Non-monetary sanctions	**0**(@)	0

Measures taken regarding consumer health and safety

Essilor International prescription ophthalmic lenses are considered a Class 1 medical device. Neither invasive nor in direct contact with human tissue, they are first prescribed and then, after measuring the patient's parameters in order for an exact mount, inserted into spectacle frames that are adjusted to the patient's face by an eye care professional.

Essilor International believes that as a precaution it is important to gather all relevant information concerning the non-toxic and safe nature of each of its new products before they are placed on the market so that the end wearer is assured of safe use even in unpredictable situations.

Essilor International does not conduct any tests on animals.

Sight is a combination of optical factors and unique neurological and sensory factors resulting in parameters of visual comfort, acuity and wonder, which can in no way be replicated in animal testing.

Consequently, Essilor assesses the quality of its corrective lenses in tests conducted on human wearers only. Wearers are asked to compare several lenses being assessed. This process, which takes several months and calls for hundreds of people, allows Essilor's Research and Innovation Departments to continually enhance and perfect the visual experience.

Furthermore, no new chemical component requiring toxicology tests is used in the Group's innovations. Should this be the case in the future, alternatives to animal testing would be used systematically, such as OECD cell culture tests, since Essilor does not perform any toxicology tests on animals.

The Group invests heavily in research and development and its international teams develop new, innovative and sophisticated products that people enjoy wearing and that offer benefits in terms of visual comfort, eye safety and improved vision. In its mission to enable people to "see the world better," Essilor International is constantly concerned about protecting the integrity, health and safety of the eye.

Consumer health and safety

PR1	**Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures**	Hygiene, health and safety aspects are taken into consideration both upstream and downstream for all categories of products and services. The HSE Charter for products and the HSE project guide to which it refers have been established on the basis of knowledge and analysis of steps in the life cycle.

Products and services labeling

PR3	**Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements**	This information is in multiple forms based on the products and services offered as a whole. Each Group distribution subsidiary has information in the local language and complies with these information requirements.

Marketing communications

PR6	**Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion and sponsorship**	Each of the distribution subsidiaries monitors its own compliance with local current applicable laws, standards and voluntary codes.

Compliance

		2013	2012
PR9	**Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.**	0[@]	0

4.4.5 Other initiatives undertaken to promote human rights

Other initiatives undertaken to promote human rights

The sector in which Essilor operates is not considered a sector in which human rights are usually a challenge. However, this does not prevent the Group from respecting human rights and ensuring they are respected within its sphere of influence. Essilor pays very close attention to the selection of its local suppliers in countries considered more exposed to human rights challenges.

All charitable activities in which Essilor group entities are involved around the world under the auspices of the Essilor Vision Foundation can be considered to make a modest, indirect contribution to promoting, respecting and enforcing the protection of international law relating to human rights within its sphere of influence.

In addition to promoting good sight, these activities restore a good or better sense of wellbeing in day-to-day living. They are also designed to be accompanied by the respect, recognition and dignity inherent in any relationship with someone with whom one is communicating for the benefit of their health and who is being offered a selection of new products of world-class quality.

Most of these initiatives are designed to facilitate access to good sight through vision screening, eye examinations and spectacle manufacture. A number of other initiatives are being led outside the world of ophthalmic optics. All benefit populations in need.

More specifically, the success of the long-time partnership with Special Olympics is due to the involvement of Essilor employees, customers, prescribers and suppliers, as well as other stakeholders who are equally generous in offering "better life through better sight℠" to a minority group among the world's most disadvantaged populations, which has often been ignored. Discovering or recovering the benefits of good or improved sight has certainly contributed to the life-changing power and joy of sport for mentally disabled children and adults.

This partnership is helping to change the world's view of this community, enhancing its visibility, and giving it importance and respect.

4.5 Note on methodology

Reference to the Global Compact

Essilor International has been a signatory to the Global Compact since 2003 and assiduously follows its recommendations for providing information about progress (COP).

With the publication of its 2013 Communication on Progress, Essilor International renewed its commitment to make the 10 principles of the Global Compact an important part of its strategy and daily operations. This will continue the success of its corporate mission and ensure that one day each and every person on our planet can enjoy a "Better Life through Better Sight℠," to quote the Essilor Foundation's motto, and appreciate "Seeing the World Better®," to quote the Group's motto.

Essilor International summarized its sustainable development policy as one of the key components of its overall performance in the long term and in providing transparency in the economic, human (social and societal), and environmental aspects of its businesses. The report on its non-financial information, which has been published since 2002, is therefore an important part of this summary of the Group's contribution to sustainable development and the progress it continues to make when carrying out its operations.

Reference to the Millennium Development Goals

Because of the nature of its products and services, which in addition to daily wellbeing offer evident utility and social benefits, Essilor International contributes indirectly to the achievement of several Millennium Development Goals, particularly the second (universal primary education), sixth (combat diseases [blindness and uncorrected refractive errors in the case of visual health]), seventh (protect the environment) and eighth (institute a global partnership for development).

Reference to the Company's contribution to Sustainable Development

The ultimate goal of this non-financial reporting is therefore to ensure that each and every employee working for the Group takes into consideration the many elements and aspects that constitute sustainable development. Created in 2002, the Group's Corporate Sustainability Department was designed as a simple organizational structure at the corporate level backed by the operational divisions, corporate support functions and management teams of Business Units around the world. These teams have all learned the issues and conveyed them to their staff, creating over time sustainable development ambassadors who today act as an example in their daily life and work, in their communities and in the Company's sphere of influence, very often well beyond its traditional boundaries.

The publication of the **Essilor Principles** in all of the Group's languages is part of the effort to ensure compliance with the Group's fundamental principles, to share its key values, and adapt to the Group's many different global cultures.

A major competition to award sustainable development medals is held on a regular basis and has contributed to the sharing and dissemination of best practices.

The existence of management systems in quality control and environmental and occupational health and safety has led to the establishment of virtuous circles as part of a process of continuous improvement. Anticipating and preventing risks has resulted in innovation and the constant discovery of new areas of opportunity and savings.

The presence of a strong employee shareholder structure encourages this sense of buy-in of sustainable development issues that are frequently forward-looking. This goes well beyond a sense of belonging and is very closely correlated with the Company's economic and human objectives.

Goal and quality of reporting

In addition to an annual publication that marks progress and is useful on a daily basis as an integral part of a continuing improvement process, non-financial reporting provides the reader with information that supplements what is normally provided in financial reporting. In this respect, very careful attention has been paid to the quality of the non-financial reporting, the aim being to put it on a par with financial reporting. This explains Essilor International's decision to:

- rely on the Group's Finance Departments to produce these two reports;
- duplicate the same reporting tool in two very specific applications but whose common thread, features, activation and control procedures, user-friendliness, tool knowledge, continuous training to keep up with changes, and updates of general shared information are identical or similar;
- include the report of its non-financial information, often called a "Corporate Sustainability Report," in the annual Registration Document, thus making it easier to consolidate data and review all useful information so that the reader can judge the Company's overall performance in a single document.

Reporting standards used

Until the 2012 fiscal year, Essilor International published its non-financial information in accordance with two very distinct standards. The first complied with the structure in Article 116 of the French New Economic Regulations (NRE) Law, known as the "NRE Law," and the second followed the guidelines of the Global Reporting Initiative (GRI).

Since the fiscal year 2012, Essilor has complied with the Law of July 12, 2010 on "national commitment to the environment," known as the "Grenelle 2 Law," and continues to adhere to version G3 of the Global Reporting Initiative (GRI) regarding guidelines and performance indicators.

The new presentation of the Registration Document with this dedicated fourth Chapter means that the information using these two standards can be coordinated, streamlined and better integrated.

Selection and relevance of the indicators

The core indicators used are those of the GRI. Only certain relevant indicators are published. In some cases, indicators are divided into many sub-categories. For example, the indicator for "Materials used" (EN 01) collects information on several dozen products selected on the basis of their role in the production process of corrective lenses.

Essilor belongs to one of the specific sub-sectors in the APE/NAF 33 sector, which covers the manufacture of medical, precision and optical instruments, and to sub-sector 4537, "Medical Supplies," of the "Industry Classification Benchmark" (ICB). In terms of sustainable development, Essilor deals with specific aspects that are directly linked to the nature of its products and services. It is consequently difficult to make a comparative evaluation of the Group.

To overcome this difficulty, Essilor uses the main GRI indicators that are most relevant to its operations.

The Company's main sustainable development challenge is that of access. We believe that 4 billion or more out of a little over 7 billion people on Earth need visual correction. To date, approximately 1.5 billion can see well. By contrast, approximately 2.5 billion cannot.

The Group's mission is summarized in its motto, "Seeing the World better®," and in the motto of its Foundation, "Better Life through Better Sight℠."

The Group's Corporate Sustainability policy is perfectly aligned with its mission, the ideal pairing of its economic, strategic and human objectives, and is the foundation for its position as a responsible business.

Viewed from this standpoint, the economic indicators of sustainable development take on added importance. This is why the Group decided to closely align all the financial and non-financial indicators.

Specific methodologies for the indicators

The calculation methodologies used for certain social indicators may differ widely because of the variation of definitions in France and the rest of the world. For the "Absenteeism" indicator in particular, French sites use the social assessment definition, which is different from the definition recommended by the Group's reporting procedures.

Thus, absenteeism under the social assessment definition (business days not worked/number of business days × average full-time eq. employees) results in absentee data reported in business days, and the average number of employees as "full-time equivalent," while Group procedures recommend reporting absenteeism in calendar days based on the average number of employees (calendar days absent/365 × average number of employees).

Consequently, for entities not yet reporting this data, the Turnover (LA 02) and Absenteeism (LA 07) indicators are subject to a multi-pronged assessment.

The "Frequency rate" and "Severity rate" indicators published in 2013 are generated by a tool developed by the Global Environment, Health and Safety Department and cover a different reporting perimeter to that of the other indicators. This year, that perimeter was extended for the first time. In the long term, the Global Environment, Health and Safety Department will continue to collect data in this monthly reporting tool, which is used for direct operational management. Eventually the data will be automatically loaded into the Hyperion® Sustainability reporting tool.

Lastly, some data are obtained from estimates, for instance when they are from billing that has a date other than that of the year end, or when such data are difficult or impossible to collect. In such cases, calculations corresponding to best estimates are recorded and kept by the reporting unit. If the situation changes so that estimates are no longer necessary, the normal procedure will be reverted to and advised accordingly. The same applies to all other types of changes in data collection, such as when data is read directly from a meter on a given date rather than taken from billing.

Reporting perimeter

Until fiscal year 2011, the affiliated companies were not included in the non-financial reporting. Only the companies whose operations were managed directly by Essilor on a day-to-day basis reported their non-financial data. The Group is continuing to pursue a process initiated in 2011 that consists in gradually adding existing or future financially consolidated companies to its non-financial reporting.

Joint ventures were not included in the non-financial reporting perimeter. They will now be progressively included.

The amount of data reported in fiscal year 2013 is only slightly up on that reported in fiscal year 2012. Data from entities that were part of the 2012 reporting and audit process are only being published as from this report, following four consistency checks performed at the end of March and September 2012, and the end of March and September 2013.

The reporting perimeter for 2013 was **72.4%** (*versus* 67.3% in 2012).

Reporting period

To streamline the organization, coordination and integration of the Financial and Non-Financial Reports in the finance departments of Group entities, Essilor collected most of its corporate, social and environmental information over a period of 12 months from October 1, 2012 to September 30, 2013.

Information collected for the fiscal year from January 1, 2013 to December 31, 2013 is followed in the text or in GRI indicator tables by an "at" symbol in superscript: (@).

Interim reporting is done each year at the end of March and aggregates the non-financial results from October 1 of the previous year to March 30 of the current year. This provides an update and allows the Group to identify and perform with enough time any corrective actions that may be necessary in the entities that are reporting their data for the first time, and to prepare them for the first real reporting at the end of the year for the period aggregating non-financial results from October 1 of the previous year to September 31 of the current year.

Reporting tool

Non-financial data is collected and consolidated for reporting purposes through a dedicated reporting application that has been based on the Global Reporting Initiative (GRI) Guidelines since fiscal year 2003 and on the G3 Guidelines since fiscal year 2006.

The application is a twin version of the application used for financial reporting. It is a financial closing application from the Oracle group, known as Hyperion®, which has been copied in Hyperion® Figures for financial reporting and Hyperion® Sustainability for non-financial reporting.

The Group's Finance Departments are responsible for entering the data that they collect from specialists within each unit. These specialists rely on local reporting systems to process non-financial data, which they measure and monitor as part of their daily operational management duties. The decision to use existing reporting channels, aside from guaranteeing simplicity, reliability and efficiency, presents the following four main advantages:

- each unit's finance and accounting teams are the best equipped to handle non-financial data reporting, due to their familiarity with the Group's reporting systems and procedures;
- the finance and accounting teams have the skill sets and experience to report the necessary data in compliance with standard quality criteria;
- each unit's finance teams, working in close cooperation with senior management, are no longer confined to working solely on financial data. These teams, which are better informed, involved and aware, participate in the search for new ways

to improve the economic, human (social and societal) and environmental aspects of sustainable development and enable the Group's legal entities to learn the issues;

- experts in each unit continue to use the day-to-day operational management tools that are familiar to them and are often designed for and always geared to their specific needs.

Essilor International has already begun taking the necessary steps to implement the G4 Guidelines of the Global Reporting Initiative (GRI) to be used for reports published after December 31, 2015. These essentially concern the full review of the indicators' current materiality criteria and the broadening of the potential impact perimeter, which presents sufficient materiality beyond the Group's own boundaries by including, for example, relevant supply chain stakeholders.

Procedures for collecting, consolidating and controlling data

Collection is performed by the Group's Finance Departments from specialists in each unit, generally the Human Resources Department or the Health, Hygiene and Safety Department for the social information, from Management or the Finance Departments themselves for societal information, and from the Purchasing Department in collaboration with the Environment Department or General Services Department for the environmental information. As consolidation and control of non-financial information is performed using a specific data application, a twin of the one used for financial reporting, the non-financial reporting tool has similar functionalities.

Ultimately, it is the Corporate Sustainability Department that is responsible for the general control and publication of the non-financial reporting.

Independent verification

Following the entry into force of Article 225 of the Grenelle 2 Law and its application decree of April 24, 2012, and as from fiscal 2013, the reports issued by KPMG Audit include a certification of inclusion and reasoned opinion on the fairness of the CSR information published in the Management Report and in Chapter 4 of the Registration Document.

As the audit relates to all published CSR information, we have discontinued the use of the R symbols that appeared in the 2012 Registration Document identifying information subject to detailed tests.

Conclusion

The non-financial reporting of the Essilor group is part of a process of ongoing improvement anchored in the following objectives:

- to continue to make sustainable development one of the fundamentals supporting the Group's development strategy;
- not to isolate its economic aspects from its human (social and societal), environmental or governance aspects;
- to integrate it accordingly within a single document that provides financial and non-financial information.

Note that for 2003 and 2006, this information was presented in separate documents entitled "Seeing the world better/2003. *Our contribution to sustainable development" and "Seeing the world better/2006*. Our contribution to sustainable development." The corresponding information for 2002, 2004 and 2005 was provided in the Annual Reports for those years.

Since 2007, it has been provided in the annual Registration Document. For future fiscal years, Essilor reserves the right to publish all or part of this information in another communications document.

For any information, please contact the Corporate Sustainability Department.

4.6 Independent third-party report on the consolidated corporate, social and environmental information included in the Management Report

Fiscal year ended December 31, 2013

To the Shareholders,

In our capacity as an independent third party appointed by Essilor International S.A. (hereinafter "the Group"), whose application for accreditation was declared admissible by COFRAC, we present our report on the consolidated corporate, social and environmental information for the year ended December 31, 2013 presented in the Management Report (hereinafter the "CSR Information") pursuant to the provisions of Article L.225-102-1 of the French Commercial Code.

Company's responsibility

It is the responsibility of the Board of Directors to prepare a management report that includes the CSR information mentioned in Article R.225-105-1 of the French Commercial Code. It was prepared according to the protocol used by the Company (the "Protocol"), a summary of which is contained in the Management Report in the Section "Human (social and societal) and environmental information" available on request at the company's headquarters.

Independence and quality control

Our independence is defined by the rules and regulations, the ethical code of the profession, and by the provisions of Article L.822-11 of the French Commercial Code. In addition, we have implemented a quality control system that includes documented policies and procedures to ensure compliance with ethical rules, professional practice standards and applicable laws and regulations.

Responsibility of the independent third party

It is our role, on the basis of our work, to:

- certify that the CSR information required is disclosed in the Management Report or, if omitted, an explanation pursuant to Article R.225-105 of the French Commercial Code (Certification of presence of CSR Information) is provided;
- conclude that we are moderately assured of the fact that the CSR information, considered as a whole, is presented honestly in all material respects in accordance with the Protocol (reasoned opinion on the accuracy of CSR Information).

Our work was carried out by a team of about five people between October 2013 and February 2014 for a period of about ten weeks.

We conducted the work described below in accordance with professional standards applicable in France, the decree of 13 May 2013 determining the manner in which independent third parties conducts their missions and, concerning reasoned opinion of accuracy, ISAE 3000 [(1)].

1. Certification of disclosure of CSR Information

We reviewed, based on interviews with officials of the relevant departments, the presentation of guidelines for sustainable development based on the social and environmental consequences related to the company's activities and its social commitments and, where appropriate, the actions or programs arising from them.

We compared the CSR Information presented in the Management Report with the list mentioned in Article R. 225-105-1 of the French Commercial Code;

In the event that some consolidated information was omitted, we verified that explanations were provided in accordance with Article R. 225-105-3 of the French Commercial Code.

We verified that the CSR Information covered the scope of consolidation, this is to say, the company and its subsidiaries within the meaning of Article L. 233-1 and the controlled entities within the meaning of Article L. 233-3 of the French Commercial

(1) ISAE 3000 – Assurance engagements other than audits or reviews of historical information.

Code, based on the limits specified in the methodological note in the Section "Human (social and societal) and environmental information" of the Management Report;

On the basis of our work and in light of the limits mentioned above, we attest that the required CSR Information is disclosed in the Management Report.

2. Reasoned opinion on the accuracy of the CSR Information

Nature and scope of work

We conducted about a dozen interviews with the persons responsible for the preparation of the CSR Information from the departments in charge of the process of gathering information and, if applicable, responsible for internal control procedures and risk management in order to:

- assess the suitability of the Protocol regarding its relevance, completeness, neutrality, understandability and reliability, by taking into consideration, if need be, the best practices of the sector;
- verify the implementation of a process of collecting, compiling, processing and auditing for the completeness and consistency of the CSR information and to review the internal control and risk management procedures relating to the development of the CSR Information.

We determined the nature and extent of the tests and controls depending on the nature and importance of the CSR information in relation to the characteristics of the company, the social and environmental challenges of its business, its sustainable development guidelines and best practices of the sector.

For the CSR information that we considered most important[(2)]:

- at the parent company, we consulted the documentary sources and conducted interviews to corroborate the qualitative information (organization, policies, actions), we implemented analytical procedures for the quantitative information and verified, on the basis of surveys, the calculations and data consolidation and we verified its consistency and agreement with the other information contained in the Management Report;
- for a representative sample of sites we selected based on their activity[(3)], their contribution to the consolidated indicators, their location, and risk analysis, we conducted interviews to verify the correct application of procedures and implemented detailed tests on the basis of sampling, which consisted of verifying calculations and reconciling data in supporting documents. The sample selected is 22% of employees and 26 to 43% of environmental data.

For other CSR information, we assessed their consistency with our knowledge of the company.

Finally, we assessed the relevance of the explanations, if any, of the total or partial absence of certain information.

We believe that the sampling methods and sample sizes we selected exercising professional judgment allow us to formulate a conclusion of limited assurance; a higher level of assurance would have required more extensive review. Because of the use of sampling techniques as well as other limits inherent in the operation of any information and internal control system, the risk of not detecting a material misstatement in the CSR information cannot be completely ruled out.

Conclusion

In our work, it became apparent that for the Turnover rate and Absenteeism rate indicators, in the absence of reporting by some entities, the information from them is based on a flat rate and not on onsite findings .

Based on our work and with this reservation, we did not identify any material anomalies likely to call into question the fact that the CSR information, considered as a whole, is presented truthfully, in accordance with the Protocol.

Paris La Défense, 11 March 2014

KPMG Audit
Department of KPMG S.A.

Alphonse Delaroque Partner	**Philippe Arnaud** Partner Department of Climate Change & Sustainable Development

(2) Social information Quantitative information: Total workforce (distribution by sex and age), Turnover rate, Absenteeism rate, Rate of frequency accidents with lost time, Total number of hours of training; Qualitative information: Gender equality.
Environmental information Quantitative information: Energy consumption (electricity, gas, liquid fuel), Greenhouse gas emissions related to energy consumption, Water consumption, Materials used, Total quantity of waste products (of which non-hazardous and hazardous); Qualitative information: Environmental evaluation or certification processes, Resources dedicated to the prevention of environmental and pollution risks.
Social information: Qualitative information: Purchases, Consumer health and safety, Conditions of dialogue with stakeholders

(3) JZO and EOLP (Poland), Essilor India Private Ltd and EMIL (India), Multioptica Distribuidora et Essilor Da Amazonia (Brazil), Essilor Manufacturing Thailand Co Ltd (Thailand), SEOCL Operations (China)

4.7 Location of GRI elements

Strategy and Analysis			
1-1	Statement from the most senior decision-maker of the organization	page 250	Chap. 6.1
1.2	Description of key impacts, risks and opportunities	pages 17 and 29	§ 1.3.4 Chap. 1.7
Organizational profile			
2-1	Name of organization	page 226	Chap. 5.1
2-2	Primary brands, products and/or services	page 9	Chap. 1.3
2-3	Operational structure of the organization	page 10	Chap. 1.3
2-4	Location of the organization's headquarters	page 226	Chap. 5.1
2-5	Number of countries where the organization operates	page 13	§1.3.3
2-6	Nature of ownership and legal form	page 226	Chap. 5.1
2-7	Markets served	page 9	Chap. 1.3
2-8	Scale of the reporting organization	page 9	Chap. 1.3
2-9	Significant changes during the reporting period [...]	page 7	§ 1.1.4
2-10	Awards received during the reporting period	page 199	§4.2.5
Report parameters			
3-1	Reporting period for the information provided	page 219	Chap. 4.5
3-2	Date of the most recent previous report (if any)	page 219	Chap. 4.5
3-3	Reporting cycle	page 219	Chap. 4.5
3-4	Person to contact	page 220	Chap. 4.5
3-5	Process for defining report content	page 218	Chap. 4.5
3-6	Report scope and boundary	page 219	Chap. 4.5
3-7	State any specific limitations on the scope [...]	page 219	Chap. 4.5
3-8	Basis for reporting on joint ventures	page 219	Chap. 4.5
3-9	Data measurement techniques and the bases of calculations [...]	page 220	Chap. 4.5
3-10	Explanation of the effects of any re-statements [...]	Provided as needed	
3-11	Significant changes	page 219	Chap. 4.5
3-12	Table identifying the location of the GRI Standard Disclosures	page 223	Chap. 4.7
3-13	Policy and current practice with regard to seeking external assurance for the report	page 220	Chap. 4.5
Governance, commitments and engagement			
4-1	Governance structure of the organization	page 34	Chap. 2.1
4-2	Indicate if the Chairman of the Board of Directors is also an Executive Officer	page 36	Chap. 2.1
4-3	[...] indicate the number of independent and/or Non-Executive Board members	page 34	Chap. 2.1
4-4	Mechanisms [...] recommendations or direction to the Board of Directors	page 36	Chap. 2.1
4-5	Linkage between compensation [...] and the organization's performance	page 68	Chap. 2.3
4-6	Processes in place for the Board of Directors to ensure conflicts of interest are avoided	page 64	Chap. 2.3
4-7	Process for determining the [...] qualifications and expertise [...]	page 51	§. 2.2.1.4
4-8	[...] statements of mission or values, Codes of Conduct and principles [...]	page 59	§ 2.2.3
4-9	Procedures of the Board of Directors for overseeing [...]	page 59	§ 2.2.3
4-10	Processes for evaluating the Board of Directors' own performance [...]	page 59	§ 2.2.3
4-11	How the precautionary approach is addressed by the organization	page 215	§4.4.4
4-12	Externally developed [...] charters, principles or other initiatives [...]	page 191	Chap 4
4-13	Memberships in associations [...]	page 212	§4.4.2
4-14	List of stakeholder groups engaged by the organization	pages 210-216	Chap 4.4
4-15	Basis for identification and selection of stakeholders with whom to engage	pages 210-216	Chap 4.4
4-16	Approaches to stakeholder engagement, including frequency of engagement [...]	pages 210-216	Chap 4.4
4-17	Key topics and concerns that have been raised through stakeholder engagement [...]	pages 210-216	Chap 4.4

5 INFORMATION ABOUT THE COMPANY, ITS SHARE CAPITAL AND STOCK OWNERSHIP

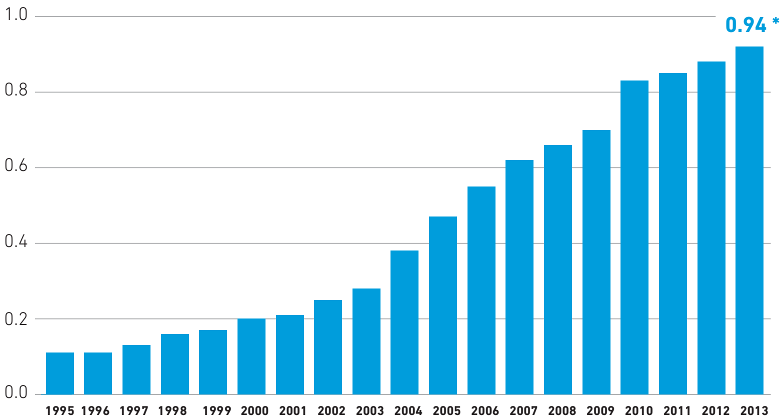
IN BRIEF

BREAKDOWN OF SHARE CAPITAL
at December 31, 2013

BREAKDOWN OF VOTING RIGHTS
at December 31, 2013

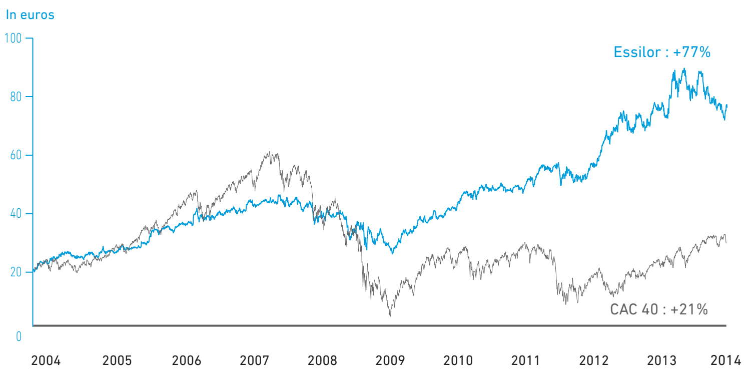
(a) Estimates as of December 31, 2013.

DIVIDEND
In euros



** Subject to shareholders' approval at the May 7, 2014 Annual Meeting.*

SHARE PRICE
The CAC40 graph has been rebased to the Essilor share price at January 1, 2004



15 492
Employee shareholding*
in 39 countries representing:

8.2%
of share capital

14.3%
of voting rights

On November 22, 2013, Essilor received the 2013 Grand Prix Employee Shareholders award

Essilor caught the attention of the jury with actions focused on expanding its employee shareholder base internationally, with its presence across 5 continents and 10 new countries added in the last four years. Quality was also underscored in relation to the information, guidance and training provided to employee shareholders, in particular through the use of a dedicated internal department and the Valoptec Association, an international employee shareholders association.

** Current, former and retired employees*

5.1 Company

5.1.1 Company name and registered office

The Company's name is Essilor International (Compagnie Générale d'Optique), hereinafter "Essilor", the "Company" or the "Group".

The registered office of the Company is located at 147 rue de Paris – 94220 Charenton-le-Pont – France.

The phone number of the headquarters is +33 (0)1 49 77 42 24.

5.1.2 Date of formation and term of the Company

The Company was formed on October 6, 1971 for a 99-year term expiring on October 6, 2070.

Essilor International is registered with the Crèteil Trade and Companies Register under No. 712 049 618. The APE business identifier codes are 3250B (Essilor) and 7010Z (Headquarters).

5.1.3 Legal form

Essilor is a joint stock company *(société anonyme)* with a Board of Directors under French law, governed by Book II of the French Commercial Code.

5.1.4 Corporate purpose

In accordance with Article 2 of the bylaws, the Company's corporate purpose, in any and all countries, is to:

- design, manufacture, purchase, sell and trade in any and all eyewear and optical products, including the manufacture, purchase and sale of frames, sunglasses, protective lenses and other protective equipment, and eyeglass and contact lenses;
- design and/or manufacture, purchase, sell and/or market any and all ophthalmic optical instruments and materials as well as any and all material and equipment for the screening, detection, diagnosis, measurement or correction of physiological disabilities, for professional or private use;
- design and/or develop, purchase and/or sell computer software applications and programs and related services;
- perform research, clinical trials, wearer tests, training, technical assistance and engineering services in relation to the above activities;
- provide any and all services and assistance related to the above activities, including consulting, accounting, audit, logistics and cash management services.

More generally, the Company may perform any financial, commercial or industrial transactions or any transactions involving either real estate or securities directly or indirectly related to the above-mentioned purposes or any similar or related purposes, or that would facilitate their extension or development or make them more profitable.

It may perform such transactions for itself, on behalf of third parties or through any and all forms of participation, including creating new companies, acquiring shares in existing companies, forming partnerships, merging companies, advancing funds, purchasing or selling securities and rights to equity instruments, selling or leasing out all or part of its real estate, securities or related rights, or otherwise.

5.1.5 Conditions governing changes in capital

The Company's bylaws do not contain any restrictions over and above the applicable legal provisions in relation to capital increases.

5.1.6 Fiscal year

The Company's fiscal year runs from January 1 to December 31.

5.1.7 Shareholders' Meetings

Notice of Meeting

All holders of ordinary shares are entitled to participate in Shareholders' Meetings, regardless of the number of shares they own, provided such shares have been paid up to the extent called.

Shareholders' Meetings are called and conduct business in accordance with the applicable laws and regulations.

Since the Shareholders' Meeting of May 11, 2012, "pure" or "administered" registered shareholders will have the option of receiving their invitation and/or the Shareholders' Meeting preparatory documents by email.

Right to attend meetings

To attend a Shareholders' Meeting in person or by proxy:

- holders of "pure" registered or "administered" registered shares must be listed as the shareholder of record at midnight, Paris time, on the third business day before the meeting date;
- holders of bearer shares must be listed as the shareholder of record at midnight, Paris time, on the third business day before the meeting date. Ownership of the shares will be evidenced by a certificate of ownership (*attestation de participation*) issued by the custodian institution that keeps the shareholder's securities account, to be submitted with the postal voting form/proxy or the request for an attendance card issued in the shareholder's name. A certificate of ownership can also be issued to shareholders wishing to attend the meeting who have not received their attendance card by midnight, Paris time, on the third business day before the date of the meeting.

Shareholders may give proxy only to their spouse, to another shareholder or to an individual or legal entity of their choosing in accordance with laws and regulations, particularly those stipulated in Article L.225-106 I of the French Commercial Code. Each shareholder present or represented at the meeting has a number of votes equal to the number of shares represented, directly or by proxy, without limit.

Shareholders who have sent in a postal voting form or proxy or requested an attendance card *via* their custodian institution can nevertheless sell all or some of their shares before the meeting. In this case, the custodian institution will be required to notify the Company or the Company's registrar of the transaction, including all necessary information.

However, the custodian institution will not be authorized to notify the Company or the registrar of any transactions carried out after midnight, Paris time, on the third business day preceding the meeting, and no such transactions will be taken into account by the Company, regardless of any agreement to the contrary.

Shareholders who are not resident in France, within the meaning of Article 102 of the French Civil Code, may ask their custodian institution to transmit their votes in accordance with the applicable laws and regulations.

Pre-meeting disclosure of temporary holdings

Pursuant to their legal obligations, any individual or legal entity (with the exception of those referred to in Article L.233-7-IV-3 of the French Commercial Code) who, as a result of one or more temporary sales or similar transactions in the sense of Article L.225-126 of the French Commercial Code, individually or jointly owns shares representing more than 0.5% of the voting rights of the Company, must inform the Company as well as the *Autorité des Marchés Financiers* (AMF) of the number of shares owned temporarily, no later than midnight (Paris time) of the third business day before the Shareholders' Meeting.

Disclosures and statements can be sent to the Company at the following address: Invest@essilor.com

Any undisclosed temporarily held shares as defined above will be stripped of voting rights for that Shareholders' Meeting and at all other Shareholders' Meetings until the temporarily held shares are sold or returned.

The email must contain the following information:

- name or company name and a contact person (name, position, telephone, email address);
- identity of the seller (name or company name);
- type of transaction;
- number of shares acquired in the transaction;
- ISIN code of the shares listed on NYSE Euronext Paris;
- transaction expiration date;
- voting agreement (if any).

This information will be published on the Company's website.

2014 Shareholders' Meeting

The Combined Ordinary and Extraordinary Shareholders' Meeting will be convened on May 7, 2014.

For information about the financial authorizations to be put to the vote at the Extraordinary Shareholders' Meeting on May 7, 2014, see Section 5.2.1.4.

For information about the proposed renewal of the share buyback program, to be put to the vote at the Ordinary Shareholders' Meeting on May 7, 2014, see Section 5.2.2.3, "Share buyback programs."

5.1.8 Disclosure threshold provisions

In addition to the statutory disclosures, the Company's bylaws state that any individual or legal entity who, acting alone or in concert with others, directly or indirectly, owns 1% of the voting rights must inform the Company thereof within five days, by registered letter with return receipt requested, sent to the Company's registered office. The same formalities are required whenever a shareholder exceeds or falls below the threshold in further increments of 2%.

Disclosure is also required, within the same maximum period, of any reduction in the percentage of voting rights held to below any of the above thresholds.

Any undisclosed shares in excess of the above disclosure thresholds will be stripped of voting rights in accordance with the law at the request of one or several shareholders together holding at least 5% of the capital at the time of the meeting.

5.2 Share capital

5.2.1 Change in share capital

5.2.1.1 Breakdown of share capital in 2013

At December 31, 2013	Number of shares	%	Number of voting rights	%
Employee shareholding (current, former and retired employees)				
■ FCPE Valoptec International	5,592,064	2.6%	11,171,131	4.9%
■ Essilor group 5 and 7-year FCPE	4,969,207	2.3%	9,492,757	4.2%
■ Funds for employees outside France	736,958	0.3%	749,621	0.3%
■ Registered shares held directly by employees	6,332,600	2.9%	10,960,386	4.8%
SUB-TOTAL	**17,630,829**	**8.1%**	**32,373,895**	**14.3%**
Partner shareholders[(a)]				
Registered or administered shares held by partners	343,240	0.2%	686,480	0.3%
SUB-TOTAL	**17,974,069**	**8.4%**	**33,060,375**	**14.6%**
Treasury stock				
■ Own shares	4,454,406	2.1%		
■ Liquidity contract				
SUB-TOTAL	**4,454,406**	**2.1%**	**-**	
PUBLIC	**192,271,023**	**89.6%**	**193,751,842**	**85.4%**
TOTAL	**214,699,498**	**100%**	**226,812,217**	**100%**

(a) Partner Shareholders refers to the proportion of Essilor International shares held by employees, senior managers and, if applicable, former employees and senior managers of companies in which Essilor International held a stake that have subsequently been sold in full.

At December 31, 2013, the share capital amounted to €38,645,909.64, divided into 214,699,498 fully paid-up ordinary shares, each with a par value of €0.18.

Taking into account the double voting rights attached to registered shares held for at least two years and the absence of voting rights attached to treasury shares, the total number of exercisable voting rights attached to the Company's shares at December 31, 2013 was 226,812,217.

Changes in share capital during the fiscal year were as follows:

- €67,933.26 increase, excluding original issue premium, corresponding to the issue of 377,407 new shares, each with a par value of €0.18 subscribed by the Essilor group five- and seven-year FCPE;
- €197,646.18 increase, excluding original issue premium, corresponding to the issue of 1,098,051 new shares, each with a par value of €0.18 on exercise of stock options;
- cancellation of 1,500,000 shares.

There were no material changes in the share ownership position as of February 28, 2014.

Maximum dilution at fiscal year-end

Taking into account all shares that could be issued after December 31, 2013 due to the exercise of the existing options, regardless of their strike prices, the maximum dilution would be as follows:

At December 31, 2013	Number of shares	%	Number of voting rights	%
Position at year end	214,699,498		226,812,217	
Outstanding stock subscription options	1,703,435	0.8%	1,703,435	0.8%
Outstanding performance share rights	3,530,585	1.6%	3,530,585	1.6%
TOTAL POTENTIAL DILUTION	**5,234,020**	**2.4%**	**5,234,020**	**2.3%**
Total capital diluted at year end	219,933,518		232,046,237	

The breakdown of changes in share capital in 2013 is presented in Note 9 Section 3.4 of the consolidated financial statements and Note 12 Section 3.8 of the annual financial statements.

5.2.1.2 Breakdown of share capital in 2012

At December 31, 2012	Number of shares	%	Number of voting rights	%
Employee shareholding (current, former and retired employees)				
■ FCPE Valoptec International	5,762,620	2.7%	11,496,529	5.1%
■ Essilor group 5 and 7-year FCPE	5,014,279	2.3%	9,580,964	4.2%
■ Funds for employees outside France	710,944	0.3%	720,420	0.3%
■ Registered shares held directly by employees	5,988,153	2.8%	10,047,121	4.5%
SUB-TOTAL	**17,475,996**	**8.1%**	**31,845,034**	**14.1%**
Partner shareholders[(a)]				
Registered or administered Shares held by partners	343,240	0.2%	386,480	0.2%
SUB-TOTAL	**17,819,236**	**8.3%**	**32,231,514**	**14.3%**
Treasury stock				
■ Own shares	4,387,477	2.0%		
■ Liquidity contract				
SUB-TOTAL	**4,387,477**	**2.0%**		
PUBLIC	**192,517,327**	**89.7%**	**193,777,630**	**85.7%**
TOTAL	**214,724,040**	**100%**	**226,009,144**	**100%**

(a) Partner Shareholders refers to the proportion of Essilor International shares held by employees, senior managers and, if applicable, former employees and senior managers of companies in which Essilor International held a stake that have subsequently been sold in full.

5.2.1.3 Changes in share capital

Changes in share capital over the last five years € thousands	**Number of shares**	**Par value**	**Premium**	**New issued capital**	**New number of shares outstanding**
SHARE CAPITAL AT DECEMBER 31, 2008				**37,984**	**211,019,922**
Subscription of shares reserved for the Essilor group FCPE	662,646	119	18,329	38,103	211,682,568
Exercise of subscription options	778,714	140	18,497	38,243	212,461,282
Cancellation of treasury shares	(1,500,000)	(270)	(54,179)	37,973	210,961,282
Issuance of shares on conversion of OCEANE bonds	4,548,690	819	120,909	38,792	215,509,972
Capital increase paid up by capitalizing reserves				38,792	215,509,972
SHARE CAPITAL AT DECEMBER 31, 2009				**38,792**	**215,509,972**
Subscription of shares reserved for the Essilor group FCPE	541,767	98	20,192	38,889	216,051,739
Exercise of subscription options	1,912,549	344	56,201	39,234	217,964,288
Cancellation of treasury shares	(6,312,636)	(1,136)	(267,115)	38,097	211,651,652
Issuance of shares on conversion of OCEANE bonds	3,690	1	98	38,098	211,655,342
Capital increase paid up by capitalizing reserves				38,098	211,655,342
SHARE CAPITAL AT DECEMBER 31, 2010				**38,098**	**211,655,342**
Subscription of shares reserved for the Essilor group FCPE	521,316	94	21,708	38,192	212,176,658
Exercise of subscription options	1,861,638	335	60,996	38,527	214,038,296
Capital increase paid up by capitalizing reserves				38,527	214,038,296
SHARE CAPITAL AT DECEMBER 31, 2011				**38,527**	**214,038,296**
Subscription of shares reserved for the Essilor group FCPE	385,354	69	21,927	38,596	214,423,650
Exercise of subscription options	2,700,390	486	95,417	39,082	217,124,040
Cancellation of treasury shares	(2,400,000)	(432)	(113,122)	38,650	214,724,040
Capital increase paid up by capitalizing reserves				38,650	214,724,040
SHARE CAPITAL AT DECEMBER 31, 2012				**38,650**	**214,724,040**
Subscription of shares reserved for the Essilor group FCPE	377,407	68	23,267	38,719	215,101,447
Exercise of subscription options	1,098,051	198	44,800	38,916	216,199,498
Cancellation of treasury shares	(1,500,000)	(270)	(77,530)	38,646	214,699,498
Capital increase paid up by capitalizing reserves				38,646	214,699,498
SHARE CAPITAL AT DECEMBER 31, 2013				**38,646**	**214,699,498**

5.2.1.4 Delegations and authorizations granted to the Board of Directors

Summary of delegations by the General Shareholders' Meeting

In relation to capital increases or decreases, with or without pre-emptive subscription rights, in effect and in use.

Date of the Shareholders' Meeting authorization May 11, 2012	**Type of authorization and ceiling**	**Duration**	**Expiration date**	**2012 and 2013 usage**
10th resolution	Decrease of share capital through cancellation of treasury shares Ceiling: 10% of the total number of shares comprising the capital per 24-month period.	24 months	May 10, 2014	Cancellation of 1,500,000 treasury shares (nominal amount of €270,000) in November 2013

Date of the Shareholders' Meeting authorization May 11, 2012	Type of authorization and ceiling	Duration	Expiration date	2012 and 2013 usage
11th resolution	Issue of shares to members of the Essilor employee stock ownership plan or plans set up by related companies. Maximum: **1.5% of share capital**[(a)] Article L.225-129 and L.225-138 of the French Commercial Code and Article L.3332-18 et seq. of the Labor Code. The shares may not be offered at more than a 20% discount to the average of the opening prices quoted over the twenty trading days preceding the Board of Directors' decision to carry out the issue or at a premium to this average.	21 months	February 10, 2014	2012 issue of 385,354 shares with a par value of €0.18, a capital increase (excl. premium) of €69,363.72; subscribed by the Essilor group 5 and 7-year FCPE, **0.18% of the capital.**
12th resolution	Maximum 2.5% of performance share capital for employees and management.[(b)] Article L.225-197-1 et seq. of the French Commercial Code.	38 months	July 10, 2015	**1,274,980** performance shares granted by the Board on November 27, 2012. (If vested, exercisable for one share with a par value of €0.18 per performance share). **1,179,460** performance shares granted at the Board Meeting of November 25, 2013.
13th resolution	Stock option grants. Maximum 1% of share capital for employees [(b)]. Article L.225-177 and L.225-186 of the French Commercial Code	38 months	July 10, 2015	81,760 stock options granted to non-resident employees by the Board on November 27, 2012 (exercisable for €0.18 per value share per option). 84,880 stock subscription options granted to non-resident employees at the Board Meeting of November 25, 2013.
14th resolution	Overall limit on stock option plans and performance share grants: 3% of the capital.[(b)]	38 months	July 10, 2015	2012 grants: Stock options and performance share grants on a total of **1,356,740** shares, representing **0.63% of the capital**. Attributions 2013 : **1,376,340** performance shares and stock subscription options, **0.64 % of share capital**.
15th resolution	Issue of shares and share equivalents with pre-emptive subscription rights: ■ Shares: maximum 1/3 of capital; ■ Debt securities: maximum €1,500 million; ■ Greenshoe option 15% (resolution 17). Article L.225-129-2 and L.228-92 of the French Commercial Code	26 months	July 10, 2014	None.

(a) The shares may not be offered at more than a 20% discount to the average of the opening prices quoted over the twenty trading days preceding the Board of Directors' decision to carry out the issue or at a premium to this average.

(b) The stock option exercise price and the reference price for the performance share grants corresponds to the average of the opening prices quoted for the Company's shares over the twenty trading days preceding the Board of Directors' decision to grant the options or shares.

Date of the Shareholders' Meeting authorization May 11, 2012	Type of authorization and ceiling	Duration	Expiration date	2012 and 2013 usage
16th resolution	Issue of debt securities without pre-emptive subscription rights but with an optional priority subscription period of 3 days, up to €1 billion: ■ Resulting share issues capped at 10% of the capital; ■ Greenshoe option 15% (resolution 17). Article L.225-129-2, L.225-135 and L.228-92 of the French Commercial Code The issue price of shares and share equivalents comparable to equity securities should be at least equal to the minimum price stipulated by legal and regulatory provisions (currently the weighted average of the price on NYSE Euronext on the three trading days preceding the establishment of the exercise price of the share issue, minus a potential maximum discount of 5% in accordance with Article L.225-136 and Article R.225-119 of the French Commercial Code.	26 months	July 10, 2014	None.
18th resolution	Issue of shares and share equivalents with pre-emptive subscription rights up to 10% of the capital as payment for a capital contribution in kind. Article L.225-147 Paragraph 6 of the French Commercial Code.	26 months	July 10, 2014	None.
19th resolution	Overall limit on the issuance of securities giving immediate or future rights, without pre-emptive subscription rights or reserved for contributions in kind (under resolutions 16, 17 and 18) of 15% of the Company's capital.	26 months	July 10, 2014	None.
20th resolution	Capital increase to be paid up by capitalizing reserves: maximum €500 million.	26 months	July 10, 2014	None.

Date of the Shareholders' Meeting authorization May 16, 2013	Type of authorization and ceiling	Duration	Expiration date	2013 usage
11th resolution	Issue of shares reserved for members of Essilor's or related companies' employee stock ownership plan, maximum **1.5% of share capital**[(a)]. Art. L.225-129 and L.225-138 of the French Commercial Code and Art. L.3332-18 et seq. of the Labor Code. The shares may not be offered at more than a 20% discount to the average of the opening prices quoted over the twenty trading days preceding the Board of Directors' decision to carry out the issue or at a premium to this average.	21 months	July 16, 2015	2013 issue of 377,407 shares with a par value of €0.18, i.e., a capital increase (excl. premium) of €67,933.26; subscribed by the Essilor Group 5 and 7-year FCPE, i.e. **0.18% of capital**.

(a) The shares may not be offered at more than a 20% discount to the average of the opening prices quoted over the twenty trading days preceding the Board of Directors' decision to carry out the capital increase or at a premium to this average.

Date of the Shareholders' Meeting authorization May 16, 2013	Type of authorization and ceiling	Duration	Expiration date	2013 usage
12th resolution	Issue of shares and/or share equivalents and/or issue of transferable securities entitling their holders to debt securities in particular with investors in relation to an offer as described in Art. 411-2, II of the French Monetary and Financial Code without pre-emptive subscription rights maximum: ■ Limited to 1/3 of share capital for the issue of shares or transferable securities, see 15th resolution of the Shareholders' Meeting of May 11, 2012, ■ Limited overall to 15% of capital for capital increases with elimination of pre-emptive subscription rights, see 19th resolution of the Shareholders Meeting of May 11, 2012 ■ €1,200 million for debt securities Art. L.225-129-2 and L.228-92 of the French Commercial Code.	13 months	June 16, 2014	None.

Financial authorizations to be put to the vote at the Extraordinary Shareholders' Meeting of May 7, 2014

Firstly, the Board of Directors is seeking authorization to issue new shares for cash and to grant newly issued shares or share equivalents to employees, in accordance with the law including Articles L.225-129, L.225-129-6 and L.225-138 of the French Commercial Code and Article L.3332-18 of the French Labor Code. These issues and grants would be made to members of an Employee Stock Ownership Plan set up by Essilor International or a related company, within the meaning of Article L.225-180 of the Commercial Code. Shares issued under this authorization would not exceed the equivalent of 1.5% of the capital at the time of each issue. The duration would be 21 months.

Secondly, to enhance its current financing mechanism, the Board of Directors is seeking authorization to issue shares and share equivalents giving immediate or future rights to up to 10% of the Company's capital without pre-emptive subscription rights for the purpose of reserving this portion for qualified investors or a restricted circle of investors. Primary debt instruments could be issued up to the amount of one billion two-hundred thousand euros (for a duration of 26 months).

Lastly, this new authorization would fall within the overall limit of 10% of capital already issued, which is the limit set for authorizations granted to the Board of Directors for capital increases with elimination of pre-emptive subscription.

For information about the proposed renewal of the share buyback program, to be put to the vote as ordinary resolutions at the Ordinary Shareholders' Meeting on May 7, 2014, see Section 5.2.2.3, "Share buyback programs."

5.2.2 Essilor shares

The Essilor share trades on Euronext Paris – Euronext – Local stocks – Compartment A, under ISIN and Euronext code FR0000121667. The shares are eligible for the Deferred Settlement Service (SRD).

The Essilor stock is included in the following indices: CAC 40, SBF 120, SBF 250, Euronext 100, EURO STOXX 50, STOXX All Europe 100 and FTSEurofirst 300.

In addition, Essilor has been included in the Low Carbon 100 Europe® Index since it was launched. This index launched by NYSE Euronext on October 24, 2008, measures the performance of the 100 largest European companies that emit the lowest levels of CO_2 in their sectors.

The Essilor stock is also included in four socially responsible investment (SRI) indices:

- DJSI World (Dow Jones Sustainability Index), based on cooperation between Dow Jones Indices, STOXX Limited and Swiss Asset Management Group (SAM group);
- FTSE4Good, published by the Financial Times and the London Stock Exchange (FTSE);
- Ethibel Excellence index;
- ECPI® Ethical Index EURO® index.

Essilor is included in the Euronext FAS IAS® Index launched by Euronext and the *Fédération Française des Associations d'Actionnaires Salariés et d'Anciens Salariés* (FAS). It is composed of all the stocks in the SBF 250 with significant employee shareholding: at least 3% of the capital in shares held by more than one-fourth of the employees. For more information about employee share ownership, refer to Section 5.2.6.3.

The shares are freely transferable and vis-à-vis the Company.

5.2.2.1 Key stock market data

(Source: Reuters, Bloomberg and Euronext)

	Share price (in euros)			Number of outstanding shares at December 31	Market capitalization at December 31[(a)] (€ millions)
	Session high	Session low	Closing price		
2013	**89.99**	**71.90**	**77.28**	**214,699,498**	**14,882**
2012	78.24	54.50	76.02	214,724,040	14,578
2011	57.72	46.61	54.55	214,038,296	10,968
2010	51.17	40.84	48.18	211,655,342	9,741
2009	42.00	26.08	41.75	215,509,972	8,395
2008	44.39	26.87	33.57	211,019,922	7,065

(a) Used in the CAC40 index (before capital increase related to the convertible bonds and the Company Savings Plan).

5.2.2.2 Share prices and trading volumes

(Sources: Euronext Paris, Reuters and Bloomberg)

Stock markets: Euronext Paris, Turquoise, Bats Europe, Chi-x Alternative, Equiduct, London Stock Exchange, SmartPool, QMTF, XOME, TOM1 from January 2013.

	Trading volume (millions of shares)	Trading volume, (€ millions)	Market price (in euros) Session High	Session Low
2012				
September	18.09	1,318	74.75	69.12
October	18.37	1,298	73.99	67.94
November	15.34	1,106	75.61	69.01
December	12.83	982	78.24	74.08
2013				
January	14,76	1,126	78.55	74.01
February	18,96	1,417	80.79	71.9
March	21,04	1,768	89.99	78.59
April	17,17	1,448	89.26	79.9
May	13,76	1,201	89.98	83.48
June	16,26	1,334	85.82	77.59
July	17,92	1,476	86.35	78.71
August	13,20	1,137	89.09	80.87
September	20,71	1,685	84.1	79.06
October	22,00	1,725	80.39	76.06
November	17,13	1,316	79.47	75.12
December	16,64	1,240	77.54	72
2014				
January	22,76	1,800	83.75	73.93
February	17,70	1,354	79.42	74.32

5.2.2.3 Share buyback programs

In May 2011, the Shareholders' Meeting authorized the Board of Directors to buy back Essilor International shares representing up to 10% of the Company's capital on the date of purchase, as allowed under Articles L.225-209 *et seq.* of the French Commercial Code. The authorization was renewed for a period of 18 months by the Shareholders' Meeting in May 2012.

In application of Article L.225-211 of the French Commercial Code, as amended by Order 2009-105 of January 30, 2009, the Board of Directors Reports below on the use made during fiscal year 2012 of the authorizations given by the Combined Ordinary and Extraordinary Shareholders' Meetings of May 5, 2011 and May 11, 2012.

The main objectives of the program were:

- to hedge the employee share-based payment programs (delivery of shares on exercise of stock options, allotment of shares, cancellation of shares issued following the exercise of stock subscription options);
- to support the liquidity contract.

The Company bought 2,192,298 shares between January 1 and December 31, 2013 at an average gross price of €79.23 and did not sell any shares on the market. The related average trading fees (including commissions net of tax) amounted to €0.02 per share, increasing the average net cost per share to €79.21.

In addition, 625,369 shares were delivered under the Company's performance share program.

At December 31, 2013, Essilor held 4,454,406 of its own shares, representing 2.07% of share capital. The par value of these shares was €801,793.08 and their book value was €303 million (i.e. an average net cost of €68.06 per share).

Liquidity contract

On March 8, 2010, the Company assigned to Crédit Agricole Cheuvreux the implementation of a liquidity contract that was harmonized with market practices of the *Autorité des Marchés Financiers* (AMF) on March 21, 2011 and is based on the Code of Ethics of the *Association Française des Marchés Financiers* (AMAFI), amended on March 8, 2011.

This liquidity contract was terminated on January 24, 2013, with effect as from January 25, 2013.

Share buybacks

In accordance with Article 225-211 of the French Commercial Code as amended by Order 2009-105 of January 30, 2009, no shares were reallocated in 2013.

	2013		
	Treasury shares	**Treasury shares Liquidity Contract**	**Total Treasury shares**
Number of shares at start of period – January 1	**4,387,477**		**4,387,477**
Stock purchase options exercised			
Delivery of performance shares	(625,369)		(625,369)
Delivery of shares on conversion of Oceane bonds			
Cancellation of treasury shares	(1,500,000)		(1,500,000)
Purchase of treasury shares	2,192,298		2,192,298
Change in liquidity contract			
Number of shares at end of period – December 31	**4,454,406**	**0**	**4,454,406**

Position at February 28, 2014	
Percentage of capital held directly and indirectly	2.07%
Number of shares cancelled in the last 24 months	1,500,000
Number of shares held in portfolio	4,453,971
Book value of portfolio (in euros)	303,157,369
Market value of portfolio[a] (in euros)	336,987,445

(a) On the basis of the closing price on February 28, 2014.

	Total gross flows from March 1, 2013 to February 28, 2014			Open positions at February 28, 2014					
	Purchases	**Sales**	**Cancellations**	**Open buy positions**			**Open sell positions**		
				Calls bought	Puts sold	*Forward* purchases	*Puts* bought	Calls sold	*Forward* sales
Number of shares	1,883,201	1,500,000							
Average maximum maturity									
Average transaction price, (in euros)	80.10								
Total amount, (in euros)	150,850,567								

Renewal of the financial authorization to implement a share buyback program

In accordance with Article 241-2 of the AMF's General Regulations, the Shareholders' Meeting of May 7, 2014 was asked to renew the authorization to buy back shares solely for the purposes set out below. The actual order in which the buyback authorization will be used will be need- and opportunity-based.

The main objectives of the program will be:

- to hedge the stock purchase option plans or other allotments of shares intended for employees, notably the grant of bonus shares set forth in Articles L.225-197-1 *et seq.* of the French Commercial Code intended for Group senior managers and employees;
- to buy shares for cancellation, notably in order to offset the dilutive impact of stock subscription options granted to Group senior managers and employees;
- to potentially hedge debt securities convertible or exchangeable in Company shares, by buying shares for delivery (in the case of delivery of existing shares as part of the rights conversion operation) or by buying shares for cancellation (in the case of new shares created as part of the rights conversion);
- to ensure the liquidity of the shares under a liquidity contract that complies with the AMAFI Code of Ethics endorsed by the AMF *(Autorité des Marchés Financiers)*.

The Company may also use the program for the following purpose:

- to buy back shares for delivery or exchange in connection with future external growth transactions up to a maximum of 5% of the capital.

The shares held under the buyback program may not represent more than 10% of the Company's capital at any given time.

Main characteristics of the new buyback program:

- securities: Essilor International ordinary shares (traded on Euronext Paris in Compartment A);
- maximum percentage of shares that may be held according to the resolution tabled at the Ordinary Shareholders' Meeting of May 7, 2014: 10% (equivalent to 21,475,270 shares based on the capital at January 31, 2014, for example);
- maximum percentage of share capital that may be bought back, taking into account the number of own shares held as of January 31, 2014: 7.93%, or for example 21,475,270 - 4,454,091 = 17,021,179 shares based on the capital at January 31, 2014;
- maximum purchase price per share: €105 (as adjusted if necessary to take into account the effects of any corporate actions);
- minimum sale price per share: €29 (as adjusted if necessary to take into account the effects of any corporate actions).

The shares may be purchased, sold or transferred and paid for by any appropriate method on the regulated market or over-the-counter (including through straight purchases, or the use of financial instruments or derivatives or the implementation of options strategies). The entire share buyback program may be carried out through a block purchase.

The authorization is being sought for a period of 18 months expiring on November 7, 2015.

5.2.2.4 Share cancellations and capital reductions

The Combined Ordinary and Extraordinary Shareholders' Meeting of May 11, 2010 authorized the Board of Directors to reduce the capital by canceling all or some of the shares held by the Company, provided that the number of shares cancelled during any 24-month period does not exceed 10% of total share capital. Accordingly, 1,500,000 shares were cancelled in November 2013.

5.2.3 Essilor shares and stock subscription options held by members of the management, governance and supervisory bodies

As of December 31, 2013

Essilor shares and stock subscription options held

	Employees and Executive officers – Members of the Board of Directors			
	Hubert SAGNIÈRES	Yi HE	Aïcha MOKDAHI	Maureen CAVANAGH
Essilor shares held	61,079	16,998	13,251	374
Stock purchase options				
■ November 14, 2007		5,500		
■ November 27, 2008	100,000			
■ November 26, 2009	150,000			

Independent Directors

At December 31 2013, the Independent Directors did not hold any stock subscription (or purchase) options or performance share rights. They held 10,479 Essilor shares.

Rights to Performance Shares

	Employees and Executive officers – Members of the Board of Directors			
	Hubert SAGNIÈRES	Yi HE	Aïcha MOKDAHI	Maureen CAVANAGH
Performance share rights				
■ November 25, 2010	45,000	1,980		1,320
■ November 24, 2011		2,310		1,320
■ November 27, 2012	45,000	2,000	2,300	1,200
■ December 14, 2012	20		20	
■ November 25, 2013	45,000	2,200	2,000	2,000
■ December 20, 2013	20		20	

5.2.4 Stock subscription options

Stock subscription options, if exercised, trigger the issuance of new ordinary Essilor shares.

As of December 31, 2013, the total number of shares that may be created as a result of the exercise of the stock subscription options was 1,703,435.

The subscription price is equal to the average of the opening prices quoted for the Company's shares over the twenty trading days preceding the Board of Directors' decision to grant the options.

Under capped plans, the maximum profit that can be made by each grantee is capped at 100% of the value of the option grants.

Capped performance plans are, in addition, subject to the share price reaching a certain level (in the same way as the performance shares described in Section 5.2.5) and can be cancelled if the target is not met.

Date granted[a]	Number of options granted	Granted to Executive Committee	Subscription price (in euros)	Number of options outstanding at December 31, 2013	Number of options outstanding at February 28, 2014
November 22, 2006[b]	930,740	128,000	41.46	-	-
November 14, 2007[b]	1,117,770	148,000	43.65	241,660	234,390
November 27, 2008[b]	1,568,080	430,000	33.17	352,850	336,329
November 26, 2009[b]	1,579,120	314,160	38.96	442,226	432,290
November 25, 2010[b]	634,760	0	48.01	432,144	407,679
November 24, 2011[b]	85,620	0	52.27	69,400	67,960
November 27, 2012[b]	81,760	0	71.35	77,275	77,135
November 25, 2013[b]	87,880	0	77.29	87,880	87,880
TOTAL	**6,085,730**	**1,020,160**		**1,703,435**	**1,643,663**

(a) Plans prior to that of November 22, 2006 no longer have stock subscription options outstanding.
(b) Capped performance plans.

The stock purchase options are presented below.

Information is provided only for those plans for which options or rights are currently outstanding.

	At December 31, 2013	o/w in 2013	At February 28, 2014	o/w in 2014
Options granted[a]	6,085,730	87,880	6,085,730	
Options cancelled[a]	580,516	60,679	582,240	2,024
Options exercised[a]	3,801,779	1,098,051	3,859,527	57,748
Options outstanding[a] and [b]	1,703,435		1,643,663	

(a) Plans from November 22, 2006 to November 25, 2013.
(b) 0.79 % of capital at December 31, 2013.

5.2.5 Performance shares

If the performance shares rights are exercised, grantees will be allocated either existing or new ordinary Essilor shares.

At its meeting of November 22, 2006, the Board of Directors decided to set up the Company's first performance share plan. The decision was preceded by an assessment of the benefits of this type of plan. The conclusions from this assessment were as follows:

- the potential dilutive impact of performance shares is less than half that of stock options offering an equivalent potential gain;
- the grant system makes it easier for grantees to keep their shares, unlike with shares acquired on exercise of stock subscription (or purchase) options, some or all of which are almost always sold by the grantees to finance the exercise price;
- the decision was made to restrict the plan to employees resident in France, with non-residents continuing to receive stock subscription (or purchase) options;
- In light of this restriction, the terms of the performance share grants are designed to ensure that the potential gain for grantees is as close as possible to that for holders of stock options. The performance shares are subject to vesting conditions based on growth in the Company's share price, to ensure that the interests of grantees converge with those of shareholders.

5.2.5.1 Vesting conditions for shares and holding obligation

Essilor's long-term compensation plans were designed to encourage the alignment of interests of employee shareholders and external shareholders.

The main terms of the plans between 2006 and 2013 inclusive are governed by performance-share plan regulations with conditions that have evolved since 2006.

Since 2010, the final award of performance shares is contingent on:

- a performance condition based on the progress of the trading price of the share measured over several years;
- an employment condition in order to guarantee the long-term commitment of the beneficiaries and their loyalty to the Company;
- an obligation to hold vested shares to strengthen the convergence between the interests of employee shareholders and external shareholders;
- stricter conditions for corporate officers.

Performance condition

The vesting of shares and the number of shares vested are subject to a performance condition based on the annualized progress of the Essilor share price over a period of between two and six years (from N+2 to N+6) from their award date:

At the time they are awarded, the initial reference price (equal to the average of the 20 opening prices preceding the award date) is determined.

Two years after the award (N+2), an average price equal to the average of the opening prices for the three months preceding the date of the second anniversary of the award is calculated.

If the increase between the average price and the initial reference price is:

- **greater than 14.5%** (an annualized[1] increase of 7%), all shares initially awarded are definitively acquired subject to compliance with the employment condition (detailed in the Section "Employment condition");
- **greater than or equal to 4.0% and less than 14.5%** (corresponding respectively to an annualized[1] increase greater than or equal to 2% and less than 7%), only a portion of the shares initially awarded is definitively acquired subject to compliance with the vesting condition (detailed in the Section "Employment condition");
- **less than 4.0%** (for an annualized increase of less than 2%), no shares are acquired. In this case, another evaluation of performance will be made three months later with annualized share price benchmarks[1] between 2% and 7%. This measurement of performance may be repeated until the sixth anniversary date of the award (N+6).

The first time that the annualized increase between the average price and the initial reference price crosses the 2% threshold (as an annualized increase) is when the number of shares vested is determined once and for all, even if the annualized increase subsequently rises. As time progresses, the minimum threshold (increase of the trading price) to be achieved to receive a minimum number of Essilor shares increases: 4% at N+2, 6.1% at N+3, 8.2% at N+4, etc., and 12.6% at N+6.

If, at the end of N+6, the minimum threshold of a 12.6% rise in the trading price has not been achieved, the plan becomes null and void and the employees receive no Essilor shares.

Employment condition

For French residents, the award of shares is subject to the beneficiary's employment with the Group on the date the performance condition is achieved, which may occur between the second anniversary and the sixth anniversary of the award.

For non-French residents, the employment condition is set at:

- the fourth anniversary of the award if the achievement of the performance condition occurs between the second and fourth anniversary;
- on the day of the achievement of the performance condition if that day occurs after the fourth anniversary of the award.

This employment condition is waived in the event of death, disability, layoff or retirement of the beneficiary.

Holding condition

Once the performance condition is achieved, the shares acquired must be kept. French tax residents may sell the shares acquired no sooner than six and no later than eight years after their initial award. For non-French tax residents, half of the shares acquired must be kept for a minimum period of two years, and the other half may be sold immediately for payment of taxes.

Refer also to Note 5 to the consolidated financial statements (Section 3.4).

(1) *Calculation formula: (Average Price/Initial Price)^(1/N) -1 where N is the number of years between the award and the performance measurement date. N =2 then, if the performance condition is not achieved, 2.25 and so on up to a maximum of six.*

5.2.5.2 Outstanding performance share rights

Date granted [a]	Number of rights granted	Granted to Executive Committee	Initial reference share price (used to measure performance) (in euros)	Number of rights outstanding at December 31, 2013	Number of rights outstanding at February 28, 2014
November 25, 2010	893,458	341,800	48.01	329,610	328,905
December 20, 2010	74,355	195	48.01	2,700	2,655
November 24, 2011	1,193,189	346,800	52.27	574,420	571,330
December 21, 2011	74,445	195	52.27	2,775	2,775
November 27, 2012	1,176,340	335,500	71.35	1,150,880	1,145,970
December 14, 2012	98,640	280	71.35	93,860	93,480
November 25, 2013	1,279,460	347,500	77.29	1,279,460	1,278,760
December 20, 2013	96,880	280	77.29	96,880	96,300
TOTAL	**4,886,767**	**1,372,550**		**3,530,585**	**3,520,175**

(a) Plans prior to that of November 25, 2010 no longer have any performance share rights to vest.

Performance share rights are presented below:

	At December 31, 2013	o/w in 2013	At February 28, 2014	o/w in 2014
Rights granted[a]	4,886,767	1,376,340	4,886,767	
Rights cancelled[a]	150,240	68,660	160,215	9,975
Rights exercised[a]	1,205,942	625,369	1,206,377	435
Rights outstanding[a] and [b]	3,530,585		3,520,175	

(a) Plans from November 25, 2010 to December 20, 2013.
(b) 1.64 % of capital at December 31, 2013.

5.2.5.3 Grant and exercise of stock options during the year

Granted and exercised: ■ **stock subscription options ;** ■ **stock subscription options ;** ■ **performance share rights;** **granted to employees other than Executive Directors.**	Total number	Weighted average price (in euros)	Maturity date	Related plans
Stock options granted in fiscal year 2013 by the issuer or by any company in the scope of the option grants, to the ten employees of the issuer and of any company in this scope, with the highest number of stock options granted (comprehensive data)	34,350	77.29	Nov. 25, 2020	Nov. 25, 2013
Rights to performance shares granted in fiscal year 2013 by the issuer or by any company in the scope of the stock option grants, to the ten employees of the issuer and of any company in this scope, with the highest number of stock options granted (comprehensive data)	201,620	77.29	Nov. 25, 2019 or 2021 and Dec 20, 2019 or 2021	Nov 25 , 2013 and Dec 20, 2013
Options held on the aforementioned issuer and companies, **exercised in fiscal year 2013,** by the ten employees of the issuer and of any company in this scope, with the highest number of stock options granted (comprehensive data)	201,328	39.08		Nov. 22, 2011 2006 Nov. 14, 2011 2007 Nov. 27, 2011 2008 Nov. 26, 2011 2009

5.2.5.4 History of stock option and performance share rights

For more information about performance shares, also refer to Section 5.2.5 "Performance shares."

Plan	November 22, 2006	November 14, 2007	November 27, 2008	November 26, 2009	November 25, 2010
Date of the Shareholders' Meeting	May 13, 2005	May 11, 2007	May 11, 2007	May 11, 2007	May 11, 2010
Date of the Board of Directors Meeting	November 22, 2006	November 14, 2007	November 27, 2008	November 26, 2009	November 25, 2010
Type of plan	Capped performance share subscription options[(a)]	Capped performance share subscription options[(a)]	Capped performance share subscription options[(a)]	Capped performance share subscription options[(a)]	Capped performance share subscription options[(a)]
Total number of shares that can be subscribed or bought	930,740	Maximum 1,117,770	Maximum 1,568,080	Maximum 1,579,120	Maximum 634,760
By Executive Directors	0	0	320,000	230,000	0
■ Philippe Alfroid			100,000		
■ Xavier Fontanet			120,000	80,000	0
■ Hubert Sagnières			100,000	150,000	0
By the ten largest employee beneficiaries	195,000	206,000	170,000	194,000	75,000
Exercise start date	May 22, 2010[(b)]	May 14, 2010[(c)]	November 29, 2010[(d)]	November 26, 2011[(e)]	November 25, 2012[(f)]
Expiration date	November 22, 2013	November 14, 2014	November 27, 2015	November 26, 2016 or 2017	November 25, 2017
Subscription or purchase price (in euros)	41.460	43.650	33.170	38.960	48.010
Number of beneficiaries	1,148	1,800	2,286	2,412	1,362
Exercise conditions	Non-residents: cannot exercise until performance is achieved. Then up to 50% in the third year and the remainder in subsequent years. Cancellation possible. Residents: none.	Non-residents: cannot exercise until performance is achieved. Then up to 50% in the third year and the remainder in subsequent years. Cancellation possible. Residents: none.	Non-residents and residents: cannot exercise until performance is achieved. Then up to 50% in the third year and the remainder in subsequent years. Cancellation possible.	Non-residents and residents: cannot exercise until performance is achieved. Then up to 50% in the third year and the remainder in subsequent years. Cancellation possible.	Non-residents and residents: cannot exercise until performance is achieved. Then up to 50% in the third year and the remainder in subsequent years. Cancellation possible.
Number of shares subscribed as of December 31, 2013	843,116	777,380	1,048,760	976,747	149,376
Subscription options or performance share rights cancelled	87,624	98,730	166,470	160,147	53,240
Remaining subscription options or performance share rights	0	241,660	352,850	442,226	432,144

(a) Capped performance plans. Capped performance plans are, in addition, subject to the share price reaching a certain level (in the same way as the performance shares) and can be cancelled if the target is not met.
(b) The options will be exercisable if the average price of the shares exceeds €41.46 over a three-month period between November 22, 2008 and November 22, 2010.
(c) The options will be exercisable if the average price of the shares exceeds €43.65 over a three-month period between November 14, 2009 and November 14, 2011.
(d) The options will be exercisable if the average price of the shares exceeds €33.17 over a three-month period between November 27, 2010 and November 27, 2014.
(e) The options will be exercisable if the average price of the shares exceeds €38.96 over a three-month period between November 26, 2011 and November 26, 2015.
(f) The options will be granted provided that the estimated annualized average price is 2% higher than €48.01.

Plan	November 11, 2010	December 12, 2010	November 24, 2011	November 24, 2011	December 21, 2011
Date of the Shareholders' Meeting	May 11, 2010	May 11, 2010	May 11, 2010	May 11, 2010	May 11, 2010
Date of the Board of Directors Meeting	November 25, 2010	November 25, 2010	November 24, 2011	November 24, 2011	November 24, 2011
Type of plan	Performance share rights	Performance share rights (Group Plan France)	Capped performance share subscription options[(a)]	Performance share rights	Performance share rights (Group Plan France)
Total number of shares that can be subscribed or bought	Maximum 893,458	Maximum 74,355	Maximum 85,620	Maximum 1,193,189	Maximum 74,445
By Executive Directors	45,000	15	0	50,000	0
■ Xavier Fontanet		0	0	0	0
■ Hubert Sagnières	45,000	15	0	50,000	0
By the ten largest employee beneficiaries	200,000	150	28,300	180,000	150
Exercise start date	November 25, 2012 or 2014[(c)]	December 20, 2012[(d)]	November 24, 2013[(e)]	November 24, 2013 or 2015[(f)]	December 21, 2013[(g)]
Plan end date	November 25, 2016 or 2018	December 20, 2016 or 2018	November 24, 2018	November 25, 2017 or 2019	December 21, 2017 or 2019
Subscription or purchase price (in euros)	NS[(b)]	NS[(b)]	52,270	NS[(b)]	NS[(b)]
Number of beneficiaries	3,116	4,957	232	5,037	4,963
Exercise conditions	Non-residents: Award subject to performance. Cancellation possible. 50% sellable at award, 50% locked-in until November 25, 2016 or 2018 depending on vesting date. Residents: Award subject to performance. Cancellation possible. Sellable from November 25, 2016 or 2018 depending on vesting date	Non-residents: Award subject to performance. Cancellation possible. 50% sellable at award, 50% locked-in until December 20, 2016 or 2018 depending on vesting date. Residents: Award subject to performance. Cancellation possible. Sellable from December 20, 2016 or 2018 depending on vesting date	Non-residents and residents: cannot exercise until performance is achieved. Then up to 50% in the third year and the remainder in subsequent years. Cancellation possible.	Non-residents: Award subject to performance. Cancellation possible. 50% sellable at award, 50% locked-in until November 24, 2017 or 2019 depending on vesting date. Residents: Award subject to performance. Cancellation possible. Sellable from November 24, 2017 or 2019 depending on vesting date	Non-residents: Award subject to performance. Cancellation possible. 50% sellable at award, 50% locked-in until December 21, 2017 or 2019 depending on vesting date. Residents: Award subject to performance. Cancellation possible. Sellable from December 21, 2017 or 2019 depending on vesting date
Number of shares subscribed as of December 31, 2013	513,898	65,970	6,240	558,219	66,285
Subscription options or performance share rights cancelled	49,950	5,685	9,980	60,550	5,385
Remaining subscription options or performance share rights	329,610	2,700	69,400	574,420	2,775

(a) Capped performance plans. Capped performance plans are, in addition, subject to the share price reaching a certain level (in the same way as the performance shares) and can be cancelled if the target is not met.

(b) If performance shares are granted, they will be allocated out of the Company's treasury stock and valued at the opening price on the day of the grant.

(c) Shares will be granted to residents provided that the estimated annualized average price is 2% higher than €48.01. Shares may be granted to non-residents on November 25, 2014 at the earliest.

(d) Shares will be granted to residents provided that the estimated annualized average price is 2% higher than €48.01. Shares may be granted to non-residents on December 20, 2014 at the earliest.

(e) Options will be granted provided that the estimated annualized average price is 2% higher than €52.27.

(f) Shares will be granted to residents provided that the estimated annualized average price is 2% higher than €52.27. Shares may be granted to non-residents on November 24, 2015 at the earliest.

(g) Shares will be granted to residents provided that the estimated annualized average price is 2% higher than €52.27. Shares may be granted to non-residents on December 21, 2015 at the earliest.

Plan	November 27, 2012	November 27, 2012	December 14, 2012	November 25, 2013	November 25, 2013
Date of the Shareholders' Meeting	May 11, 2012	May 11, 2012	May 11, 2012	May 11, 2012	May 11, 2012
Date of the Board of Directors Meeting	November 27, 2012	November 27, 2012	November 27, 2012	November 25, 2013	November 25, 2013
Type of plan	Capped performance share subscription options[a]	Performance share rights	Performance share rights (Group Plan France)	Capped performance share subscription options[a]	Performance share rights
Total number of shares that can be subscribed or bought	Maximum 81,760	Maximum 1,176,340	Maximum 98,640	Maximum 87,880	Maximum 1,279,460
By Executive Directors	0	45,000	20	0	45,000
■ Xavier Fontanet	0	0	0	0	0
■ Hubert Sagnières	0	45,000	20	0	45,000
By the ten largest employee beneficiaries	32,900	193,750	120	34,350	201,500
Exercise start date	November 27, 2014[c]	November 27, 2014[d]	December 14, 2014[e]	November 25, 2015[f]	November 25, 2015[g]
Plan end date	November 27, 2019	Nov. 27, 2018 or 2020	Nov. 14, 2018 or 2020	November 25, 2020	Nov. 25, 2019 or 2021
Subscription or purchase price (in euros)	71.350	NS[b]	NS[b]	77.29	NS[b]
Number of beneficiaries	216	5,035	4,932	248	5,775
Exercise conditions	Non-residents and residents: cannot exercise until performance is achieved. Then up to 50% in the third year and the remainder in subsequent years. Cancellation possible.	Non-residents: Award subject to performance. Cancellation possible. 50% sellable at award, 50% locked-in until November 27, 2018 or 2020 depending on vesting date. Residents: Award subject to performance. Cancellation possible. Sellable from November 27, 2018 or 2020 depending on vesting date	Non-residents: Award subject to performance. Cancellation possible. 50% sellable at award, 50% locked-in until December 14, 2018 or 2020 depending on vesting date. Residents: Award subject to performance. Cancellation possible. Sellable from December 14, 2018 or 2020 depending on vesting date	Non-residents and residents: cannot exercise until performance is achieved. Then up to 50% in the third year and the remainder in subsequent years. Cancellation possible.	Non-residents: Award subject to performance. Cancellation possible. 50% sellable at award, 50% locked-in until November 25, 2019 or 2021 depending on vesting date. Residents: Award subject to performance. Cancellation possible. Sellable from November 25, 2019 or 2021 depending on vesting date
Number of shares subscribed as of December 31, 2013	160	650	920	0	0
Subscription options or performance share rights cancelled	4,325	24,810	3,860	0	0
Remaining subscription options or performance share rights	77,275	1,150,880	93,860	87,880	1,279,460

(a) Capped performance plans. Capped performance plans are, in addition, subject to the share price reaching a certain level (in the same way as the performance shares) and can be cancelled if the target is not met.

(b) If performance shares are granted, they will be allocated out of the Company's treasury stock.

(c) Options will be granted provided that the estimated annualized average price is 2% higher than €71.35.

(d) Shares will be granted to residents provided that the estimated annualized average price is 2% higher than €71.35. Shares may be granted to non-residents on November 27, 2016 at the earliest.

(e) Shares will be granted to residents provided that the estimated annualized average price is 2% higher than €71.35. Shares may be granted to non-residents on December 14, 2016 at the earliest.

(f) Options will be granted provided that the estimated annualized average price is 2% higher than €77.29.

(g) Shares will be granted to residents provided that the estimated annualized average price is 2% higher than €77.29. Shares may be granted to non-residents on November 25, 2017 at the earliest.

Plan	December 20, 2013
Date of the Shareholders' Meeting	May 11, 2012
Date of the Board of Directors Meeting	November 25, 2013
Type of plan	Performance share rights (Group Plan France)
Total number of shares that can be subscribed or bought	Maximum 96,880
By Executive Directors	20
■ Xavier Fontanet	0
■ Hubert Sagnières	20
By the ten largest employee beneficiaries	120
Exercise start date	December 20, 2015(c)
Plan end date	December 20, 2019 or 2021
Subscription or purchase price (in euros)	NS(b)
Number of beneficiaries	4,844
Exercise conditions	Non-residents: Award subject to performance. Cancellation possible. 50% sellable at award, 50% locked-in until December 20, 2019 or 2021 depending on vesting date. Residents: Award subject to performance. Cancellation possible. Sellable from December 20, 2019 or 2021 depending on vesting date
Number of shares subscribed as of December 31, 2013	0
Subscription options or performance share rights cancelled	0
Remaining subscription options or performance share rights	96,880

(b) If performance shares are granted, they will be allocated out of the Company's treasury stock.

(c) Shares will be granted to residents provided that the estimated annualized average price is 2% higher than €77.29. Shares may be granted to non-residents on December 20, 2017 at the earliest.

5.2.6 Stock ownership

Fully paid-up shares may be held in either registered or bearer form, at the shareholder's discretion.

The Company may, at any time, subject to compliance with the applicable laws and regulations, request information from the clearing organization about the numbers of securities held as well as the name, corporate name, nationality, year of birth or year of formation of holders of shares and securities that are convertible, redeemable, exchangeable or otherwise exercisable now or in the future for shares carrying rights to vote at Shareholders' Meetings.

To the best of the Company's knowledge, no shareholder other than the Valoptec International FCPE holds 5% or more of the voting rights directly, indirectly or in concert with a third party.

5.2.6.1 Different voting rights

As from June 22, 1974, double voting rights have been attributed to all fully paid-up shares registered in the name of the same holder for at least two years.

The holding period was raised to five years at the Extraordinary Shareholders' Meeting of June 11, 1983, and reduced to two years at the Extraordinary Shareholders' Meeting of March 3, 1997.

In the case of a bonus share issue paid-up by capitalizing reserves, profit or additional paid-in capital, the registered bonus shares allotted in respect of shares with double voting rights also carry double voting rights.

If the Company is merged with and into another company, the double voting rights will be exercisable at Shareholders' Meetings of the surviving company, provided that the bylaws of the latter include double voting right provisions.

If any registered shares are converted to bearer shares or transferred to another shareholder, the double voting right on those shares is forfeited.

However, double voting rights will not be forfeited if registered shares are transferred by way of succession, or liquidation of marital estate, or gift between spouses or to a relative in the direct line of succession, and such change of ownership is not taken into account in determining the two-year minimum holding period referred to above.

In accordance with the law, double voting rights may not be abolished by a Shareholders' Meeting unless this decision is first approved by a special meeting of holders of shares with double voting rights.

As of December 31, 2013, the Company's bylaws did not contain any restrictions on the exercise of voting rights.

5.2.6.2 Arrangements resulting in a change in control of the Company and shareholders' pacts

Contracts that could have an impact in the event of a public offering as set forth in Article L.225-100-3 of the Commercial Code:

- the joint venture agreement with Nikon Corporation contains a clause allowing Nikon to acquire Essilor's 50% stake in the Nikon-Essilor joint venture or to require the joint venture to be wound up following a change of control of Essilor International, subject to certain conditions;
- the agreements covering the Company's bank facilities also include a change of control acceleration clause.

Other items that could have an impact in the event of a public offering as set forth in Article L.225-100-3 of the Commercial Code:

- employees and partners hold 8.4% of the Company's capital and 14.6% of the voting rights. They may exercise these voting rights directly or give proxy to the representatives of the Essilor seven-year FCPE and the Valoptec Association;

To the best of the Company's knowledge, there are no shareholder pacts, pre-emptive rights agreements or other agreements that may at a subsequent date result in a change in control of the Company.

5.2.6.3 Employee shareholding

Represented and managed independently and autonomously throughout the world by Valoptec Association, a French non-profit association, Essilor's strong network of active employee shareholders provides the Company with major leverage to achieve sustainable performance, strategic alignment and operating excellence.

The Group actively encourages employee share ownership, proposing various options to employees according to the country in which they work.

As a result, 15,492 Group employees currently hold Essilor shares. They represent 8.2% of capital and 14.3% of voting rights.

Employees of the Essilor group may become shareholders in various ways.

Employee stock ownership plans

Employees of the Essilor group may become shareholders by purchasing, through various stock purchase plans, shares held directly, units in FCPE mutual funds or shares held outside of France.

These shares or units are generally purchased with the financial help of the Group subsidiary concerned and are either issued through a capital increase or bought directly on the market. The shares are subject to a lock-in period between two and seven years depending on the country.

- The FCPE mutual funds include the Valoptec International FCPE, the Essilor group 5-year FCPE, the Essilor group 7-year FCPE and the Essilor International FCPE.
- Shareholdings outside of France include the Essilor Shareholding Plan in the United States, the Australian Shareholding Plan, the Share Incentive Plan in the United Kingdom, the Irish Shareholding Plan and Korean ESPP.
- Direct shareholding is possible with the Spanish Ahorro Plan, BBGR Spain, the Brazilian Share Purchase Plan plus seven new Brazilian laboratories, the Essilor and Satisloh Germany direct shareholding plan, the Chinese, Satisloh and Wanzin Chinese direct shareholding plan, the Taiwanese shareholding plan, the South African share purchase plan, the Austrian shareholding plan, the Italian and Satisloh Italian, Bulgarian, Slovenian, Croatian, Finnish, Hungarian, Romanian and Swedish shareholding plans.

Stock options

Employees can also acquire shares by exercising stock subscription (or purchase) options. For French employees, the exercise price may be paid by funds released from the Corporate Savings Plan; in which case the shares are registered in the employee's name and then locked-in for five years in the Plan.

Performance shares

The various performance share plans will also enable employees to receive and hold Essilor shares, provided that the vesting conditions – based on the Essilor share performance – specified in the plans' rules are met.

5.2.6.4 Employee incentive plans and profit-sharing agreements

There are three types of special incentives available to employees of the French parent Company.

Discretionary profit-sharing plan

The three-year profit-sharing agreement signed on June 15, 2013 and governed by Articles L.3 311-1 *et seq.* of the French Labor Code. This agreement took effect in the year starting January 1, 2013.

Designed to improve employee information and awareness of the Company's financial results, the agreement represents a means of mobilizing and involving the entire organization and its employees in a concerted drive to meet the Company's performance targets.

Discretionary profit-sharing bonuses are calculated according to two criteria:

- criterion 1: the Group's consolidated revenue growth (excluding strategic acquisitions);
- criterion 2: growth in contribution margin with respect to Group activity.

Both criteria have the same weighting.

The calculation formula used is geared towards providing employees with an incentive to help improve the Company's results and meet budget objectives.

Under French law, these profit shares are not treated as salary. As a result, they are exempt from payroll taxes but are subject to personal income tax and the CSG-CRDS taxes.

The discretionary profit-sharing system allows the Company to offer additional variable compensation to Essilor employees.

Individual profit shares are calculated as follows:

- 40% prorated to the period of employment with the Company during the fiscal year;
- 60% prorated to the reference salary.

This salary is subject to a €80,000 ceiling and a €25,000 floor.

The amount of the discretionary profit-sharing bonus is capped:

- the total amount of profit shares distributed is capped at 20% of the aggregate gross salaries and, if applicable, the annual salary or business income of grantees referred to in Article L.3312-3 of the French Labor Code, paid to eligible employees during the fiscal year of calculation;
- independently of the overall ceiling, there is an individual ceiling according to which the discretionary profit-sharing bonus is capped for each employee at half the annual Social Security ceiling.

Discretionary profit shares paid over the last five fiscal years were as follows:

- 2013: €5,172,000 for 2012;
- 2012: €4,474,000 for 2011;
- 2011: €4,154,000 for 2010;
- 2010: €4,304,000 for 2009;
- 2009: €3,681,000 for 2008.

Statutory profit-sharing plan

The profit-sharing reserve for eligible employees is calculated according to a legally-prescribed formula based on profit for the year, equity at the year-end, gross salaries and the value-added generated by the Company. Under the terms of an agreement signed with employee representatives, the amount determined according to the legally-prescribed formula is increased by 50%.

In view of the level of the parent company's equity, no amounts have been credited to the profit-sharing reserve for eligible employees.

Profit sharing bonus

Article 1 of the French Finance Law 2011-894 of July 28, 2011, amending the social security provisions for 2011 provides for a profit sharing bonus arrangement for companies that normally have a workforce of 50 or more in the sense of Article L.3222-2 and L.3222-4 of the French Labor Code, when such company pursuant to article L.232-12 of the French Commercial Code grants to its partners or shareholders a dividend per partner interest or per share that is higher than the average dividend per partner interest or per share paid in previous years.

An agreement on profit-sharing bonuses was signed on June 26, 2013 by all the unions represented in the Company, and management.

It provides for the distribution of a profit-sharing bonus of €600 per person for full-time employees in service throughout fiscal year 2012.

This amount is prorated to the length of time the person was employed during that fiscal year, and is exempt from social security contributions but is subject to the CSG and the CRDS as well as to income tax.

In accordance with the provisions of the aforementioned law, all beneficiaries were employees of Essilor International, with a French employment contract and in service in fiscal year 2012.

5.2.7 Dividend policy

The Company has not established a dividend policy. Every year, the dividend is recommended by the Board for approval by vote of the Shareholders' Meeting.

2013 dividend payable in 2014

For fiscal year 2013, the Board will recommend to the Shareholders' Meeting of May 7, 2014, a 6.8% increase in the net dividend to €0.94 per share for 2013 from €0.88 per share for 2012.

The recommended dividend represents almost one third of consolidated net profit attributable to equity holders of Essilor International. It reflects the Company's solid performance in 2013.

The dividend will be paid on or after May 27, 2014, in cash only.

Profit attributable to equity holders

Total dividends for 2013 and the previous six years were as follows:

€ millions	Profit attributable to Group equity holders	Amount distributed	Ratio *(payout ratio)*	Net dividend (in euros)	Date of payment
2013	593	198[(a)]	33%	0.94[(a)]	May 27, 2014
2012	584	185	32%	0.88	June 04, 2013
2011	506	177	35%	0.85	May 29, 2012
2010	462	173	37%	0.83	May 19, 2011
2009	391	148	37%	0.7	May 28, 2010
2008	382	136	36%	0.66	May 26, 2009
2007	367	128	35%	0.62	May 28, 2008

(a) Based on treasury shares at February 28, 2014 and subject to the decision of the Shareholders' Meeting of May 7, 2014.

Dividends not claimed within five years are time-barred, in accordance with the law.

Paying agent

CACEIS Corporate Trust – 14 rue Rouget-de-Lisle – 92862 Issy-les-Moulineaux – France – Phone: +33 (1) 57 78 00 00.

ADDITIONAL INFORMATION ABOUT THE REGISTRATION DOCUMENT

IN BRIEF

COMPANY NAME

The name of the company is Essilor International (Compagnie Générale d'Optique), in this document, "Essilor", "the Company" or "the Group".

MARKET-RELATED INFORMATION

Unless otherwise specified:

- information relating to market shares and market positions is based on sales volumes;
- the marketing-related information relating to the market and the ophthalmic industry or the market share and positions of Essilor originated with Essilor and are derived from internal assessments and studies that may be based on external market surveys.

INFORMATION FROM THIRD PARTIES

If information has come from a third party, it has been accurately reproduced and, insofar as the Company is aware and is able to ascertain from the data published by said third party, no facts have been omitted that would render the reproduced information inaccurate or misleading.

BRANDS

Orma®, Varilux®, Varilux Comfort®, Crizal®, Crizal Forte®, Crizal® Prevencia™, Light Scan™, I-Relief™, Varilux® S™ Series, SynchronEyes™, Nanoptix™, e-SPF®, Xperio®, Xperio® Gradient Polar, Sunmax™, Optifog®, M'eye Fit™, Mr Blue® 2.0., Mr Orange®, M'Eye Sign™, Visioffice® 2, Neksia ™, Essilor® Anti-fatigue, Intuitiv™, Neva ® Blue™, Neva ® Max UV™, Vision Booster™, Foster Grant®, Gargoyles®, Magnivision®, Corinne McCormack®, Crystal Vision®, Ergonomic Technology™, MC-280-X™, Small Box Coater™ , On-Block Manufacturing™ are brands of the Essilor Group.

Transitions®, Transitions® Signature™,Transitions® Signature™ VII et Chromea7™ are marks of the Company Transitions Optical, Inc. Prodigi Duo™ is a brand of the Company Technologies Humanware Inc. Shamir Autograph® III Eye-Point Technology III™, Worn Quadro™ and IntelliCorridor™ are brands of the Company Shamir Optical Industry Ltd. Bolon™ and Molsion™ are brands of the Company Xiamen Yarui Optical Co. Ltd. Infokus™ is a brand of the Company Suntech Optics. Kodak® is a brand of the Company Eastman Kodak Company. Polaroid® is a brand of the Company PLR IP Holdings, LLC. Nikon®, SeeCoat Blue™, SeeCoat Blue Premium™ are brands of the Company Nikon Corporation. Ryders Eyewear™ is a brand of the Company Ryders Eyewear. SolarShield® is a brand of the Company Craghoppers Limited

PERSONS RESPONSIBLE

Hubert Sagnières,
Chairman and Chief Executive Officer

STATUTORY AUDITORS

PricewaterhouseCoopers Audit
63 rue de Villiers
92208 Neuilly-sur-Seine

Mazars
61 rue Henri Regnault
92075 Paris-La Défense Cedex

6.1 Persons Responsible

6.1.1 Person responsible for the Registration Document

Hubert Sagnières, Chairman and Chief Executive Officer, is the person responsible for the information given in the Registration Document.

6.1.2 Statement by the person responsible for the Registration Document

I declare that, having taken all reasonable care to ensure that such is the case, the information contained in this Registration Document is, to my knowledge, in accordance with the facts and contains no omission that might affect its import.

I declare that, to my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and present fairly the assets, financial position and results of the Company (as well as those of the companies forming part of the consolidated Group). The information pertaining to the Management Report (Section 3 relative to the analysis of results of operations and financial position, Section 1 relative to risk factors, and Section 5 relative to share capital) presents fairly the changes in business, results and financial position of the Company and of the companies forming part of the consolidated Group, and includes a description of the principal risks and uncertainties they face.

The consolidated financial statements for the fiscal year ended December 31, 2013 presented in this document have been audited by the Statutory Auditors. The Statutory Auditors' Report, which contains one comment regarding the revision of IAS 19, is provided on page 158.

I have obtained an audit completion letter from the Statutory Auditors in which they state that they have audited the information relating to the financial position and accounts contained in the Registration Document and read said document in its entirety.

Charenton le Pont, March 25, 2014

Hubert Sagnières

6.2 Auditors

6.2.1 Incumbent and alternate Statutory Auditors

Auditors

Statutory Auditors

- PricewaterhouseCoopers Audit

63 rue de Villiers
92208 Neuilly-sur-Seine

First appointed: June 14, 1983

(Befec, Mulquin and Associés, merged with Price Waterhouse and was renamed Befec-Pricewaterhouse in 1995, and subsequently merged with Coopers & Lybrand to become PricewaterhouseCoopers Audit in 2002).

Reappointed by the Shareholders' Meeting on May 16, 2013 for six years.

PricewaterhouseCoopers Audit is represented by Christine Bouvry (registered member of Compagnie Régionale des Commissaires aux Comptes de Versailles).

The alternate auditor for PricewaterhouseCoopers Audit is Étienne Boris (registered member of Compagnie Régionale des Commissaires aux Comptes de Versailles).

- Mazars

61 rue Henri Regnault
92075 Paris-La Défense Cedex

First appointed: May 11, 2007

Reappointed by the Shareholders' Meeting on May 16, 2013 for six years.

Mazars is represented by Daniel Escudeiro (registered member of Compagnie Régionale des Commissaires aux Comptes de Versailles).

The alternate auditor for Mazars is Jean-Louis Simon (registered member of Compagnie Régionale des Commissaires aux Comptes de Versailles).

6.2.2 Information about Auditors who resigned

No auditors resigned in 2013.

6.3 Public Documents

The bylaws and other corporate documents are available for consultation at the Company's headquarters (147, rue de Paris, 94220 Charenton-le-Pont, France).

Paper copies of the last three years' Registration Documents and Annual Reports are available on request from the Investor Relations & Financial Communications Department at the Company's headquarters. Paper copies of the 2013 Registration Document and Annual Report will be available as of the date of the Shareholders' Meeting called to approve the annual financial statements on May 7, 2014.

Essilor regularly provides its shareholders with transparent, accessible information about the Group, its activities and its financial results *via* a large range of resources.

Information published by the Company in the past year

The documents published in the *Bulletin des Annonces Légales and Obligatoires* (BALO) are available at the following link: http:balo.journal-officiel.gouv.fr/

Start the search with the name of the Company (Essilor International) or its SIREN number (712049618).

The information available on the Group's website www.essilor.com also includes:

- regulatory information as defined by the *Autorité des Marchés Financiers* (AMF);
- AMF filings that are required to be published on the Company website;
- analyst presentations and webcasts of certain analyst meetings, when available;
- financial news releases and, when available, webcasts of analyst conference calls;
- Annual Reports and Registration Documents (containing historical financial information) for the last five years;
- information on Shareholders' Meetings, including notices of meeting, draft resolutions, instructions on how to attend meetings and results of voting on resolutions;
- information on sustainable development.

6.4 Cross-reference tables

6.4.1 Registration Document

The following regulated information described in Article 221-1 of the AMF's General Regulations is provided in this document:

- the Annual Financial Report;
- Information concerning Auditors' fees;
- a description of the share buyback program;
- the Chairman's Report on corporate governance and internal control.

The cross-reference table below identifies the main information provided for in Appendix 1 of European Commission Regulation 809/2004/EC.

22	**Material Contracts**	**pages 21 and 245**	**§ 1.5.2.4 and § 5.2.6.2**
23	**Third Party Information, Statements by Experts and Declarations of Any Interest**		
23.1	Expert statements or reports		n.a.
23.2	Information from a third party	page 249	In brief, Section 6
24	**Public Documents**	**page 252**	**Section 6.3**
25	**Information on Holdings**	**page 150**	**Section 3 Notes 32 to 35**

6.4.2 Annual Financial Report

Statement by the person responsible for the document	**page 250**	**Section 6.1**
Management Report		
Operating and financial analysis	page 86	Section 3.1
Risk factors	page 28	Section 1.6
List of authorizations with respect to the increase in the capital of the parent company and consolidated Group (Art. L.225-100 and L.225-100-2 of the French Commercial Code)	page 230	§ 5.2.1.4
Information relating to share buybacks (Art. L.225-211, Para. 2 of the French Commercial Code)	page 235	§ 5.2.2.3
Items that could have an impact in the event of a public offering (Art. L.225-100-3 of the French Commercial Code)	page 67	§ 2.2.7
Financial Statements		
Annual financial statements	page 160	Section 3.7
Report of the Auditors on the parent company financial statements	page 189	Section 3.9
Consolidated financial statements	page 91	Section 3.3
Report of the Auditors on the consolidated financial statements	page 158	Section 3.5
Auditors' fees	page 159	Section 3.6
Chairman's Report on the preparation and organization of the Board's work and internal control procedures implemented by the Company.	page 50	Section 2.2
Report of the Auditors on internal control	page 81	Section 2.4

6.4.3 Management Report

The information presented in this Registration Document was prepared primarily by the Essilor International Finance Department, Legal Department and Investor Relations Department.

The English language version of this Registration Document is a free translation from the original, which was prepared in French. All possible care has been taken to ensure that the translation is an accurate representation of the original. However in all matters of interpretation of information, views or opinion expressed therein the original language version of the document in French takes precedence over the translation.

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Seeing the world better

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