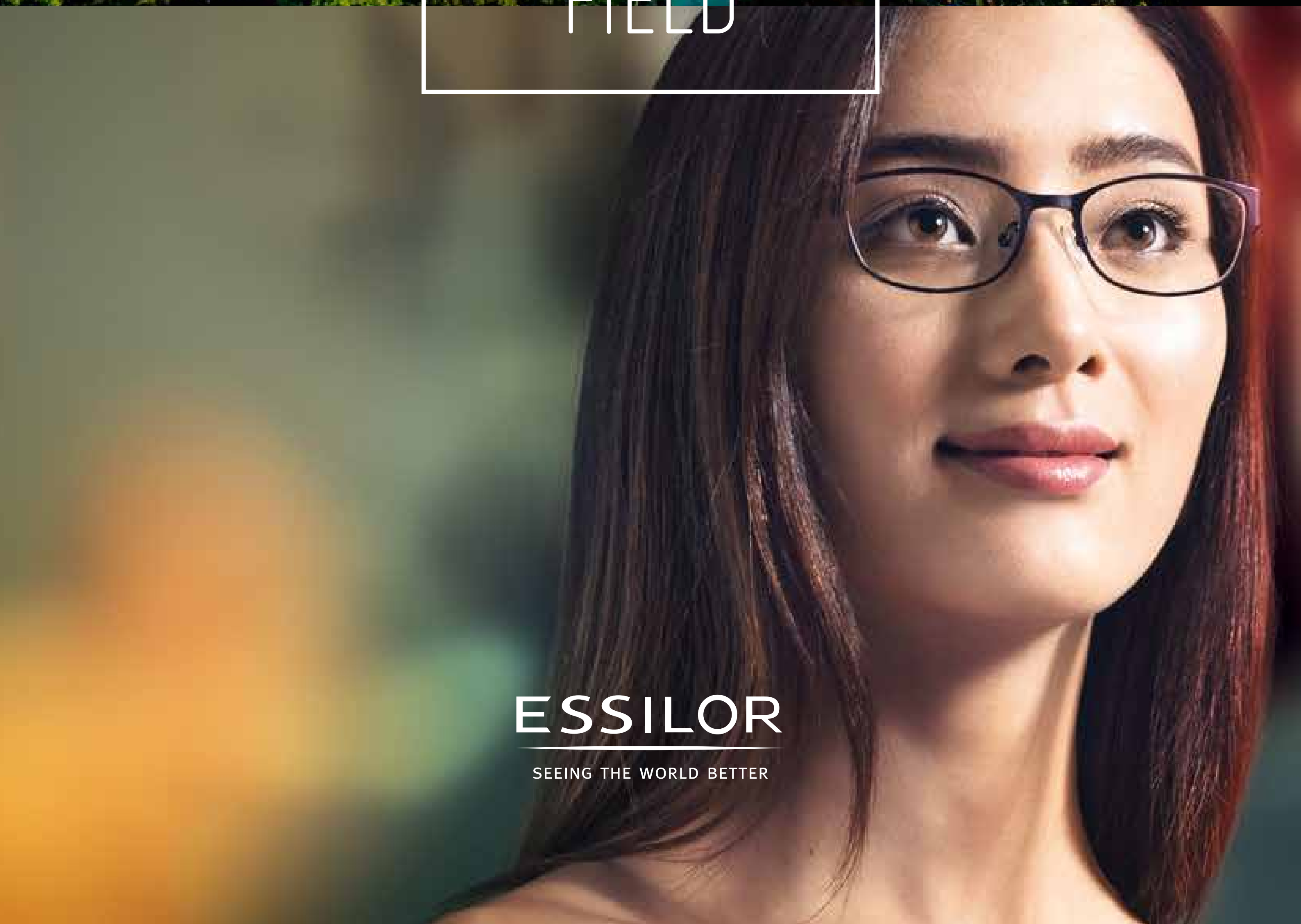
2014 REGISTRATION DOCUMENT

GROWING IN A **BIGGER** PLAYING FIELD



ESSILOR

SEEING THE WORLD BETTER

The information from the Annual Financial Report is clearly identified in the table of contents by the AFR symbol.

ESSILOR

SEEING THE WORLD BETTER

REGISTRATION DOCUMENT

& Annual Financial Report

2014

AUTORITÉ DES MARCHÉS FINANCIERS

AMF

The French version of this Registration Document was filed with the Autorité des Marchés Financiers (AMF) on March 12, 2015, under number D. 15-0131, 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.

The version filed on March 23, 2015 is an updated version of the Registration Document filed on March 12, 2015. The change on page 250 relates to maximum purchase price per share.

2014

KEY FIGURES

642
Adjusted [a] net profit in €m

5,670
Revenue in €m

33
plants worldwide

12
new partnerships around the world
(representing a combined full-year revenue of €525m)

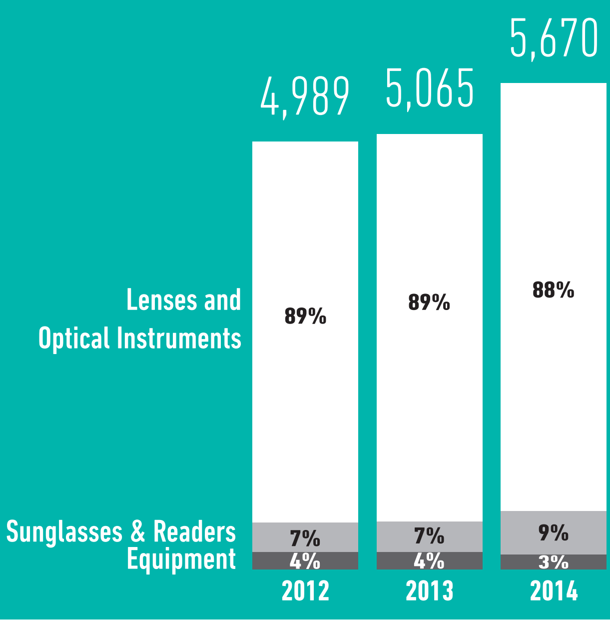
58,032
employees in **62 countries** across five continents

490
prescription laboratories, edging facilities and local distribution centers

(a) Adjusted for non-recurring items related mainly to the acquisition of Transitions Optical, Coastal.com and Costa in 2014, and of Xiamen Yarui Optical (Bolon) in 2013.

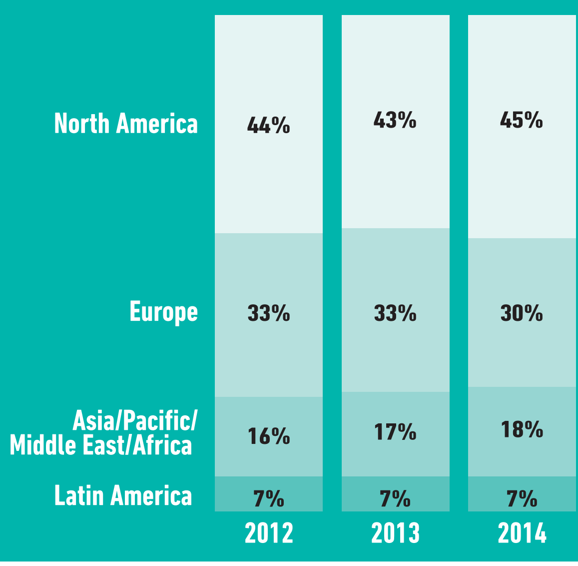
Revenue by operating segment

€ millions and as a % of total Group revenue



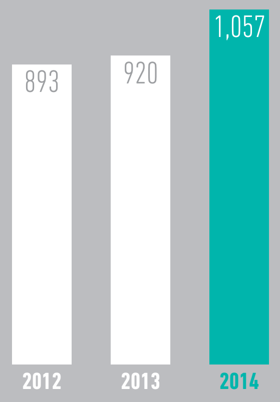
Revenue by region

As a % of total Group revenue



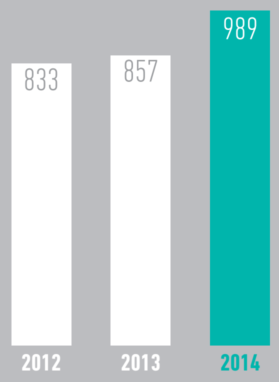
Adjusted (b) contribution from operations (a)

€ millions



Adjusted (b) operating profit

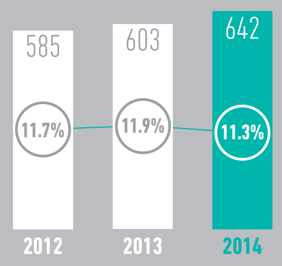
€ millions



Adjusted (b) net profit attributable to Group equity holders

€ millions and as a % of revenue

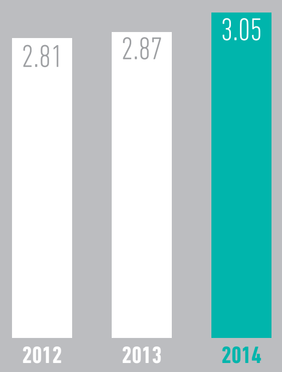
+6.5%



Adjusted (b) net earnings per share

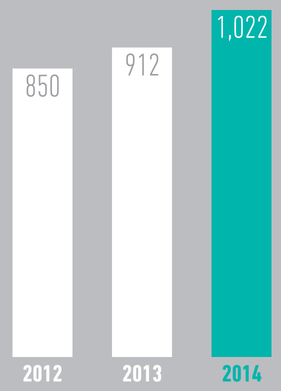
€

+6.3%



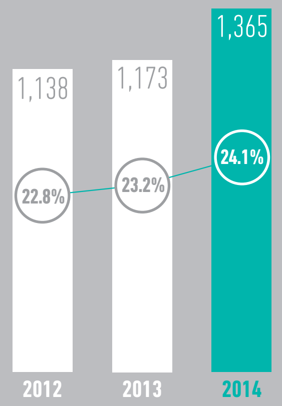
Operating cash flow (c)

€ millions



Adjusted (b) EBITDA (d)

€ millions and as % of revenue



(a) Contribution from operations corresponds to revenue less cost of sales and operating expenses (research and development costs, selling and distribution costs, other operating expenses).

(b) Adjusted for non-recurring items related mainly to the acquisition of Transitions Optical, Coastal.com and Costa in 2014, and of Xiamen Yarui Optical (Bolon) in 2013.

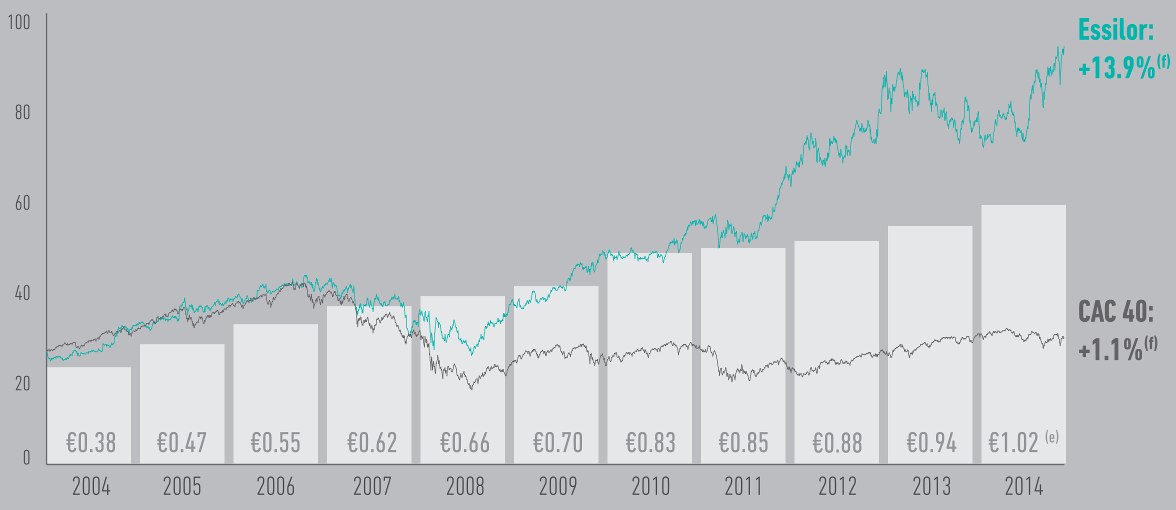
(c) Net cash from operations before change in working capital requirement.

(d) EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) is an indicator defined as the adjusted contribution from operations before impact of amortization and impairment of tangible and intangible assets and amortization relating to inventory revaluations generated by acquisitions.

Share price and Dividend

€

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



(e) Subject to the approval of the Shareholders' Meeting of May 5, 2015.

(f) CAGR (Compound annual growth rate).

1

ESSILOR AT A GLANCE

IN BRIEF

ESSILOR: THE WORLD'S LEADING OPHTHALMIC OPTICS COMPANY

Essilor designs, manufactures and markets a wide range of lenses **to improve and protect eyesight**. It also develops and markets equipment for prescription laboratories and instruments and services for eye care professionals. Essilor is the North American leader in non-prescription reading glasses 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 165 years**. To fulfill it, Essilor allocates more than €150 million to research and **innovation** every year, in a commitment to continuously bringing new, more effective products to market.

Essilor's mission is to improve lives by improving sight. Of the 7.2 billion* people living on the planet, **4.5 billion*** need visual correction, yet only 1.9 billion* actually receive it. More than 2.5 billion* people worldwide receive no correction at all. As a result, the Group strives to provide products tailored to the needs of every person.

> "Improve lives by improving sight"

Essilor reported consolidated revenue of **nearly €5.7 billion** in 2014. The Group markets its products in more than **100 countries** and employs **58,000 people**.

The Group has **33 plants**, **490 prescription laboratories**, edging facilities and local distribution centers and several research and development centers around the world.

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

THE GROUP'S FLAGSHIP BRANDS

** 2015 estimates. Source: Essilor, World Bank.*

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 at the time dominated the French ophthalmic optics market.

The first one can trace its origins to the *Association Fraternelle des Ouvriers Lunetiers*, an eyewear makers' cooperative founded 1849 in the Marais district of Paris that soon changed its name to *Société des Lunetiers* (SL) and then to ESSEL. In 1953, it registered a patent for the world's first-ever progressive lens, launched under the Varilux name 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 dates back to the 1930s and was founded by Georges Lissac. The industrial division of the Lissac group, SILOR, was formed in 1969 from the merger of frame-maker SIL (Société Industrielle de Lunetterie) and 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 an 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 that existed between the two founding entities. In 1979, the construction of a large plastic-lens manufacturing plant in the Philippines was a turning point in Essilor's transformation into 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 coatings 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, Essilor, which until the mid-1990s had earned most of its revenue in Europe, began to create 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 an expansion strategy that included the consolidation of distribution subsidiaries, particularly in Eastern Europe in the latter part 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 beneficial to 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 lens launched in 2012. In addition to correction, Essilor was also positioning itself in UV protection, even in clear lenses. E-SPF index was created in 2012 to guarantee a level of protection for consumers on both sides of the lens. Prevention, with lenses selectively protecting against harmful blue light, such as Crizal Prevencia lens, constituted a new development line for the Group. Essilor also set out to provide solutions that would cover the entire range of needs in all circumstances, developing new, more affordable products to offer visual correction to as many consumers as possible. In this respect, the Group is also pushing the limits of science thanks to new technologies that today allow visually impaired people to test eyeglass prototypes under augmented reality conditions.

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

At the same time, Essilor broadened its scope of activities in the optics world with the creations 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 led to the creation of the Sunglasses & 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 stepped up the development of its sunglasses offer with the acquisition of new companies specializing in mid-range products and high-tech sunglasses, such as Polycore, Xiamen Yarui Optical (owner of the Bolon and Molsion brands), Suntech Optics (which owns and distributes Ryders Eyewear) and Costa. Another key event in 2013 was the creation of a Corporate Social Responsability (CSR) 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. Its purpose was to help Essilor reach its goal of providing new solutions to 50 million new people worldwide each year, especially in terms of products and distribution.

In 2014, Essilor deepened its presence in the photochromic segment by completing the acquisition of the PPG group's 51% stake in Transitions Optical – its largest acquisition to date – and in the online business, with the acquisition of Coastal.com, a major e-tailer of optical products. Also in 2014, the Group significantly increased its investments in consumer marketing.

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, each corresponding to a phase in the transformation of the product ordered by the consumer: raw materials suppliers, lens manufacturers, prescription laboratories and edging centers, and retailers.

Raw materials suppliers	Chemical companies and glass manufacturers		
Lens manufacturers	Integrated manufacturers with laboratories	Non-integrated manufacturers – **Essilor**	
Lens finishers	**Essilor**	Independent laboratories	Optical chains with integrated laboratories
Retailers	Independent opticians – Non-integrated optical chains – Online distribution		Online distribution with integrated laboratories – **Essilor**
End customers	Consumers		

According to data available to the Group, the world market for ophthalmic optics represents approximately 1.2 billion lenses per year or approximately 600 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's 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 490 prescription laboratories, edging and local distribution centers around the world.

Essilor's Equipment business also 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. Then, they 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, for the most part, laboratories deliver round lenses to opticians, who then adjust them to fit the frame.

Essilor is a supplier for optical retailers and chains worldwide and develops online solutions for optical products (contact lenses, prescription eyeglasses and sunglasses).

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, hyperopia, astigmatism and presbyopia to enable people to regain perfect vision, and preserve and protect their eyesight.

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

- Varilux and its progressive lens ranges, including Varilux S series, a new range of lenses launched in 2012, and Varilux E series launched in 2014;
- Crizal and its range of anti-reflective, anti-smudge and anti-static lenses, including Crizal Prevencia, a new generation of lenses launched in 2013;
- Transitions and its photochromic lens ranges, including Transitions Signature, a new generation of lenses launched in 2013;
- Optifog for anti-fog lenses;
- Xperio for polarized lenses;
- Nikon and Kodak, brands used under licensing agreements with Nikon Corporation and Eastman Kodak.

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

The Group also develops solutions for the online sale of optical products (contact lenses, prescription eyewear and sunglasses) to serve a rapidly expanding global distribution channel.

In 2014, the Lenses and Optical Instruments business represented 88% of the Group's revenue.

1.3.1.2 Market and competitive position

According to the Group's estimates, 4.5 billion [1] people worldwide are in need of vision correction. Among them, 1.9 billion [1] or 26% of the global population, already have equipment to correct and protect their vision.

Ophthalmic optics represents a total of 1.2 billion lenses per year worlwide or approximately 600 million consumers per year, with an estimated manufacturing value of almost €11 billion. Its long-term growth, traditionally ranging from 3% to 4%, is primarily based on demand from fast-growing countries with an under-equipped population, on the aging global population, and on the increasing number of unmet visual needs.

In a highly fragmented sector comprised mainly of small local competitors, the Group estimates Essilor's significant position to be 39% in terms of volume. Essilor's main competitors are Hoya (Japan) and Carl Zeiss Vision (Germany).

(1) 2015 estimates. Source: Essilor.

In 2014, according to estimates produced by the Essilor group, the global optics industry grew by around 3%, with volumes driven primarily by fast-growing countries in Asia and Latin America.

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

- The gradual replacement of mineral lenses with organic lenses, particularly in the emerging countries;
- The growth in new organic materials that 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;
- Growing demand in the developing countries based on growth in their middle class.

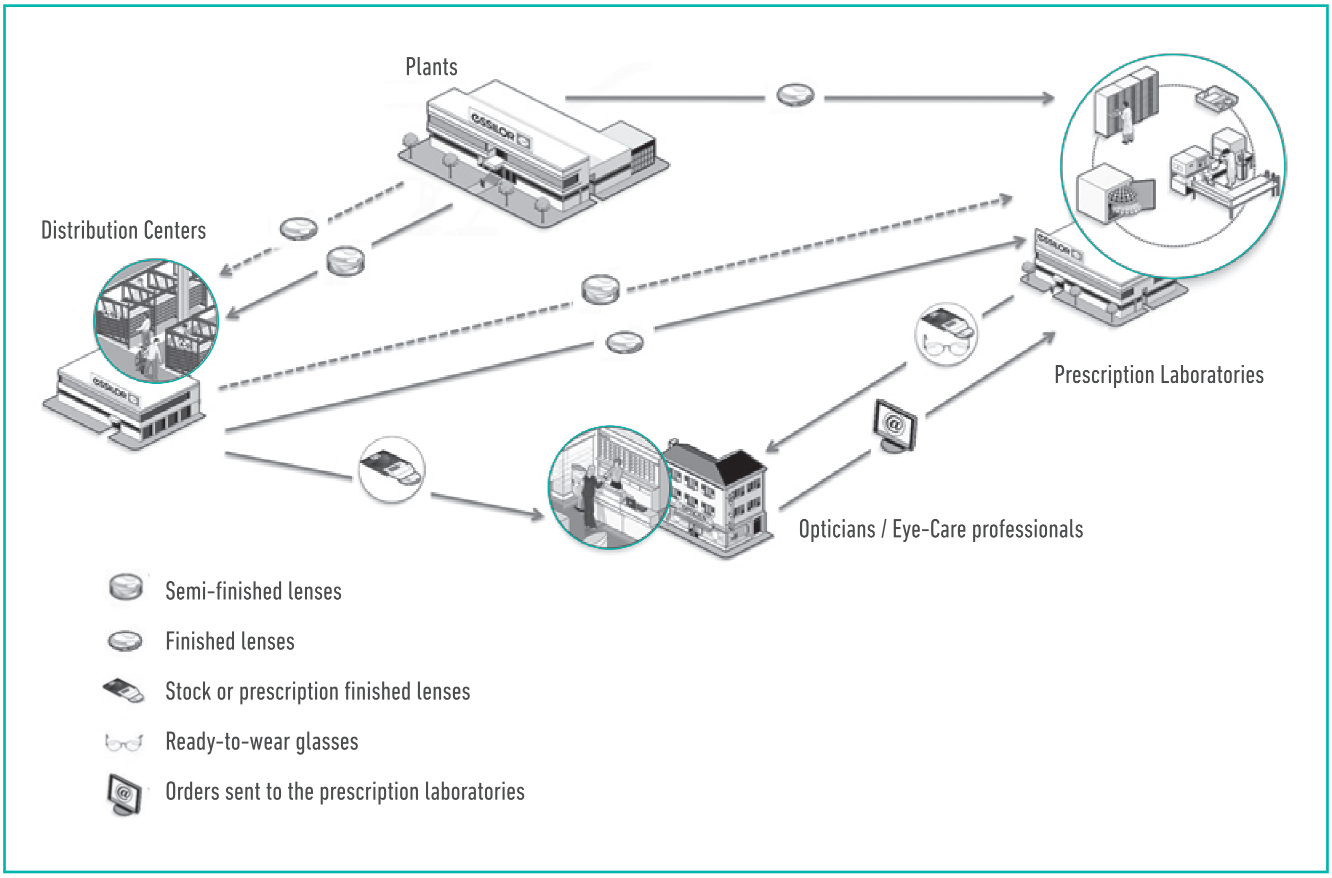
Essilor's customers are:

- Opticians / optometrists for ophthalmic lenses and edging-mounting instruments directly or indirectly through distributors;
- Prescription laboratories for lenses and edging-mounting instruments;
- End-users via the Group's websites that sell optical products.

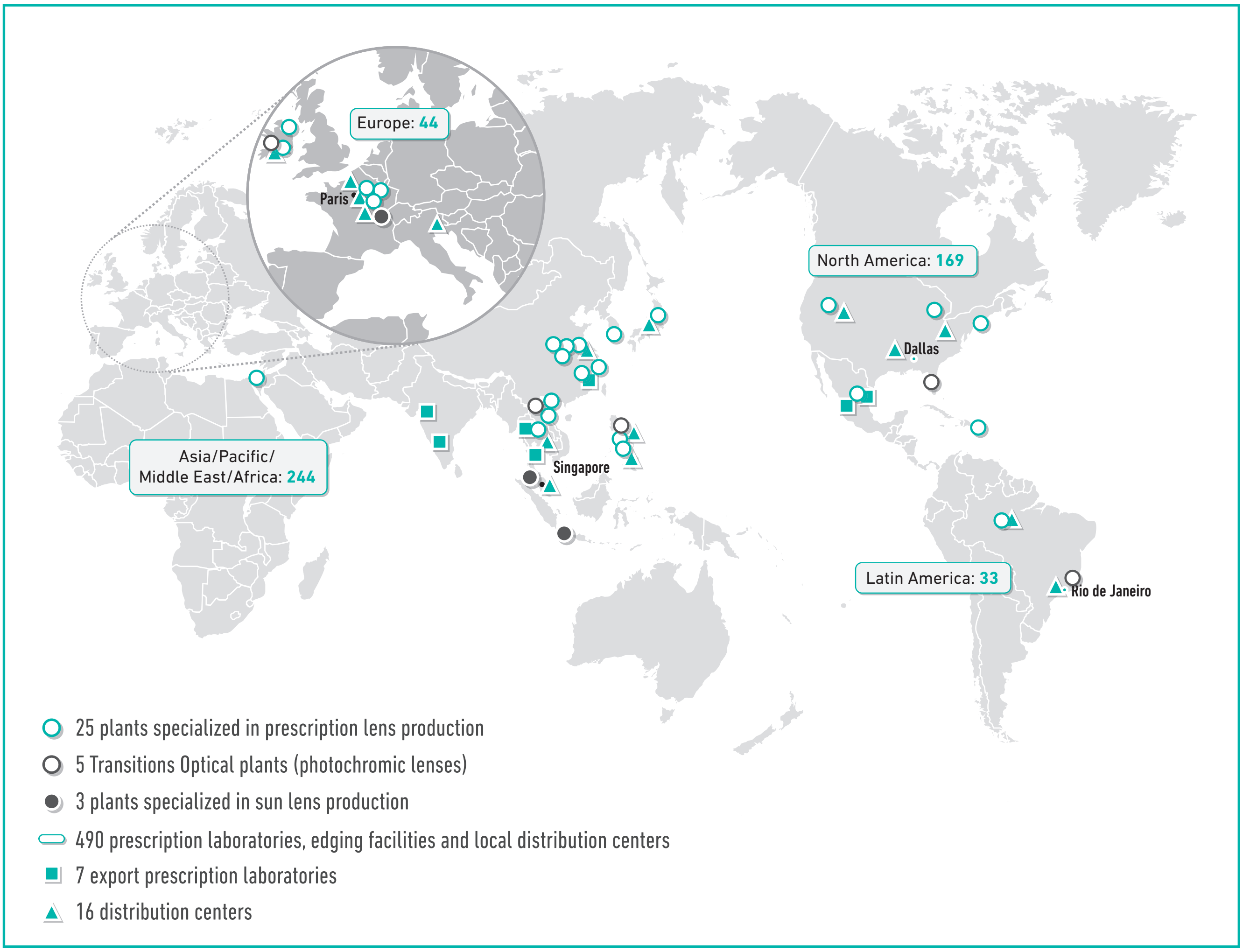
1.3.1.3 Organization and facilities

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) worldwide.



A unique global network



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 33 plants as of December 31, 2014.

Geographical distribution of the 33 plants owned by Essilor and its partners as of December 31, 2014

(Date of consolidation)

	North America: 6	Latin America: 2	Europe: 7	Asia/Middle East: 18
15 Essilor plants	**United States:** • Dudley, Massachusetts (1995) • Salt Lake City, Utah (2003) **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)* **Ireland:** • Ennis (1991)	**China:** • Shanghai (1997) **Laos:** • Savannaketh (2013) **Philippines:** • Marivelès (1980) • Laguna (1999) **Thailand:** • Bangkok (1990)
5 Transitions Optical plants	**United States:** • Pinellas Park, Florida (2014)	**Brazil:** • Sumaré, São Paulo (2014)	**Ireland:** • Tuam (2014)	**Philippines:** • Laguna (2014) **Thailand:** • Amphoe Phan Thong (2014)
13 plants operated in partnership or recently acquired by the Group	**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)* **Japan:** • Nikon-Essilor, Nasu (2000) **Malaysia:** • Polycore, Johor Baru (2013)* **Vietnam:** • Essilor Korea via its subsidiary Chemiglas, Dai An (2013)

* *Plants specialized in sun lens production.*

Prescription laboratories and edging centers

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

As of December 31, 2014, the Group's prescription laboratories, edging facilities and local distribution centers were located as follows:

North America	169
Europe	44
Asia/Pacific/Middle East/Africa	244
Latin America	33

Distribution centers

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

Products manufactured by Essilor and its subsidiaries are distributed 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 equipment and consumables used by prescription laboratories.

In 2014, the Equipment business represented 3% of the Group's revenue.

1.3.2.2 Market and competitive position

In value, the Group estimates that sales of equipment and consumables used by prescription laboratories at around €500 million.

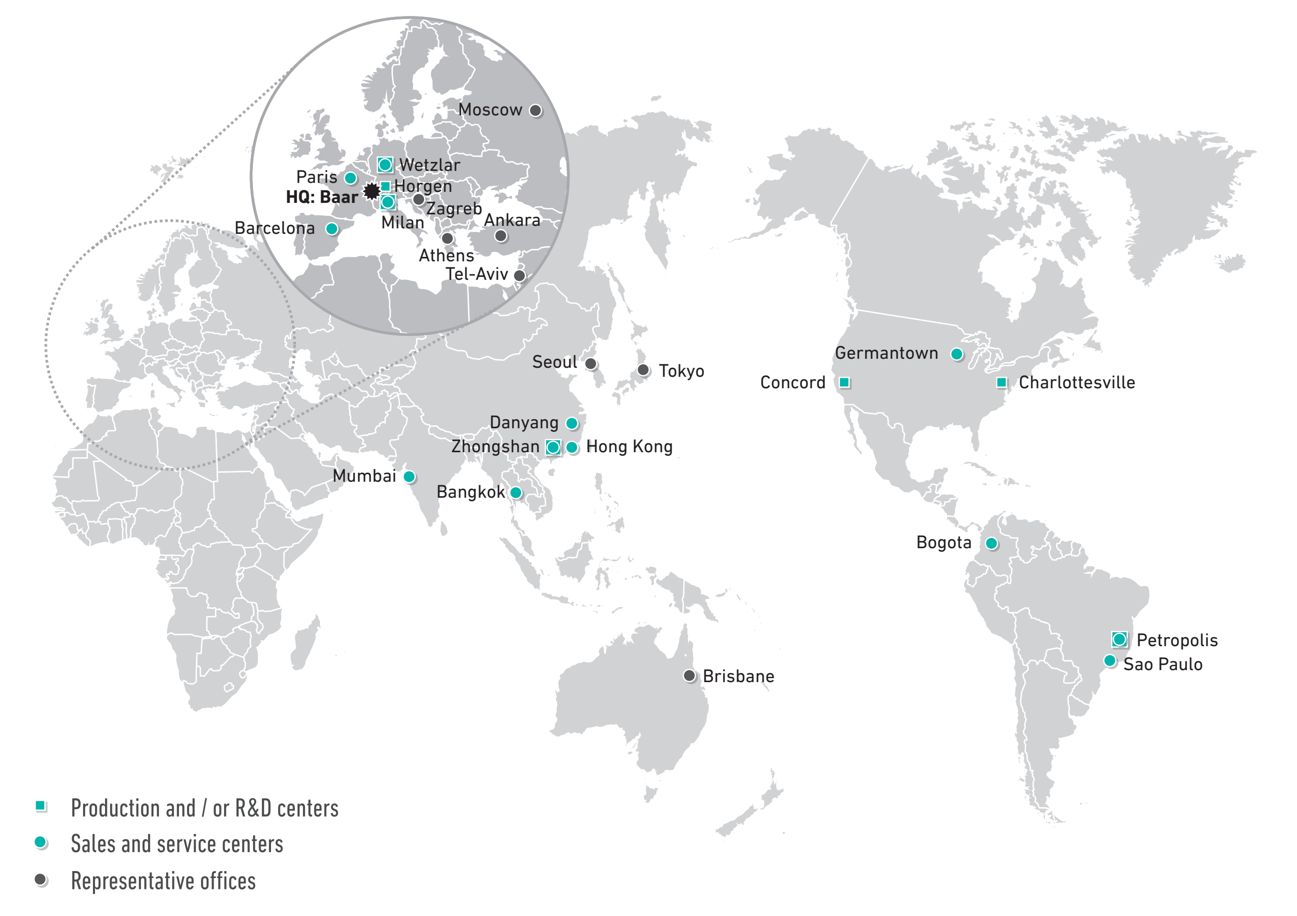
Satisloh is the world's leading supplier of surfacing machines and anti-reflective coating units. Its global position is substantial, particularly in digital surfacing machines, small machines that produce one hour anti-reflective lenses, and consumables.

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, 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 Sunglasses & Readers

1.3.3.1 Business overview

The Sunglasses & Readers business sells non-prescription reading glasses and non-prescription sunglasses.

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

In 2014, the Sunglasses & Readers business represented 9% of Group revenue.

1.3.3.2 Market and competitive position

The Group estimates the Readers segment at approximately 240 million pairs per year in volume and close to €1.2 billion per year in value.

The organized industry for non-prescription sunglasses represents approximately 615 million pairs per year in volume and €6 billion in value.

FGX International is the North American leader in non-prescription reading glasses. Internationally, the competitors of FGX International are small local players. Costa is one of the U.S. leaders in high-performance sunglasses while Xiamen Yarui Optical (owner of Bolon and Molsion) is the leading Chinese manufacturer of mid-range sunglasses.

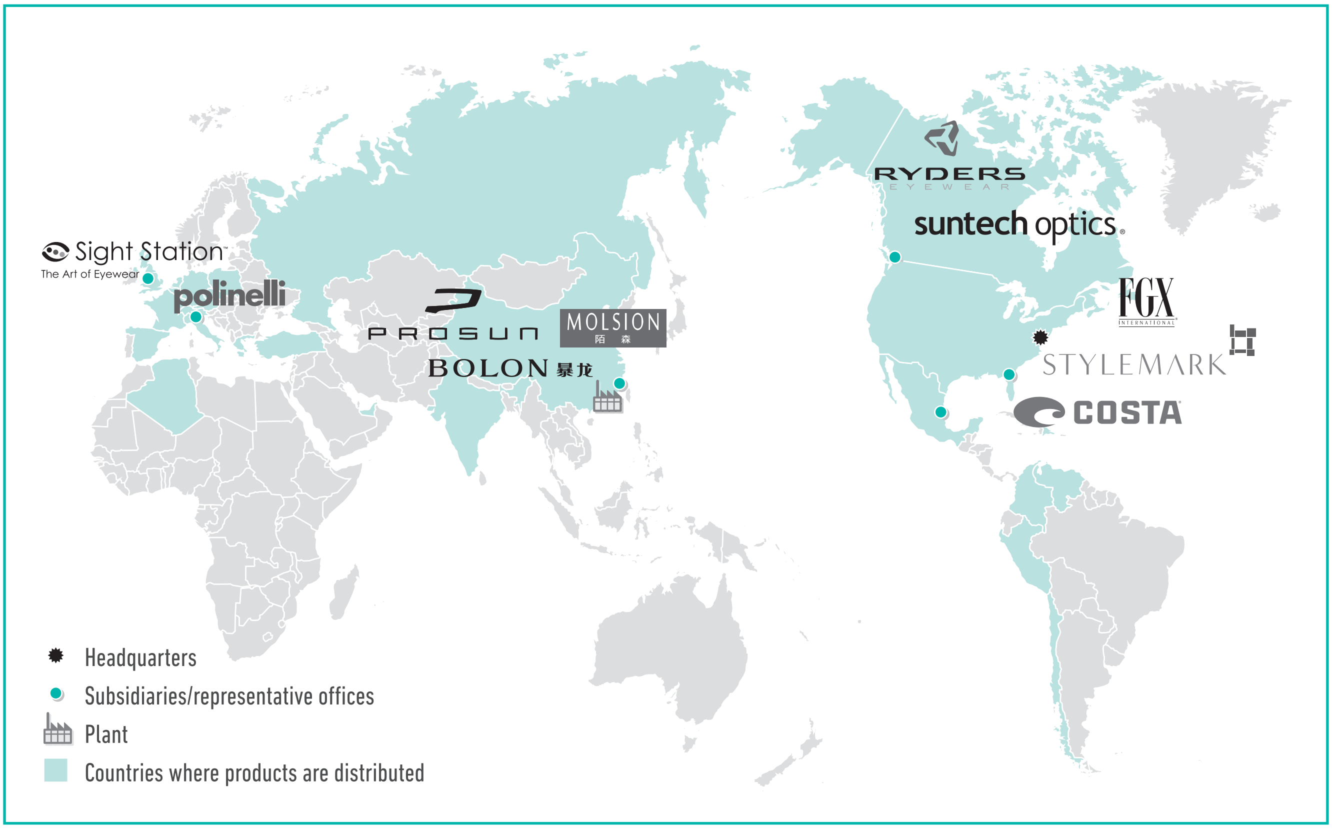
Products in the Sunglasses & Readers Division are sold to large retailers (*e.g.*, Wal-Mart and Target), pharmacies (*e.g.*, Walgreens and CVS) and specialized retail outlets (*e.g.*, Barnes and Noble), as well as to eye-care professionals and department stores.

1.3.3.3 Organization and facilities

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

The Sunglasses & Readers business has representative offices and subsidiaries in the United States, Canada, Mexico, the United Kingdom, Italy and China.

With the 2013 acquisition of 50% of Xiamen Yarui Optical, the Chinese leader in mid-range sunglasses and owner of the Bolon and Molsion brands, the Sunglasses & Readers Division now has a production plant in Xiamen in southeastern 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 key products and services launched in 2014");
- The development of offers tailored to all segments and all regions to meet the various needs of eye-care professionals and consumers (see Section 1.5.2.5 "More than 300 new products launched in 2014");
- 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 during the year");
- Stimulating demand through the development of vision information and screening campaigns, and initiatives to make visual correction accessible to as many people as possible.

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 Chapter 4).

1.5 PERFORMANCE OF THE GROUP IN 2014

In a mixed economic environment, Essilor successfully deployed a strategy of broadening its playing field, with the sustained support of its original model of innovation and partnerships. In 2014, this process increased the Company's presence in corrective lenses to 39% of global volume, and in the percentage of revenue coming from North America, to 45%, and from fast-growing countries, to 22%. Essilor deepened its presence in the Photochromic segment by completing the acquisition of the remaining 51% of Transitions Optical – its largest acquisition to date – and in the online business with the acquisition of Coastal.com, a major e-tailer of optical products. Essilor also developed a sunglass offer combining the Company's premium sunlens production expertise and FGX International's distribution capabilities. The sunwear business was also strengthened by the acquisition of the mid-range Bolon and Molsion brands in China at the end of 2013, and of the Costa brand in the US performance sunglass segment at the beginning of 2014.

The 2014 results were also shaped by the following factors:

- The sustained success of the Company's innovations, including the Crizal, Varilux S series, Transitions Signature and Xperio lenses;
- The improvement in like-for-like revenue growth, to 3.7%. This was driven by the Lenses and Optical Instruments division and gained steady momentum quarter after quarter to hit 5.0% in the final quarter of the year;
- A historically high adjusted [(1)] contribution from operations [(2)], at 18.6% of revenue, illustrating Essilor's ability to use its operating leverage and the synergies from the acquired companies to finance its additional marketing expenditure;
- The increase in consumer marketing spend, which rose to around €150 million on a full-year basis, including the Photochromic, Sunwear and Online businesses;
- The completion of twelve new acquisitions representing total full-year revenue of €525 million;
- The growth in business with large accounts and the increase in the number of integrated supply-chain contracts in every region around the world.

Change in revenue from 2013 to 2014

	Actual change	Change on a like-for-like basis	Change in the scope of consolidation	Currency effect
€ millions	605	187	491	-73
As a %	+12.0%	+3.7%	+9.7%	-1.4%

In 2014, consolidated revenue totaled €5,670 million, an increase of 13.4% over the previous year.

Like-for-like sales growth was 3.7% for the year, reflecting an improvement in activity between the first half (up 3.0%) and the second (up 4.4%).

The positive 9.7% impact of changes in scope of consolidation was attributable to the contribution of bolt-on acquisitions [(3)] (4.9%) and strategic acquisitions (4.8%) in the form of Transitions Optical and Coastal.com.

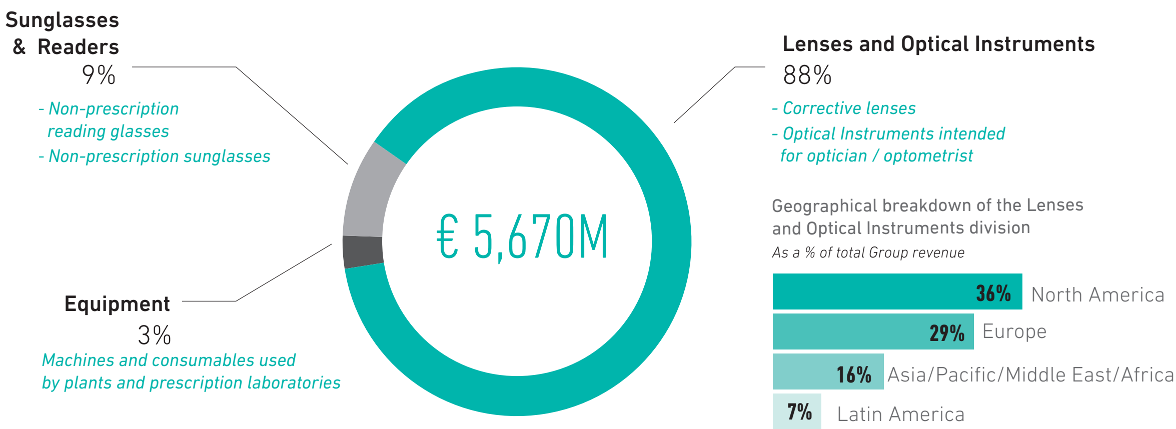
An overall adverse 1.4% currency effect, reflecting the sharp increase in the euro against the main billing currencies in the first half was partially offset by the upturn in the dollar against the euro late in the year.

(1) Adjusted for non-recurring items related mainly to the acquisition of Transitions Optical, Coastal.com and Costa in 2014, and of Xiamen Yarui Optical (Bolon) in 2013.
(2) Contribution from operations corresponds to revenue less cost of sales and operating expenses (research and development costs, selling and distribution costs, other operating expenses).
(3) Local acquisitions or partnerships.

1.5.1 Highlights by business and region

Consolidated revenue € millions	2014	2013	Actual change	Like-for-like	Change in scope of consolidation	Currency effect
Lenses and Optical Instruments	**4,970**	**4,505**	**+10.3%**	**+4.3%**	**+7.6%**	**-1.6%**
North America	2,038	1,770	+15.1%	+5.0%	+10.9%	-0.8%
Europe	1,653	1,572	+5.2%	+0.1%	+5.1%	+0.1%
Asia/Pacific/Middle East/Africa	898	812	+10.6%	+8.2%	+5.7%	-3.4%
Latin America	381	351	+8.6%	+10.8%	+6.7%	-8.9%
Equipment	**197**	**205**	**-3.7%**	**-1.8%**	**-1.5%**	**-0.4%**
Sunglasses & Readers	**503**	**355**	**+41.7%**	**-1.0%**	**+42.9%**	**-0.2%**
TOTAL	**5,670**	**5,065**	**+12.0%**	**+3.7%**	**+9.7%**	**-1.4%**

Breakdown of Essilor 2014 revenue by operating segment and by region



Revenue generated by fast-growing countries [1] amounted to €1,261 million, or 22.2% of the Group's revenue.

(1) Fast-growing countries: Africa, ASEAN, China, Hong Kong, India, Latin America, Middle East, Russia, South Korea and Taiwan.

1.5.1.1 Lenses and Optical Instruments

The Lenses and Optical Instruments division delivered a 4.3% like-for-like gain for the year, sharply outpacing the 1.8% growth reported in 2013. This renewed vitality was led by the success of Essilor solutions with optical chains and independent eye-care professionals alike, firm markets in the fast-growing economies and the deployment of major consumer advertising campaigns.

North America

Revenue rose 5% like-for-like in North America on the back of strong new product sales and successful consumer marketing campaigns.

Positions were strengthened in the **United States.** The quickening pace of advertising campaign roll-outs spurred faster sales of the leading Essilor brands in four main product categories: anti-reflective lenses (Crizal UV and Crizal Prevencia), progressive lenses (Varilux, particularly Varilux S series), photochromic lenses (Transitions) and polarized lenses (Xperio). The contact lens distribution business also enjoyed robust growth, driven in part by online sales. On the distribution side, business with Managed Care organizations rose after the supply contract with the nation's number two provider was broadened, with full deployment scheduled for completion in first-half 2015. The contract is also having a recurring positive knock-on effect on business with independent optometrists, as the eye-care professionals affiliated with this managed care network can also use their access to Essilor products and laboratories for purchases not covered by insurance. Business with the optical chains was more mixed, although there were further gains with a number of large accounts. The online business (FramesDirect, EyeBuyDirect and Coastal.com) continued to enjoy fast growth.

Growth in **Canada** is being supported by several factors, including the effective consumer advertising campaigns for the Varilux, Crizal, Transitions and Xperio brands, the impact of the "perfect pair" offer, which is driving the emergence of the prescription sunglasses category at independent opticians, and the Company's widening presence in the mass retailing channel. Expansion in the mid-tier is gathering pace with the introduction of Kodak lenses and the good momentum of the recent partnership with Riverside Optical.

Europe

Revenue rose by just 0.1% like-for-like in Europe, held back by a contract loss in the second half of 2013. Excluding this factor, which primarily impacted the **German-speaking** and **Benelux regions,** business was lifted by the sustained growth in certain markets and the success of new product launches, led by the Crizal Prevencia lens.

In a generally improving economy, operations in Southern Europe enjoyed a clear upturn in performance. In particular, revenue in **Spain** benefited from a new contract with a leading national optical chain and the success of its advertising campaigns. In the **United Kingdom**, business was supported by the smooth execution of the integrated supply chain contract with a very large optical chain and firm demand from independent eye-care professionals. Led by operations in **Poland** and the **Czech Republic,** revenue from the Eastern European countries continued on a solid upward trend overall. Growth also remained robust in Russia, thanks to an effective multi-network distribution strategy.

The situation gradually turned around in **France** after a rough start to the year. The success of high value-added products like Crizal Prevencia and Varilux S series lenses, boosted by an assertive consumer advertising campaign and the close fit among the various distribution networks, helped to attenuate the adverse impact of a shifting regulatory environment.

Asia/Pacific/Middle East/Africa

Revenue from the Asia/Pacific/Middle East/Africa region rose by 8.2% like-for-like, led by a solid performance in the fast-growing countries of the region.

Operations in **India** had an excellent year, with a more than 20% like-for-like surge in revenue, from both domestic and export sales. Business benefited from Crizal's powerful brand identity, the sharp growth in sales of Varilux lenses and other progressive lens, Kodak's lens growing success in the mid-tier and the continued shift from glass to plastic lenses. Together, these factors are enabling Essilor to maintain its forward momentum.

Operations in **China** continued to deliver double-digit like-for-like growth in domestic sales. The E-SPF UV protection index is being positively impacted by the consumer advertising campaigns and its introduction in the mid-tier by a large number of partners. Kodak lenses performed well following their market launch, while demand for photochromic lenses rose during the year. Lastly, a good business relationship has been initiated with the country's leading optical chain. These solid results improved Essilor's positions in the domestic market, thereby helping to offset a decline in export sales.

Business in **Southeast Asia** is gathering speed, while operations in South Korea are suffering from a country-specific slowdown in demand due to the lengthening of the glasses renewal rate.

In the **Africa/Middle East region,** business is trending upwards, with particularly strong growth in South Africa.

In the region's mature markets, business was stable in **Japan** despite the market decline spurred by changes in the economic and tax environments. The Group's performance in **Australia** and **New Zealand** was positive thanks to the success of the Crizal UV lens, whose sales were boosted by consumer advertising campaigns.

Latin America

Revenue growth accelerated in Latin America, to 10.8% like-for-like, despite the sharp economic slowdown in the region, where Essilor is reaping the benefits of its strategy to innovate and develop its distribution networks.

Sales in **Brazil** were led by the successful launch of Varilux S series lenses, the sharp increase in demand for Crizal lenses (supported by a nationwide media campaign), and double-digit volume growth for Transitions photochromic lenses. In the mid-tier, the year was shaped by the gradual introduction of Kodak-brand lenses across the country, with volumes increasing significantly in Brazil's southern states where the launch was underpinned by a consumer advertising campaign.

Essilor generated further robust growth in **Colombia** by continuing to leverage its partnership with prescription laboratory Servioptica, thereby ensuring a sustained improvement in sales of Varilux, Crizal and Transitions lenses. In addition, Essilor strengthened its presence in this fast-growing market by initiating the launch of Nikon-branded lenses. Business was also very brisk in **Chile**. In **Mexico,** growth was held back by an unfavorable economic and political environment. Lastly, countries served by third-party distributors delivered a solid performance overall.

Instruments

The Instruments Division continued to expand during the year, with revenue rising 4.1% like-for-like thanks to the lens finishing and optometry businesses. New share was gained in the edging segment, supported by a solid improvement in the product mix and growth in edging system sales volumes. Business in Europe was buoyed by the successful launch of the second-generation premium edger, Mr. Blue 2.0, which features custom lens engraving. In the fast-growing countries, sales were driven by the opening of new optical stores and the steady improvement in product mix. This was particularly the case in China, where the mid-range NeKsia edger featuring improved lens centering and blocking is gaining share from Triplets tool, the entry-level model. Sales enjoyed solid growth in Italy, Spain and Japan, as well as in Turkey where a majority stake was acquired in Esel Optik, Essilor's long-standing distribution partner for instruments.

Optometry sales rose sharply on the launch of a new line of mid-tier instruments offering the possibility of performing dilated fundus examinations. Sales of in-store measuring devices slowed during the year.

1.5.1.2 Equipment

Equipment Division revenue declined by 1.8% like-for-like for the year, but recovered strongly in the fourth quarter, which saw a like-for-like increase of 7.2%. Throughout 2014, the division's reported growth continued to be impacted by the recognition of sales to acquired group companies as intra-group revenue. In spite of this, Latin America reported a sharp revenue increase, thanks to the success of surfacing microlines for small laboratories and coating machines for industrial applications. Revenue was also up in Asia. Revenue remained stable in North America, despite a high basis of comparison reflecting the effect of an equipment contract with a major optical chain in 2013. These trends were nonetheless insufficient to offset the decline in demand for digital surfacing machines in Europe and North America. The solid fourth-quarter performance was attributable to the resounding success of the green alternative to the traditional alloy ophthalmic blocking process, for which there is no rival product on the market to date. This unique offering, as well as a pipeline of new products and services, is helping to rebuild the order backlog, which should drive a further revenue improvement over the coming quarters.

1.5.1.3 Sunglasses & Readers

In 2014, the Sunglasses & Readers Division stepped up its strategy of expanding in the global marketplace and moving its product offering upmarket. New companies positioned in very fast-growing sunglasses segments were integrated over the year, including Costa, a major player in the **US** performance sunglasses market, and Xiamen Yarui Optical, whose expansion is being driven by the growing success of the Bolon and Molsion brands in China. Both of these companies delivered strong growth in line with the business plans.

Given that Xiamen Yarui Optical and Costa have been consolidated since, respectively, November 1, 2013 and February 1, 2014, the 1% like-for-like decline in division revenue was solely attributable to the operating difficulties encountered by FGX in North America. At a time of rising consumer sales, business was dampened by extensive inventory drawdowns by leading customers, especially in the second half, the postponement of certain eyewear line refreshes, and the loss of space at a large account. Outside North America, FGX enjoyed robust business, with double-digit gains in Latin America and strong growth in Europe.

1.5.1.4 Exceptional factors

No exceptional factors influenced the Group's main businesses or markets in 2014.

1.5.2 Innovation and key products and services launched in 2014

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

Ever since its beginnings, which saw the invention of organic lenses and progressive lenses, innovation has been a key area of strategic focus for Essilor and also a competitive advantage.

Every year, the Group devotes a significant percentage of revenue to R&D: €188 million in 2014, before research tax credits.

Essilor's R&D teams are organized into three specific areas of expertise, allowing it to offer innovative technical solutions, products, processes and services to meet individual vision correction needs around the world. These areas are Optics, Physics & Chemistry, which studies materials and thin film, and Breakthrough Technologies. The teams rely on regional networks built up with the world's leading experts in these fields and on a solid base of international patents that are constantly being developed.

Each year brings innovations in terms of materials, coatings and designs (especially for progressive lenses), and the Group uses technologies from other industries to continually improve the characteristics of its products.

The Group's R&D work and partnership projects focus on five key areas: vision health and protection, myopia, customization and segmentation, the challenge of the effects of aging on vision, and brightness management (photochromic properties, glare, etc.).

1.5.2.2 A global structure based on three Innovation and Technology Centers

To strengthen its capacity for innovation, in 2011 Essilor brought together the skills and resources of R&D, Engineering and Technical Support teams at three Innovation and Technology Centers, one in Europe (Créteil, France), one in North America (Dallas, USA) and one in Asia (Singapore). The purpose of these centers is to optimize quality and performance and the time it takes to develop and launch products on the global market in order to respond to customer needs and the specifics of each market and to be able to identify and forge the best research partnerships.

In 2014, the Group strengthened its teams at its Innovation and Technology Center in Singapore, particularly for "wearers tests" (products testing by eyeglass wearers in real-life situations). The year was also marked by the integration of the R&D teams from Transitions Optical and the establishment of the first technological synergies. This will lead to the launch of new products in 2015, particularly in the area of polarized lenses. Finally, the Group created a research center in Danyang, China that will open in early 2015. The new center will assess products manufactured by the Group's Chinese partners, compare them with those of local competitors, and strengthen their performance.

1.5.2.3 R&D partnerships focusing on innovation

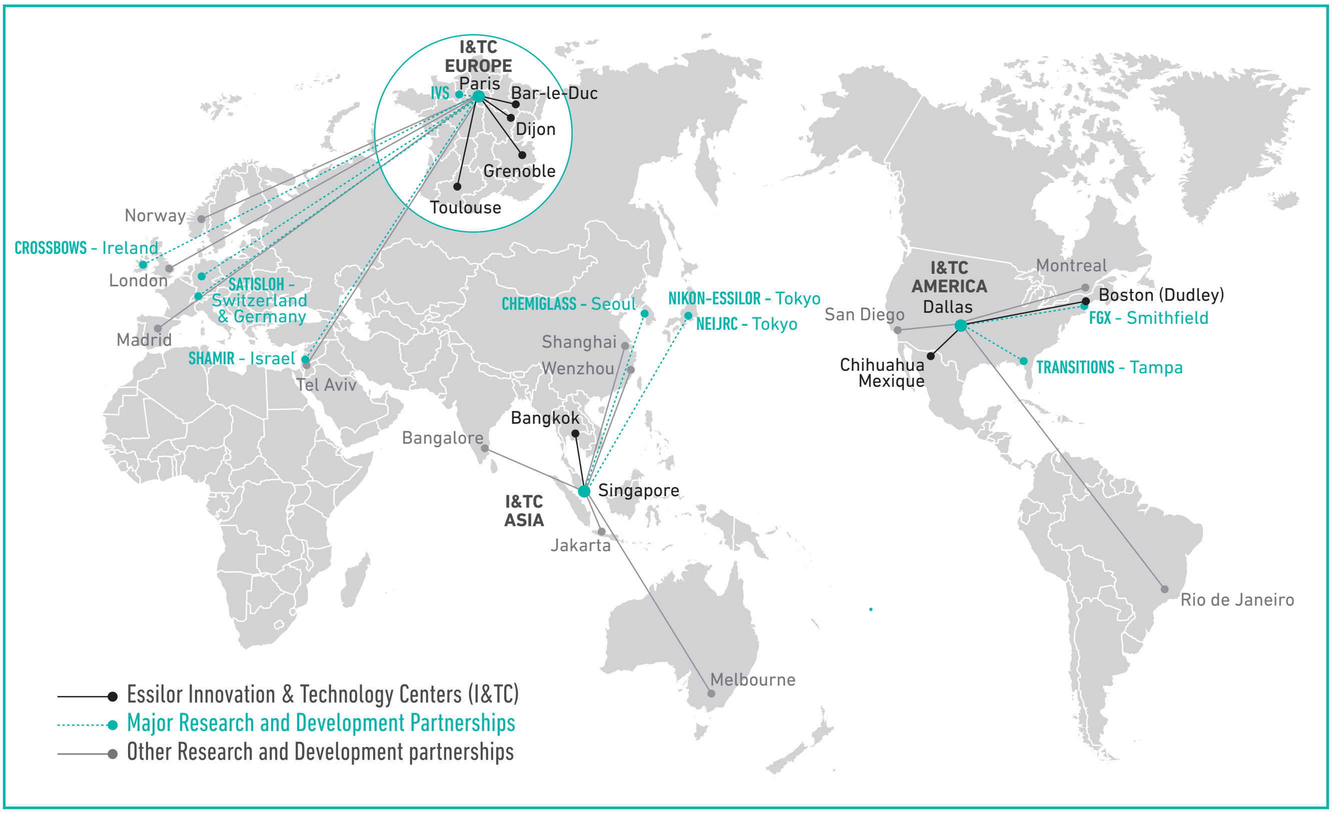
In developing its products, Essilor networks with many universities, public and private research centers, and R&D teams in other industrial sectors (major groups or innovative SMEs).

At the end of 2013, the Group signed a new four-year partnership with the Vision Institute in France, one of the leading European centers dedicated to scientific and medical research into eye diseases, and Pierre and Marie Curie University in Paris, which specializes in science and medicine. This partnership led to the creation of a joint R&D laboratory dedicated to non-pathological vision aging and its consequences on loss of independence. In 2014, the laboratory was granted financial support from France's National Research Agency (ANR), becoming a French academic industrial chair. Renamed SilverSight, the chair will study the consequences of visual aging on perception and an individual's cognitive functions, and will develop solutions to allow the elderly to remain independent.

During the year, the Group was also awarded a prize by the city of Wenzhou in China for its contribution to local economic development and research on myopia in China, in conjunction with its research laboratory run jointly with the University of Wenzhou. The laboratory was created in 2013 to study myopia in children, identify the sources and causes of this sight impairment as well as the factors that can influence its development, and seek solutions – primarily based on ophthalmic lenses – to slow down its progression.

The year was also characterized by the establishment of a partnership with the *Laboratoire d'Analyse et d'Architecture des Systèmes* (LAAS), a research unit of the French National Center for Scientific Research (CNRS), to conduct a research project on the theme of "Vision, glare sensitivity, and the elderly."

A global R&D organization supported by scientific, industrial and academic partners



1.5.2.4 Patents

At the end of 2014, the Essilor group, including its wholly owned companies (BNL, Gentex Optics, Satisloh, Signet Armorlite, Rupp & Hubrach, FGX, Intercast, Optifacts and Transitions) and their subsidiaries, held 1,500 patent families representing a total of over 7,200 patents 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.

In 2014, Essilor filed 140 new patent applications.

It is also Group policy to prevent patent infringements. As such, all Group employees have access to guides and forms. Many employees also attend IP awareness-raising sessions conducted by the Intellectual Property Department to create, protect and defend the Group's intellectual property around the world.

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

The Group is not dependent on any contracts, patents or licenses or on one or more customers that currently have a material impact on its operations and 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 300 new products launched in 2014

In 2014, the Group launched more than 300 new products. This high number reflects the increasing customization of lenses and the Group's willingness to fulfill specific local requests.

In Europe, it launched the Varilux E series lens in the **Varilux** progressive lens range. This new lens uses Swim Control technology, which is derived from the Nanoptix technology that is already key to the Varilux S series lens, and which reduces swim effects while improving image clarity. The Varilux E series lens is particularly targeted at newly presbyopes since it makes it easier to adapt to progressive lenses.

In the **Crizal** range of anti-reflective lenses, the year was marked by the synchronized launch of Crizal Prevencia lens across all continents at the end of 2013. Crizal Prevencia lens is the first-ever preventive lens to protect against UVs, which are implicated in the onset of cataracts. It also filters out harmful blue light, which is one of the risk factors in age-related macular degeneration (AMD), while letting through beneficial blue light. In 2014, Crizal Prevencia lens was named Product of the Year in Canada in the Optics category. It also received the Fiber of Innovation award from OpticsValley, a French technology cluster that coordinates collaboration between businesses and research laboratories in the field of optics, photonics and electronics.

In the **Transitions** range of photochromic lenses, the Group rolled out Transitions Signature in 2014 in North America and Asia/

Pacific/Middle East/Africa. This photochromic lens was first launched in Europe in 2013 and is based on the new Chromea7 technology, which increases its reactivity to light intensity as well as to indirect light. As a result, it can reach darker tints and return to its clear state very quickly. The lens won the Best Visual Health Award at the Vision X show in Dubai in November 2014. Also in 2014, the Group launched a new tint for its Transitions photochromic lenses called “Graphite Green.” Exclusive to Essilor, the tint is inspired by the colored lenses worn by US army pilots in the 1950s and offers higher-quality vision and color and contrast perception, regardless of the level of ambient brightness.

In 2014, the Group also launched a new version of its **Myopilux** preventive lens range in Asia/Pacific and Canada aimed at reducing the progression of myopia in children. The range now comprises three separate products: Myopilux Plus, a progressive lens specifically for children, Myopilux Max, a bifocal lens containing a prismatic addition in its lower portion, and Myopilux Lite. This new range also includes an additional refractive index (1.56) often used in Asia and other features such as Transitions technology.

In the **mid-range,** in 2014, the Group developed, with its Chinese partners, a new single-vision lens called **Gemcoat**. Adapted to the needs of myopic people, this lens combines a new coating and new material that allow the lens to be thin yet still offer more transparency, more scratch resistance and better UV protection than standard lenses on the market.

Also during the year, the Group extended its visual UV protection index, the E-SPF, to mid-range lenses to meet the needs of fast-growing markets in the Asia/Pacific region. Two new protection levels, 15 and 10, were created in 2014 based on the success of the Crizal lens’s E-SPF 25 index. They are available at all of the Group’s Chinese partners (Seeworld, Tianhong, Wanxin and Yoli).

For its part, the BBGR network launched a new progressive lens, Sirus Plus, which offers wider and more stable vision in the mid-distance zone (between 50cm and 1m from the wearer). It also provides visual comfort and accuracy at any distance. This lens won the Silmo d’Or Award in the Vision category at the Paris International Optics and Eyewear Exhibition in September 2014.

Lastly, the Group launched its Kodak lenses in Brazil. It is the country’s new leading mid-range consumer brand.

In the **polarized sunglasses** segment, Xperio Colors lens was rolled out in Europe in 2014. Launched in Australia at the end of 2013, it is the first-ever polarized gradual color lens. Following a licensing agreement signed in 2013 with Safilo, the Group also launched a polarized corrective lens under the Polaroid brand in four countries: France, Italy, Spain and the United States.

In the **readers** segment, FGX International launched Foster Grant MultiFocus, a range of eyeglasses offering three different optical strengths in one lens for reading (lower portion of the lens), computer work (central portion of the lens) or interacting with others (upper portion of the lens).

New products have also been developed by Satisloh in the **equipment** segment, including a new eco-friendly blocking machine called ART (Alloy Replacement Technology). The machine uses only recyclable organic materials to block lenses during surfacing, instead of heavy metals and rare-earth elements. This lowers its environmental footprint and also improves safety at lens production plants. The machine received the 2014 Ecodesign Award from the German Federal Environment Ministry.

In 2014, the Group continued to develop new **instruments, tools and sales-support services** for opticians. The Instruments division launched M’Eye Sign, a customized lens engraving process integrated into its new Mr. Blue 2.0 premium edger. IVS has developed Deep Lights, a wireless device that allows opticians to demonstrate more easily to customers the characteristics of ophthalmic lenses, especially in terms of transparency, UV cutoff and the blocking of specific light wavelengths, including harmful blue-violet light. The device won the Silmo d’Or Award in the Material / Equipment category at the Paris International Optics and Eyewear Exhibition in September 2014. Also in 2014, the Group launched Eye Print, a sales agreement that allows opticians to assist customers in the purchase of customized lenses, from the time they enter the store to the time they leave, using a set of wireless, synchronized devices.

The Group also significantly stepped up its **consumer-targeted communication** and **marketing** initiatives in 2014 in a number of countries to support the launch of new products and boost brand development.

Lastly, in 2014 the Marketing, R&D and Engineering Departments actively prepared for **new products that will be launched in 2015**. These included the Varilux Comfort and Varilux Physio new generation progressive lenses, and Eyezen, a new lens category that offers visual comfort and protection against harmful blue-violet lights for users of connected devices such as computers, tablets, smartphones, etc.

1.5.3 Operating highlights

1.5.3.1 Production and capital expenditure

The Essilor group and its partners operate 33 plants around the world: six in North America, two in Latin America, seven in Europe and eighteen in Asia/Middle East. This figure includes the five Transitions Optical plants that were consolidated during the year. However, it no longer includes Essilor's plant in Carbondale in the United States, where production ceased in October 2014 (see summary table in Section 1.3.1.3 "Organization and facilities").

In 2014, Essilor's plants and those of its partners produced around 465 million prescription lenses (including Transitions Optical sales to third parties) and some 30 million non-prescription sunglasses. These figures take into account the full-year production of Polycore plants, a company specializing in the production of sun lenses that is consolidated since July 2013.

In terms of material, compared to 2013, the production of lenses with a 1.56 index continued to rise, particularly in response to demand in the Asian markets.

The Group recorded significant productivity gains during the year and continued to lower its production costs and improve the operating performance of its plants under the Lean Manufacturing program initiated in 2013.

In terms of capital expenditure, the Group's main actions in 2014 focused on:

- The start-up of a new production line at the Manaus plant in Brazil for the manufacture of polycarbonate lenses in 2015;
- The continuation of plans to automate end-of-production-line processes (lens inspection, packaging and shipping) at the Dudley plant in the United States.

Also in 2014, the Group officially opened its plant in Laos, which is specialized in the production of polycarbonate finished lenses, while the new production line launched in 2013 at the Dijon plant in France gained momentum. That line is dedicated to the manufacture of high-index single-vision lenses for which the Group obtained the *Origine France Garantie* label.

Lastly, in 2015 the Group will focus on setting up production synergies between Essilor and Transitions Optical plants, starting with those in Brazil.

1.5.3.2 Global Engineering and prescription laboratories

Essilor has a network of 490 prescription laboratories, edging facilities and local distribution centers around the world, including seven export laboratories (two in Mexico, two in Thailand, two in India and one in China) that make lenses primarily for the European and North American markets. All of these laboratories produce custom lenses based on orders from eye-care professionals (opticians, optometrists, and so on) and corresponding to the end-consumer's prescription. The prescription laboratories and edging centers take the semi-finished lenses manufactured at the various plants and complete the surfacing, polishing, multi-layer coating and edging-mounting processes.

In 2014, the Group's prescription laboratories (excluding acquisitions and partnerships completed in 2014) produced and treated some 115 million lenses.

During the fiscal year, the Group established new partnerships with a number of laboratories around the world, in particular in North America and in fast-growing countries (see Section 1.5.4.1 "Acquisition and partnerships during the year"). At the same time, it continued to optimize its network and streamline existing facilities.

For the prescription laboratories, 2014 was characterized by the roll-out of E-SPF visual UV protection index, in the Asia/Pacific region and Latin America. E-SPF is now available across most of the Group's network, including BBGR, Essilor, Kodak, Nikon and Novacel. In addition, two new protection levels, 15 and 10, were created and rolled out in response to requests from Chinese partners. A license agreement for the use of E-SPF 25 was also signed with a Japanese lens manufacturer. Lastly, the Group deployed E-SPF 50 on all sun lenses manufactured by two of its partners, BNL Eurolens in Europe and Polycore in Asia.

In 2014, Group entities continued the DEO (Digital-Surfacing External Offer) roll-out to independent laboratories. DEO is a partnership offer in digital surfacing. It includes the installation of technologies, the supply of semi-finished lenses, training in process control, and technical support so that lenses developed by the Group can be produced locally using digital surfacing. It also incorporates a patented Digital Surfacing Process Control system to guarantee the quality and performance of the lenses produced. In 2014, the Group strengthened its offer by connecting all of its digital computers (Crossbows Optical, Essilor, Kodak, Nikon, and Shamir) on a single platform. This accelerated the roll-out of its product range across all markets. By the end of the year, almost 140 independent and partner laboratories were equipped with DEO around the world, up from approximately 120 laboratories at the end of 2013.

As part of the roll-out of E-SPF and DEO, the Group set up six certification centers in 2014, located in Brazil, China, France, Japan, Thailand and the United States. These centers offer independent and partner laboratories solutions for controlling and guaranteeing the quality of manufactured products using technologies or skills developed and patented by the Group.

The Group's global engineering also participated in the launch and installation of Satisloh's new eco-friendly blocking offer, ART or Alloy Replacement Technology, in prescription laboratories (see Section 1.5.2.5 "More than 300 new products launched in 2014").

Lastly, as part of its goal to reduce its water and energy consumption, the Group implemented a tool during the year to share best environmental and technological practices among prescription laboratories.

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 professional 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). In total, Essilor's logistics segment manages more than 3,000 different flows worldwide.

The year was marked by the continued deployment of integrated logistics services for optimal management of flows of lenses and frames. These collaborative offers were deployed primarily to Spain's first domestic optical chain, optical chains in France, and independent optometrists in the United States. To be able to offer these solutions, the Group has set up an inter-continental logistics system that integrates stock lenses, prescription lenses and frames.

In 2014, Logistics teams were also heavily involved in the launch and roll-out of new products such as the Varilux E series in Europe, Transitions Graphite Green, whose launch was synchronized across all continents, and Transitions Signature in North America and Asia/Pacific/Middle East/Africa. These new products, along with those manufactured by recently acquired companies, took the number of managed stock-keeping units to 1 million in 2014.

Despite this growth, inventories dropped in terms of coverage and value in 2014, in line with targets set by Logistics in 2013 in its three-year action plan.

During the year the logistics business also stepped up efforts to streamline transport, replacing air freight with sea freight for some of its flows. This allowed the Group to reduce its CO_2 emissions and lower costs.

The Group also continued its efforts to streamline costs related to obsolescent former product generations and to its strategy to internalize a proportion of previously outsourced lens purchases.

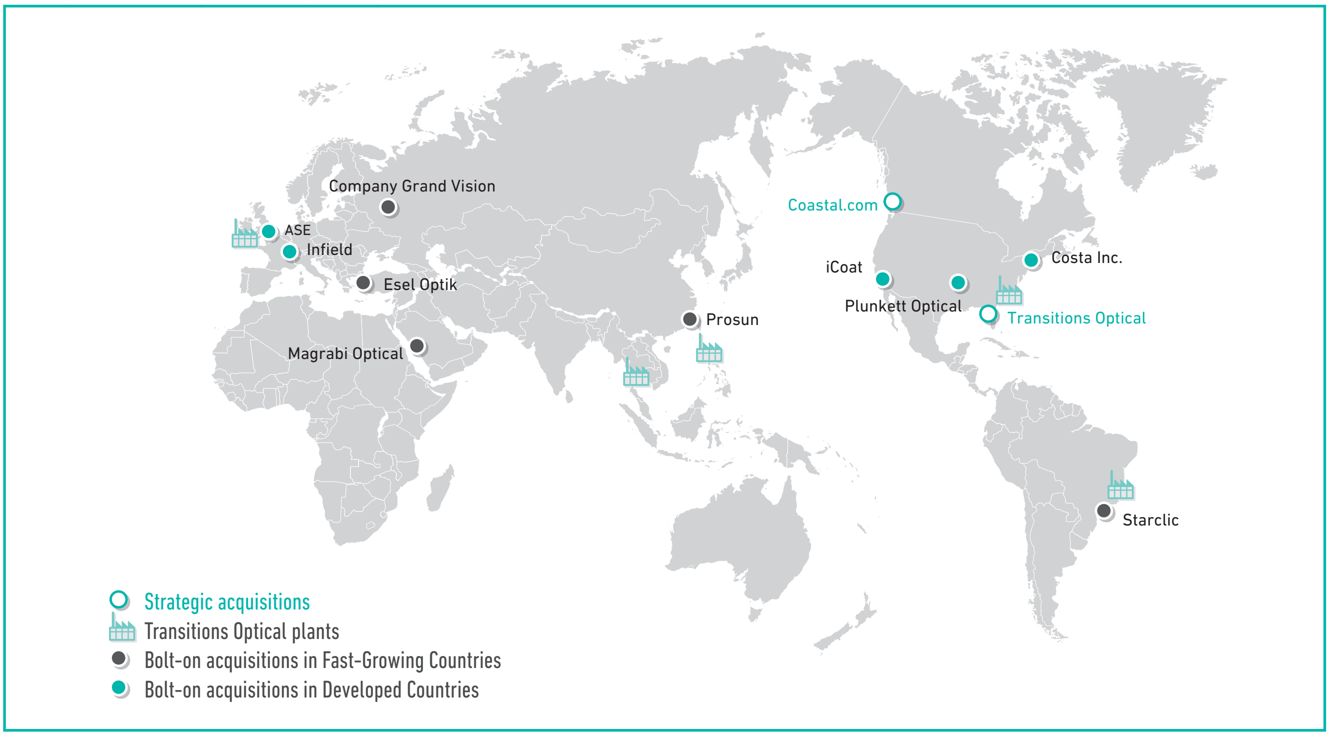
Lastly, the Group is committed to implementing logistical synergies with recently acquired companies, especially Coastal.com.

1.5.4 Other aspects of business in 2014

1.5.4.1 Acquisitions and partnerships during the year

In 2014, Essilor pursued its acquisitions and partnerships strategy, acquiring or increasing its stakes in 12 companies, representing around €525 million in annual revenue.

12 acquisitions and partnerships completed in 2014



Strategic acquisitions

Transitions Optical Inc.

On April 1, 2014, Essilor owns 100% of Transitions Optical, the world's leading provider of photochromic lenses to optical manufacturers, and of all the outstanding shares of Intercast, a manufacturer of premium sun lenses. Based in Florida (USA), Transitions Optical was founded in 1990 by Essilor and PPG, that owned respectively 49% and 51%. Transitions Optical reported sales of $844 million in 2013, of which around $279 million with lens manufacturers other than Essilor. Transitions Optical and Intercast are fully consolidated in the Lenses and Optical Instruments division.

Coastal.com

Since April 28, 2014, Essilor has owned all the outstanding common stock of Coastal.com, one of the world's leading online vision care retailers. Based in Vancouver, British Columbia (Canada), Coastal.com designs and distributes one of the widest online selections of optical equipment, including contact lenses, prescription and non-prescription eyeglasses, sunglasses and various accessories. It reported revenue of CAD 218 million in 2013. Coastal.com is fully consolidated in the Lenses and Optical Instruments division.

Bolt-on acquisitions [1]

Lenses and Optical Instruments

- North America

Essilor has broadened and deepened its local roots in the United States by acquiring a majority stake in two prescription laboratories:

  - **Plunkett Optical,** an Arkansas-based prescription laboratory with annual revenue of US$3.3 million;
  - **iCoat,** an independent California-based prescription laboratory specialized in the development and licensed sale of thin-film deposit and coating technologies for premium optical equipment. iCoat generates around US$26 million in annual revenue.

- Europe
  - In the United Kingdom, Essilor acquired a majority stake in **ASE Corporate Eyeware**, a provider of optical services to businesses, representing some €4 million in annual revenue;
  - In Russia, Essilor acquired a majority stake in **Company Grand Vision,** a major distributor of ophthalmic lenses and contact lenses that generates annual revenue of around €29 million;
  - In France, a majority interest was acquired in **Infield Safety,** a prescription safety eyewear wholesaler with around €2.5 million in annual revenue that will be consolidated in 2015.
- Asia/Pacific/Middle East/Africa
  - 50%-owned Essilor Saudi Arabia has completed the acquisition of **Magrabi Optical Ltd,** a prescription laboratory based in Jeddah (Saudi Arabia) with annual revenue of some €8 million;
  - Essilor has acquired a majority interest in **Esel Optik,** Essilor Instruments' long-standing distribution partner in Turkey with annual revenue of some €1.7 million.
- Latin America
  - In Brazil, the Company has acquired a majority interest in **Starclic,** a prescription laboratory based in São Paulo with annual revenue of around €0.7 million.

Sunglasses & Readers

- Since February 1, Essilor has owned all outstanding shares of **Costa Inc.,** a U.S. leader in high-performance sunglasses. 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 high-performance sunglass brand in the United States. The Company generated revenue of nearly US$100 million in 2013. Costa Inc.
- In China, Xiamen Yarui Optical (Bolon), a 50%-held subsidiary over which Essilor exercises control, became a majority shareholder in the Company that owns the **Prosun** brand. Prosun, which generated revenue of about €7 million in 2013, designs, manufactures and sells sunglasses in China's fast-growing mid-range segment. The second best-known local sunglasses brand in China after Bolon, Prosun mainly specializes in sunglasses for men and children. This company will be consolidated in the financial statements in 2015.

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 consolidated balance sheet, which is presented in Section 3.3.2.

1.5.4.2 Launch of the Vision For Life program

Essilor has announced the creation of the Vision For Life program, a pioneering step in the Company's mission to improve lives by improving sight. The Group has committed €30 million to this initiative, which is supported by two endowment funds, making it the largest global strategic giving program dedicated to the fight against Uncorrected Refractive Error (URE). It aims to accelerate innovative initiatives targeting poor vision through awareness-raising, capacity-building and the creation of basic vision care infrastructure.

(1) Local acquisitions or partnerships.

1.5.5 Investments made in 2014 and planned for 2015

1.5.5.1 Investments made

€ millions	2014	2013
Property, plant & equipment and intangible assets (gross of disposals)	232	297
Depreciation	431	253
Financial investments net of cash acquired	1,840	333
Purchase of treasury shares	36	169

1.5.5.2 Capital expenditure

Capital expenditure net of the proceeds from asset sales was down at €227 million (or 4% of revenue) from €285 million the previous year. This includes capital expenditure to support the Group's growth as well as the completion of construction of a number of buildings including the Singapore regional headquarters and the distribution center in Rhode Island, United States, for the Sunglasses & Readers Division.

Investments were distributed between Lenses and Optical Instruments (€189 million, of which €44 million for Europe, €63 million for North America and €82 million for the rest of the world), Sunglasses & Readers (€34 million) and Equipment (€4 million).

1.5.5.3 Financial investments

Financial investments net of cash acquired amounted to €1,840 million in 2014, versus €333 million in 2013. These investments were mainly related to the acquisitions of Transitions Optical, Costa and Coastal.com.

The Group also spent €36 million (net of disposal proceeds) on share buybacks in 2014, compared with €169 million in 2013.

See Section 3.1.3.

1.5.5.4 Principal outstanding investments

Capital expenditure committed but not completed amounted to €81 million at December 31, 2014, corresponding mainly pending industrial equipment orders. This amount can be broken down as follows: €16 million for Europe, €33 million for North America and €32 million for the rest of the world.

1.5.5.5 Principal future investments

In 2015, the Group will continue its capital expenditure in production and prescription.

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

1.6 RISK FACTORS

Because of what it does and where it is based, the Essilor International group is exposed to various types of risk (operational, industrial, commercial or financial). Essilor international has put in place an internal control system for improved risk anticipation and management (see the Chairman's Report on internal control in Section 2.2.3).

The main risk factors to which the Group believes that it is exposed and considers to be actually or potentially significant as of the date of this Registration Document are described below. At that date, there may be other risks of which the Group is not aware or considers as non-significant and that may adversely impact it.

1.6.1 Operational risks

Operational risks are managed by the operating units concerned. It is their mission to anticipate, to the extent possible, and actively monitor changes in such risks in order to reduce their potentially negative impact and, if necessary, escalate them to the Executive Committee.

The risks described below may be inherent to 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 related to changing economic conditions

The Group's sales are closely linked to fluctuations in average per capita purchasing power, the economic conditions in its main markets, and the high volatility of currency exchange rates. Given the persistent economic uncertainty in some of the Group's major 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 strengthen our organization, one of which covers the "AMERA" *(Asia/Pacific, Middle East, Russia, Africa)* region and the other Latin America. Essilor's growth in these regions is especially strong and is sustained by demographic fundamentals, increasing purchasing power and the introduction by the Group of an adapted mid-range product offering in those markets. As a result, fast-growing markets are an ever-increasing part of the Group's revenue and rose from 18% of revenue in 2012 to 22% of revenue in 2014. This increase should continue over the next few years, and the Group forecasts that its revenues in these countries will be €1.5 billion in 2015 and €2.8 billion in 2018.

Another component of Essilor's strategy focuses 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. This worked particularly well in 2014 in the United States, where Essilor has reaped the benefit of the rebound in growth in its leading global market.

Risks related to substitutions of raw materials, chemicals, 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, chemicals, and consumables. A change in the raw materials, chemicals, or consumables used in our lens manufacturing processes can theoretically mean a temporary or permanent inability to produce certain types of products or treatments.

In order to anticipate any impact, define priorities, and review current action plans, a Critical Raw Materials, Chemicals, and Consumables Committee ("MPCC") meets on a monthly basis and is chaired by a member of Essilor Executive Committee.

This inter-departmental committee includes, in particular, the R&D, Purchasing, 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 related to the growing importance of retail chains

Retail chains that sell ophthalmic optical equipment to end consumers are playing an increasing role in some of the Group's essential markets. Given the ability of these chains to attract a growing number of existing or potential consumers into their stores, the Group could lose market shares if it ignores this distribution channel.

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, which allows it to offer and implement solutions adapted to these chains' particular needs. In a competitive environment that encourages 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 ways it can differentiate itself from its competitors over the long term.

In addition, the Global Department of Strategic Key Account Partnerships (which is overseen by an Executive Committee member) develops an overall strategic vision for the key multinational accounts and provides support to local teams. This organizational structure enables local teams to deliver the most appropriate responses to customer demands and strategies while allowing distributors to develop the market in a way that best satisfies consumer needs. This approach also allows better management of the complexity that some global commercial agreements involve.

Risks related to logistics chain management

The Group's quality of service relies on a sophisticated logistics chain that aims to control, over very short time cycles, complex flows (mass production plants, laboratories, transporters, distribution centers) and an extremely large number of possible product combinations (over 1 million 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 (such as natural disasters and geopolitical events that can translate into blocked transportation capacity in a given country) or internal factors (such as 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 a large network of production plants around the world and at setting up distribution centers on every continent. Furthermore, with 490 laboratories across all continents, the Group has the capacity to reorient its flows quickly should a crisis occur. Lastly, the Group's Logistics Department and 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 related to the security of IT systems

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

The Group's IT Systems Department and its local units contribute, through various strategies, to reducing the possibility that this risk will occur. These strategies include, in particular, publishing an IT Systems security policy, distributing security regulations regarding (among other topics) compliance with local regulations such as the gathering and protection of personal 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 related 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 12) 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 that these objectives will be achieved, Essilor capitalizes on its extensive experience in 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' agreement with each acquired company. Lastly, Essilor's ten Partnership Principles provide a framework for the relationships that it wishes to maintain with each of its partners.

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

1.6.2 Market risks

The Group's policy consists of limiting the impact of market risks on its earnings and cash flows. Risks are managed by the Group Treasury Division, which reports to the Corporate Finance Department.

The Financial Risk Committee is tasked with defining and approving the financial risk management policy, identifying and assessing risks, and approving and monitoring of hedging. The committee meets as often as necessary and at least once a quarter. It is made up of members of the Group's Finance and Internal Audit Departments.

Liquidity risk

The Group aims to maintain continuous liquidity in order to ensure its independence and growth. Key to this is substantial and steady cash flow. It also operates a financing policy that guarantees available funding capacity at all times at low cost. This policy is based on the diversification of funding sources, the use of medium- and long-term financing and committed credit facilities.

Most of the long-term financing and credit facilities are issued by the parent company, which then refinances its subsidiaries. Some companies may, however, arrange their own local financing when local regulations hamper intra-Group arrangements.

Liquidity risk is disclosed in Section 3.4 – Note 27 of the consolidated financial statements.

Currency risk

Due to its international presence, the Group is naturally exposed to currency fluctuations. This impacts its operations, its financing, and the conversion into euros of the accounts of foreign subsidiaries denominated in other currencies.

Currency hedging is for the most part managed by Essilor International.

The Group seeks to limit currency risk first with natural hedges, then by hedging residual transactional exposure through currency forwards or options. Foreign exchange 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.

Note 27 to the consolidated financial statements, Section 3.4, describes the Group's sensitivity to currency risk and related hedges.

Interest rate risk

The purpose of the interest rate management policy is to minimize the cost of financing while limiting the volatility of financial expenses linked to interest rate variations. The major part of financing is therefore kept at fixed rates, either in the initial agreement or via hedging.

The vast majority of the Group's financing is centralized on the parent company; interest rate risks are therefore also centralized at the parent company level. The interest rate risk on financial liabilities is structurally limited.

Interest rate risk is disclosed in Section 3.4 – Note 27 of the consolidated financial statements.

Counterparty risk

The Group is exposed to financial counterparty risk in its short-term investments, hedges and lines of credit. Default by a counterparty may result in an impairment (non-repayment of an asset) or loss of liquidity (inability to draw down a credit facility.

To limit this risk, the Group only deals with top-tier banks with the best credit ratings, while maintaining prudent diversification.

Note 27 to the consolidated financial statements, Section 3.4 discloses the credit quality of the Group's counterparties.

Risk on shares and other financial instruments

Information on this risk can be found in Note 24 to the consolidated financial statements (Section 3.4).

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

Alleged anti-competitive practices

Germany

In late 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 findings and the amount of the fine that they deem to be disproportionate. As a result, two appeals were lodged against the BKA's decisions of 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.

In 2014, the case was transferred to the Prosecutor's Office at the Court of Appeal. In the absence of any new development, the provisions created in the consolidated financial statements at December 31, 2010 were maintained at December 31, 2014.

France

In July 2014, the French Competition Authority's Inspection Department made unannounced visits to a few Group subsidiaries in France and other actors in the ophthalmic lens market related to the online sale of ophthalmic lenses. The Group appealed the court order which authorized the visits.

Group actions

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 were filed in 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 jointly to monopolize the market for the development, manufacture, and sale of photochromic lenses between 1999 and March 2010. A settlement was agreed in 2014, closing these class actions, and leaving only the action by VisionEase with respect to TOI pending.

Intellectual property

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

In 2014, Nikon-Essilor filed a motion to the Tokyo Court and the Japanese patent office to seek invalidation of the patent. The matter is currently under investigation.

Tax disputes

Due to its presence in numerous countries, the Group is subject to various national tax regulations. Any failure to observe these regulations may result in tax adjustments and the payment of fines and penalties.

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

Provisions for risks and claims are described in Notes 22 and 29 to the consolidated financial statements.

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 (and Note 28 to the consolidated financial statements).

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 lenses, have not led to any specific outcomes in their industrial activities that would expose the Company to any new specific risks. However, the Company believes that these new activities could create new risks and has therefore set up a precautionary map to identify resulting probable risks and opportunities.

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 targeted 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.

It is mostly, but not only, the Global Environment, Health and Safety (Global EHS) Department that is in charge of this. This department reports directly to a member of the Executive Committee (Global Engineering Director) and organizes its global network from Singapore, the center of gravity of the Asia/Pacific region. The Company can thus allow these new entities to benefit from its experience and expertise in these fields so as to extend its 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 is presented in Chapter 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 that comply with local insurance requirements are taken out by subsidiaries to add to the cover provided by the worldwide programs.

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 coverage 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 2014 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 2014 and at €1.5 million for transportation risks.

The total cost of the Group policies was €4.94 million in 2014. This was 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 unique mode of governance reflects **a strong, atypical business culture** whose goal is to unite all of its employees around a single ambition: improving Group performance. Since employees share in Group profits in the same way as shareholders, value distribution is a cornerstone of Essilor International's governance. This association with the fruits of its business activity goes hand in hand with a contribution from within the Company's Board of Directors. The Valoptec Association, which represents the **employee-shareholder base**, is Essilor's largest shareholder. This encourages dialog and ensures employee participation in the Group's major decisions.

A presence on the Board of a large proportion of Independent Directors, three Valoptec representatives and a Director representing the employees, guarantees a balance of power with regards to General Management.

Under the authority of General Management, the Executive Committee oversees the Group's activities and implements its policies.

On July 8, 2014, Essilor International won the Corporate Governance Prize in the 2014 **Grand Prix de l'Assemblée Générale.**

BOARD OF DIRECTORS MEMBERSHIP

Hubert SAGNIÈRES,
Chairman & Chief Executive Officer

Philippe ALFROID,
Non-Independent Director

Benoît BAZIN,
Independent Director [a]

Antoine BERNARD DE SAINT-AFFRIQUE,
Independent Director [a]

Maureen CAVANAGH,
Director representing employee shareholders

Yves CHEVILLOTTE,
Independent Director

Xavier FONTANET,
Non-Independent Director

Louise FRÉCHETTE,
Independent Director [a]

Franck HENRIONNET,
Director representing employees

Yi HE, Director representing employee shareholders

Bernard HOURS,
Independent Director [a]

Maurice MARCHAND-TONEL,
Independent Director

Aïcha MOKDAHI,
Director representing employee shareholders

Olivier PÉCOUX,
Non-Independent Director [a]

Michel ROSE,
Independent Director

15
Directors
Of which:

7
Independent Directors [b]

4
employees
(3 Directors representing employee shareholders and 1 Director representing employees)

For more information:
@ Group/ Governance page at
www.essilor.com

COMMITTEES OF THE BOARD

- Audit and Risk Committee
- Executive officers and Remuneration Committee
- Nominations Committee
- Corporate Social Responsibility (CSR) Committee
- Strategy Committee

(a) Term of office to be renewed at the Shareholders' Meeting of May 5, 2015.

(b) The AFEP-MEDEF Code of June 2013 states that Directors representing employee shareholders and the Director representing employees are not counted to determine percentages of Independent Directors. Accordingly, the independence ratio (7 out of 11) is 63.6%.

2.1 MANAGEMENT AND SUPERVISORY BODIES

2.1.1 Board of Directors

As of December 31, 2014, Essilor's Board of Directors had 15 members, including three members representing employee shareholders and one member representing employees.

The average age of Board members in 2014 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 officers and Remuneration Committee;
- the Nominations Committee;
- the Corporate Social Responsibility (CSR) Committee;
- the Strategy 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. By law, this role is 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.

As part of the 2014 self-assessment of the operations of the Board of Directors and its committees, the degree of coordination between them was reviewed in order to streamline the flow of information and improve efficiency.

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, 2014

HUBERT SAGNIÈRES

59 years old (Countries of citizenship: Canada and France)
Number of shares: 337,034
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: 2017
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 of 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.

Other positions and terms of office held at December 31, 2014

Chairman and Chief Executive Officer, Essilor International*

Other Essilor group companies

President, Essilor of America Inc. (USA)

Director, Essilor International and subsidiaries

- Essilor of America Inc. (USA)
- Essilor AMERA Pte Ltd (Singapore)
- Essilor Vision Foundation (USA)

Past positions and terms of office held over the past five years

Essilor group companies

Chief Executive Officer, Essilor International

Chief Operating Officer, Essilor International

President & Chief Executive Officer, Essilor of America Inc. (USA)

Director, Essilor International and subsidiaries

- Transitions Optical Inc. (USA) (b)
- Frames for America, Inc. (USA)
- Essilor Canada Ltee / Ltd (Canada)
- Transitions Optical Holdings B.V. (Netherlands) (b)
- 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. Groupe Vision Optique Inc. (Canada)
- Optique de l'Estrie Inc. (Canada)
- Optique Lison Inc. (Canada)
- Vision Optique Inc. (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)

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

PHILIPPE ALFROID

Non-Independent Director
69 years old (Country of citizenship: France)
Number of shares: 260,743
Business address: Not applicable – retired since June 30, 2009
First appointment as Director: May 6, 1996
Current term ends: 2017
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 (Project Software and Development Inc.) in Boston before joining the Essilor group in 1972. He has held executive positions in various 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 Executive Officer in 1996 (and became Chief Operating Officer in 2001). 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.

Other positions and terms of office held at December 31, 2014

Chairman of the Supervisory Board, Faiveley Transport*
Director
- Essilor of America Inc. (USA)
- Eurogerm*
- Gemalto N.V. (Netherlands)*

Past positions and terms of office held over the past five years

Essilor group companies

Chief Operating Officer, Essilor International
Chairman
- Omega Optical Holdings Inc. (USA)

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)

External company (non Essilor group)

Director
- Faiveley Transport

* *Listed company.*

BENOÎT BAZIN

Independent Director
46 years old (Country of citizenship: France)
Number of shares: 1,000
Major positions:
Senior Vice President at Compagnie Saint-Gobain
President of the Building Division of Saint-Gobain group
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 currently President of the Building Division of Saint-Gobain group and Senior Vice President at Compagnie Saint-Gobain. He began his career with Saint-Gobain in 1993 as a project manager. He was subsequently Corporate Planning Director of the Saint-Gobain group 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 former Chief Financial Officer and as senior manager of a major international group involved in distribution.

Other positions and terms of office held at December 31, 2014

Saint-Gobain group companies

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)

External companies (non-Saint-Gobain group)
- Association Proquartet-Cemc [(a)]

Past positions and terms of office held over the past five years

Saint-Gobain group companies

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

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

ANTOINE BERNARD DE SAINT-AFFRIQUE

Independent Director
50 years old (Country of citizenship: France)
Number of shares: 1,000
Major position: President of Unilever's Foods category
Business address: Unilever – 100 Victoria Embankment – Blackfriars – London EC4P 4BQ – United Kingdom
First appointment as Director: May 15, 2009
Current term ends: 2015
Personal information – Experience and expertise

Antoine Bernard de Saint-Affrique is President of Unilever's Foods category and member of the Group's Executive Committee. 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. Bernard de Saint-Affrique brings to the Board his international experience and his skills in marketing and sales.

Other positions and terms of office held at December 31, 2014

Unilever group companies

- President of Unilever's Foods category*

Past positions and terms of office held over the past five years

Unilever group companies

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

Director

- Inmarko (Russian Federation)
- Icosmeticals SAS

* *Listed company.*

MAUREEN CAVANAGH

Director representing employee shareholders
51 years old (Country of citizenship: USA)
Number of shares: 1,122
Major position: President of Vision Impact Institute (USA)
Business address: 13515 N Stemmons Frwy – Dallas, TX 75234 (USA)
First appointment as Director: November 27, 2012 (1) / May 16, 2013
Current term ends: 2016
Personal information – Experience and expertise

Maureen Cavanagh has been President of the Vision Impact Institute (Dallas) since October 1, 2014 and was previously President of Nassau Lens Company and of OOGP since December 2009. After working at Johnson & Johnson, she joined the Essilor group in October 2005. Since May 2012, she has represented the Essilor Employee Shareholders' Association in the USA and has been 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 the broadening of international representation and diversity on the Board.

Other positions and terms of office held at December 31, 2014

Essilor group companies

President:

- Vision Impact Institute (USA) (a)

Member of the Board of Directors, Valoptec Association

Past positions and terms of office held over the past five years

Essilor group companies

President:

- Nassau Lens Co Inc. (USA) (b)
- OOGP, Inc. (USA) (b)

Director

- Nassau Lens Co Inc. (USA) (b)
- OOGP, Inc. (USA) (b)
- Shore Lens Co Inc. (USA) (b)

(a) Term of office started during the fiscal year.
(b) Term of office expired during the fiscal year.
(1) Cooptation followed by ratification by Shareholders' Meeting.

YVES CHEVILLOTTE

Independent Director

71 years old (Country of citizenship: France)

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 Executive Officer of Crédit Agricole S.A. from 2002 to his retirement in 2004. He started at the Crédit Agricole group in 1969, where, in 1985, he became head of its regional branches. 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.

Other positions and terms of office held at December 31, 2014

Chairman of the Board of Directors

- Arvige
- G.A.S.F.O.

Vice Chairman of the Board of Directors SA Soredic

Member of the BPI Orientation Committee

Past positions and terms of office held over the past five years

Vice Chairman of the Supervisory Board, Finaref

Director

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

XAVIER FONTANET

Non-Independent Director

66 years old (Country of citizenship: France)

Number of shares: 324,307

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.

Other positions and terms of office held at December 31, 2014

Director

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

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

Chairman

- Fondation Fontanet

Past positions and terms of office held over the past five years

Essilor group companies

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 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 (non Essilor group)

Director

- Crédit Agricole SA
- Fonds stratégique d'investissement (SA)

* Listed company.

LOUISE FRÉCHETTE

Independent Director
68 years old (Country of citizenship: Canada)
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. She is Chairman of the CSR Committee.

Other positions and terms of office held at December 31, 2014

Chairman of the Board of Directors, CARE CANADA
Member of the Board of Directors
- CARE CANADA (Canada)
- CARE INTERNATIONAL (Switzerland)

Past positions and terms of office held over the past five years

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

Member of the Board of Directors
- Pearson Peacekeeping Centre (Canada)
- Montreal Council on International Relations (Canada)

YI HE

Director representing employee shareholders
61 years old (Country of citizenship: PR China)
Number of shares: 19,690
Major position: Chairman of Essilor (China) Holding Company
Business address: Unit D2, 20th Floor – N° 398 Huai Hai Middle Road – Luwan District – Shanghai– Chine P.R.C. 200020
First appointment as Director: January 27, 2010 [(1)] / May 11, 2010
Current term ends: 2017
Personal information – Experience and expertise

Yi He is a Director representing the Valoptec Association. Since September 2010, he has been Chairman of Essilor (China) Holding Company. After studying Management and Strategy at École des Hautes Études Commerciales, in 1991 he joined the 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).

Other positions and terms of office held at December 31, 2014

Essilor group companies

Chairman and Director of Essilor (China) Holding Company

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

Director

- Danyang ILT OPTICS 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)
- Xiamen Yarui Optical Company Ltd (China) [(a)]
- Xiamen Artgri Optical Company Ltd (China) [(a)]
- Xiamen Prosun Trading Co. Ltd (China) [(a)]

Member of the Board of Directors, Valoptec Association

Member of the Supervisory Board, Essilor group 7-year French Purchasing Stock Plan (FCPE)

External companies (non Essilor group)

- Sun Art Retail Group Ltd (China)

Past positions and terms of office held over the past five years

None

(a) Term of office started during the fiscal year.
(1) Cooptation followed by ratification by Shareholders' Meeting.

FRANCK HENRIONNET

Director representing employees
43 years old (Country of citizenship: France)
Number of shares: 1,570
Major position: Lean Manufacturing Project Manager in the Instrument Division of La Compasserie (Meuse-France)
Business address: 61, rue Bontems – 55500 Ligny-en-Barrois (France)
First appointment as Director: October 28, 2014 (Works Council appointment)
Current term ends: 2017
Personal information – Experience and expertise

Franck Henrionnet has been Lean Manufacturing Project Manager in the Instrument Division of La Compasserie (Meuse – France) since January 2013. He joined Essilor in September 2006 as Quality Manager, Instrument Plant at La Compasserie until September 2010 and then was Production Manager at the Instrument Plant in Shanghai (China) until December 2012.

Other positions and terms of office held at December 31, 2014

None

BERNARD HOURS

Independent Director
58 years old (Country of citizenship: France)
Number of shares: 5,472
Business address: Not applicable
First appointment as Director: May 15, 2009
Current term ends: 2015
Personal information – Experience and expertise

Bernard Hours held the position of Chief Operating Officer of Danone from January 2008 to September 2014 and Vice President of the Board of Directors from April 2011 to October 2014. He had joined Danone in 1985 initially in sales and marketing for Evian and Kronenbourg then as Marketing Director for Danone France in 1990. He was subsequently Managing Director of Danone Hungary (1994), then of Danone Germany (1996) and lastly Managing Director of LU France in 1998. In 2001, he joined the Fresh Dairy Products Division as CEO Business Development and became Vice Chairman in 2002. Bernard Hours brings to the Board his experience as Director of a major international group and his knowledge of marketing and sales.

Other positions and terms of office held at December 31, 2014

Director

- Essilor of America Inc. (USA)

Past positions and terms of office held over the past five years

Danone group

- Chief Operating Officer and Vice President of the Board of Directors, Danone (S.A.)* (b)

Managing Director Danone Trading B.V. (The Netherlands) (b)

Member of the Supervisory Board, Ceprodi

Director

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

Permanent Representative of Danone (S.A.) Danone S.A. (Spain) (b)

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

MAURICE MARCHAND-TONEL

Independent Director
70 years old (Country of citizenship: France)
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 (1) / May 11, 2007
Current term ends: 2016
Personal information – Experience and expertise

Maurice Marchand-Tonel is an independent consultant. He began his career in 1970 at the Boston Consulting group, and then served successively as Chairman of Compagnie Olivier (1979), Chief Executive Officer of Sommer (1984) and Chairman of Givenchy (1987). After that, he headed Ciments Français International and Transalliance. In 2000, he became a partner at Arthur Andersen / BearingPoint where he has been Senior Advisor since 2013. He is President of the European American Chamber of Commerce, Advisory Director of Investcorp, Senior Advisor at BearingPoint 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.

Other positions and terms of office held at December 31, 2014

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)

Past positions and terms of office held over the past five years

Director
- French American Chamber of Commerce (Chicago, USA)

* *Listed company.*
(1) *Cooptation followed by ratification by Shareholders' Meeting.*

AÏCHA MOKDAHI

Director representing employee shareholders
59 years old (Country of citizenship: France)
Number of shares: 15,820
Major position: Vice-President, Essilor Vision Foundation – 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, 2007 (1) / May 11, 2007
Current term ends: 2017

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, in particular Logistics Director Europe until year-end 2003. From 2004 to 2008, she was head of acquisitions at Essilor subsidiary BBGR, and from 2008 to the end of September 2013 was Supply Chain Director for Essilor Europe.

Other positions and terms of office held at December 31, 2014

Essilor group companies

Chairman of the Board of Directors, Valoptec Association
Member of the Supervisory Board, Essilor group 7-year French Purchasing Stock Plan (FCPE)

Past positions and terms of office held over the past five years

None

(1) *Cooptation followed by ratification by Shareholders' Meeting.*

OLIVIER PÉCOUX

Non-Independent Director

56 years old (Country of citizenship: France)

Number of shares: 1,000

Major positions:

Chief Executive Officer, 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 (1) / May 3, 2001

Current term ends: 2015

Personal information – Experience and expertise

Olivier Pécoux is Chief Executive Officer of the Rothschild group, which he joined in 1991. Since June 2012, he has been Executive Director of P.O. Gestion, and general partner of Paris-Orléans SCA. 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.

Other positions and terms of office held at December 31, 2014

Rothschild group

Chief Executive Officer, Paris-Orléans*

Managing Partner, Rothschild et Cie Banque

Chief Executive Officer, P.O. Gestion

Director

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

External companies (non-Rothschild group)

Extend Capital

Past positions and terms of office held over the past five years

Rothschild group

Member of the Executive Board, Paris-Orléans

Managing Partner

- Rothschild et Cie

Member of the Supervisory Board of Financière Rabelais

* Listed company.

(1) Cooptation followed by ratification by Shareholders' Meeting.

MICHEL ROSE

Independent Director

71 years old (Country of citizenship: France)

Number of shares: 1,000

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

First appointment as Director: May 13, 2005

Current term ends: 2016

Personal information – Experience and expertise

Michel Rose was Co-Chief Operating Officer of Lafarge, where he was mainly responsible for the Cement Division before his retirement in 2008. He joined Lafarge in 1970 as an engineer, moved to the Research Center and was later named to lead the Company's internal communications team. 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 1996 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 of senior management of a major international group.

Other positions and terms of office held at December 31, 2014

None

Past positions and terms of office held over the past five years

Director

- La Poste
- Neopost
- Lafarge Maroc (Morocco) (b)
- Malayan Cement (Malaysia) (b)
- Unicem (Nigeria)

Chairman, Fondation de l'École des Mines de Nancy

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

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 (global engineering, for example) or regional responsibilities (Europe, North America, Latin America, Asia/Pacific and Africa).

The Executive Committee holds at least nine 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, 2014, the Executive Committee has 27 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	Chief Operating Officer
Patrick	CHERRIER	President, AMERA Region (Asia/Pacific, Middle East, Russia, Africa)
Lucia	DUMAS	Senior Vice President Corporate Communications
Bernard	DUVERNEUIL	Chief Information Officer
Norbert	GORNY	Senior Vice President, Satisloh, Equipment and Consumables activities
Réal	GOULET	Senior Vice President Rx, Sunwear
Lena	HENRY	Chief Strategy Officer
Eric	LÉONARD	President, Essilor of America
Alexander	LUNSHOF	Corporate Senior Vice President, Legal Affairs
Frédéric	MATHIEU	Corporate Senior Vice President, Human Resources
Bernhard	NUESSER	President, Europe Region
Eric	PERRIER	Corporate Senior Vice President, Research and Development
Géraldine	PICAUD	Chief Financial Officer
Patrick	PONCIN	Corporate Senior Vice President, Global Engineering
Alain	RIVELINE	Corporate Senior Vice President, Strategic Marketing
Thierry	ROBIN	Senior Vice President, Digital Surfacing Strategic Opportunity
Bertrand	ROY	Senior Vice President, Strategic Partnerships
Kevin	RUPP	Executive Vice President, Finance & Administration of Essilor of America
Hubert	SAGNIÈRES	Chairman and Chief Executive Officer
Paul	du SAILLANT	Chief Operating Officer
Eric	THOREUX	President Sun, Readers, Photochromics
Laurent	VACHEROT	Chief Operating Officer
Carol	XUEREF	Secretary General

2.2 CHAIRMAN'S REPORT ON CORPORATE GOVERNANCE

Reference Code: the AFEP-MEDEF Code

Pursuant to Article L.225-37 of the French Commercial Code and in accordance with the decision of the Board of Directors of March 4, 2009, the Company declares that it adheres to the AFEP-MEDEF Corporate Governance Code for listed companies of June 2013.

This Code can be viewed online at the following address: http://www.medef.com.

In accordance with the provisions of Article L.225-37, this report includes the Chairman's Report on:

- the composition of the Board and the application of the principle of equal representation of men and women on it;
- the conditions for preparing and organizing the work of the Board of Directors during the fiscal year ended December 31, 2014;
- the Company's internal control and risk management procedures (see Section 2.2.3);
- any restrictions on the powers of the Chief Executive Officer decided by the Board of Directors;
- specific procedures for shareholder participation in Shareholders' Meetings;
- the principles and rules applied by the Board of Directors to determine Executive Board Directors' compensation and benefits (see Section 2.3);
- information which may have an impact in the event of a public offering is described in Chapter 5, Section 5.2.6.2.

In accordance with the recommendations of the AFEP-MEDEF Code and the AMF, this report, in a summary table (Section 2.4), identifies the provisions in the Code which were not implemented and explains the reasons for these choices.

This report was prepared following certain procedures, mostly performed by the Secretary General and, as regards part 2.2.3 of the report, in close collaboration with the Internal Audit Department, based on written consultation and discussion with the heads (at the corporate level) of the various internal control sectors within the Group. It was presented to the Audit and Risk Committee (on February 16, 2015) before being presented to the Board of Directors for approval. 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. In order to draft this report, we also relied on the principles listed, for reference purposes, regarding the AMF systems for the risk management and internal control of listed companies. Finally, the contents of this report were approved by the Board of Directors on February 18, 2015.

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 special Board Committees, but also as regards the Company's internal control procedures.

2.2.1 Composition of the Board of Directors

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) and the Board member representing employees.

On December 31, 2014, the Essilor Board of Directors was comprised of fifteen members. Three of these Directors represent employee shareholders and one Director represents employees, who began this role on October 28, 2014. The composition of the Board and the committees is reviewed each year, under the guidance of the Nominations Committee and as part of the Board of Directors' self-assessment.

Below are the principles which guide the composition of the Board of Directors:

- the search for a balance between experienced Directors with extensive knowledge of the Group on the one hand and, on the other hand, new Directors who contribute experience which can serve the Group and its future development;
- diversity of backgrounds and skills. As part of this, the Nominations Committee, in 2014 and at the beginning of 2015, continued its selection work with a view to appointing an increased number of women, Independent Directors and people with an international background.

2.2.1.1 Representation of women on the Board of Directors

The Board of Directors, which currently includes three women out of fourteen Directors *(excluding the Director representing employees, who is not counted in accordance with the law and the AFEP-MEDEF Code)*, complies with the provisions of law no. 2011-103 of January 27, 2011 regarding balanced representation of men and women, which has required 20% female representation since 2014. Suggestions will be made to the Board of Directors in the coming months, with a view to submitting candidates for directorships during the Shareholders' Meetings in 2016. The composition of the Board will, in 2017, comply with the law which requires balanced representation of men and women. This law provides a 40% minimum proportion of Directors of the same gender.

See also "Major accomplishments of the Nominations Committee in 2014" in Section 2.2.2.6.

2.2.1.2 Directors' term

Board members are currently appointed for a three-year term and may stand for renewal. The terms of one-third of the Directors expire at an Ordinary Shareholders' Meeting deliberating on the financial statements of the previous fiscal year, so that the entire Board is re-elected over a rolling three-year period. The Shareholders' Meeting of May 7, 2014 approved a review of Article 14 of the Bylaws, which was intended to facilitate a harmonious renewal of the Board and to prepare for changes in the composition of the aforementioned Board of Directors.

The records pertaining to each Director (Section 2.1) mention the start and end dates of their terms and the table below, which notes the end date for the term of each Director, shows balanced time phasing.

End dates of the current directorships:

Members of the Board of Directors	2014	2015	2016	2017
Hubert Sagnières	x			x
Philippe Alfroid	x			x
Benoit Bazin		x		
Antoine Bernard de Saint-Affrique		x		
Maureen Cavanagh			x	
Yves Chevillotte			x	
Mireille Faugère	(a)			
Xavier Fontanet			x	
Louise Fréchette		x		
Yi He	x			x
Franck Henrionnet	(b)			x
Bernard Hours		x		
Maurice Marchand-Tonel			x	
Aïcha Mokdahi	x			x
Olivier Pécoux		x		
Michel Rose			x	
TOTAL RENEWALS	**5**	**5**	**5**	**5**

(a) Resignation March 27, 2014.
(b) Appointment October 28, 2014.

2.2.1.3 Obligation of Directors appointed in the Shareholders' Meetings to hold shares

In accordance with Article 13 of the Bylaws in force at December 31, 2014, each Director appointed by Shareholders' Meetings must own at least 1,000 shares in the Company. As an exception, the Director representing employees is not required to hold shares, pursuant to Article L.225-25 of the French Commercial Code.

The records regarding each Director (Section 2.1) mention the number of shares held by each of them.

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. This diversity and complementarity of backgrounds is also a result of the internationalization of the Board of Directors, on which people of four different nationalities serve. For more details, see the list of directorships and their respective nationalities in Section 2.1.1.2.

The Company Directors have a duty to be vigilant and exercise complete freedom of judgment.

Above all, this freedom of judgment allows them to independently participate in the decisions or works of the Board and, if necessary, the special Board Committees.

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 Board 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 Board 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) Non-Executive Board 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 a Non-Executive Board 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 Nominations 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, 2014, on the recommendation of the Nominations 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, seven were independent, namely:

Louise Fréchette, Benoit Bazin, Antoine Bernard de Saint-Affrique, Yves Chevillotte, Bernard Hours, Maurice Marchand-Tonel and Michel Rose.

On December 31, 2014, the independence rate of the Board reached 63.6%, pursuant to the recommendations of the AFEP-MEDEF Code (*i.e.* not including the 3 Directors representing employee shareholders and the Director representing employees).

The Board is of the opinion that none of these Directors who qualified as independent had any material business relationships with the Company and its group. It is especially noteworthy that the Saint-Gobain group, where Benoît Bazin is a Director, has no significant current business with the Company.

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, who remained a Director after his retirement on that date;
- Olivier Pécoux, a Director whose term has exceeded 12 years. Though the Board considers that independence is not correlated with the seniority of a Director and that, on the contrary, completion of a term is a gauge of a Director's capacity to act freely and completely independently, the Board nonetheless decided not to qualify Mr. Pecoux as independent, pursuant to recommendations in the AFEP-MEDEF Code;
- the 3 Directors representing the employee shareholders: Maureen Cavanagh; Yi He; Aïcha Mokdahi;
- the Director representing employees: Franck Henrionnet.

Summary table detailing each Director's compliance or non-compliance with regard to the independence criteria of the AFEP-MEDEF Code

The criteria used to rule out the qualification of independence are indicated by the letter "C".

	Criteria for AFEP-MEDEF independence						
	Employee or executive Board Director						
Directors	of Essilor International or a Group company	over the last five years	Cross-directorships	Is a client, supplier, business banker or financing banker (significant business relationships)	Has a close family link with a non-executive Board Director	Has been a statutory auditor of Essilor International over the last five years	Has been a Director of Essilor for more than 12 years
Hubert SAGNIÈRES	C						
Philippe ALFROID		C					
Benoît BAZIN							
Antoine BERNARD DE SAINT-AFFRIQUE							
Maureen CAVANAGH	C						
Yves CHEVILLOTTE							
Louise FRÉCHETTE							
Xavier FONTANET		C					
Yi HE	C						
Franck HENRIONNET	C						
Bernard HOURS							
Maurice MARCHAND-TONEL							
Aïcha MOKDAHI	C						
Olivier PÉCOUX							C
Michel ROSE							

Non-independent.

2.2.1.6 Ethical awareness of Directors

No potential conflicts of interest

In accordance with the Directors' Charter (see Section 2.2.2.1), Directors have an obligation to inform the Board of any conflict of interest, even potential, and must refrain from participating in votes for corresponding resolutions and in discussions preceding this vote, including the works of special Board Committees.

Participation of a Director in a transaction in which the Company, or any other company in the Group, is directly involved is brought to the attention of the Board of Directors prior to completion of this transaction.

As part of an annual statement, the Director informs the Board of Directors of the terms and roles they perform in other companies and must request the opinion of the Board prior to accepting any new directorship.

The Director must, more specifically, make an annual declaration of any, even potential, conflicts of interest they have detected. According to these declarations, the Board of Directors identified no conflicts of interest. The information referred to in Appendix 1 of European Commission Regulation (EC) No. 809/2004 of April 29, 2004 below contains additional information.

Based on the information above, 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 Board 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 Board 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 Board 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.

Insider dealing rules

During the session of August 27, 2014, the Board of Directors reviewed applicable regulations in terms of the prevention of insider misconduct, especially as regards periods during which transactions in the securities of Essilor International are prohibited. As a result, on November 25, 2014, the Board approved changes to the Directors' Charter, which, above all, included the obligation for anybody with privileged information to refrain from performing, having a third party perform or allowing another party to perform transactions in the Company's securities based on this information, during the period in which this information has not been made public (Articles 622-1 and 622-2 of the AMF General Regulation). The charter indicates that Directors, in addition to the period preceding the publication of any privileged information of which they are aware, must refrain from performing any transaction in the securities during the abstention periods set in accordance with recommendation no. 2010-07 of the French Financial Markets Authority ("AMF") of July 8, 2013.

Finally, Directors inform the AMF of transactions they performed or transactions individuals with whom they are closely associated performed in Essilor International securities on a yearly basis. These individual securities transaction declaration obligations are covered in the Directors' Charter, which is reviewed annually by the Board. The summary statement of transactions in Essilor International securities carried out in 2014 by Corporate officers is included in Section 2.3.5.

2.2.2 Preparation and organization of meetings of the Board of Directors

The operations of the Board of Directors and the special Board Committees are governed by internal rules adopted by the Board at its meeting of November 18, 2003, and revised several times, and by a Directors' Charter. These documents are reviewed annually by the Board of Directors, as part of the self-assessment of the operations of the Board of Directors, in order to account, above all, for changes in regulations and in the AFEP-MEDEF Code. The main elements of these two documents are reproduced or summarized below. The complete version of these documents is also available, along with the Bylaws, on the Company's website, in the "governance" Section.

2.2.2.1 Internal rules of the Board of Directors and the Directors' Charter

The internal rules of the Board of Directors and the Directors' Charter, whose current versions were updated on November 25, 2014, describe (i) the operating methods for the Board and the committees and (ii) the rights and obligations of each Director of Essilor International respectively.

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 special Board Committees. Board members must also keep the Board informed of directorships held in other French and foreign companies and, in the case of Executive Board 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 main amendments made in 2014 to the internal rules of the Board and the charter mainly concerned the following points:

- updates in accordance with recommendations in the AFEP-MEDEF Code of June 2013;
- updates following the appointment of the Director representing employees (no obligation to hold shares, etc.);
- the fact that any Director, and especially the Director representing employees, may benefit from training. Training may be given upon appointment or throughout the term of the directorship. The Company organizes and offers this training and the Company is responsible for the training. As part of the integration procedure, each new Director may benefit from a suitable training plan, as regards the skills, experience and knowledge of the field of business and the Company;
- Directors' fees: additional videoconference or telephone meetings do not require payment of Directors' fees, unless decided otherwise by the Board of Directors.

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 (i) any acquisition or sale, as part of the new business / new country strategy, which exceeds €100 million and (ii) any acquisition or sale other than those referred to in (i) whose value exceeds €150 million. These transactions are subject to formal approval by the Board;
- 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 Non-Executive Board Directors and their compensation recommended by the Executive officers and Remuneration Committee;
- discuss and if appropriate, approve the appointment of the members of the special Board Committees on the recommendation of the Nominations 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 Nominations 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. The structure of the tasks attributed to each committee as well as their respective compositions are reviewed by the Board of Directors on an annual basis, as part of the self-assessment of the operations of the Board of Directors.

2.2.2.3 Self-assessment of the operations of the Board

A formalized assessment of the operation of the Board of Directors has been performed on an annual basis since 2004 and is included in a specific item on the agenda of the Board of Directors. Such assessments often lead to changes in the internal rules of the Board of Directors 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 2014, a new formalized self-assessment was entrusted to an Independent Director, assisted by the Secretariat of the Board of Directors, under the authority of the Nominations Committee.

The Independent Directors meet at least once a year without the Executive Directors in attendance, to conduct the performance evaluation of the Chairman and Chief Executive Officer and prior to the return of the conclusions of the 2014 self-assessment.

The report on the questionnaires showed that the Directors have an overall positive assessment of the Board, which they consider to be "involved and committed". They also have a positive view of its relations with Senior Management, as regards consideration of its concerns and freedom of expression in Board and Committee Meetings. The improved quality of information, the quality of the presentations, the minutes of the Board Meetings and the reports of the committees, as well as the capacity of the Board to work in a team, have been recognized.

Proposals have also been made to review the composition of the Board of Directors in terms of greater diversity, internationalization and the male / female ratio, with a view to reaching the minimum threshold which provides that 40% of Directors must be of the same sex by 2017. The Nominations Committee has initiated a process in this regard. Some of the results of this process will be available in 2015, but most will be available in 2016.

As part of the review of the tasks attributed to each of the committees, the Board retained a proposal in favor of improved coordination of the committees, especially as regards the assessment and evaluation of extra-financial risks which are the responsibility of the Corporate Social Responsibility Committee. This committee is responsible for ensuring monitoring with the Audit and Risk Committee.

The members of the Board of Directors are also pleased with the progress made, especially with the progress of the self-assessment and the subsequent steps taken following the progress made in 2013.

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

- presentations that are more summary in nature, aimed at increasing the time spent in debate sessions;
- increased importance given to the Company's overall strategy, to new business and corresponding new requirements in terms of expertise and talent management;
- improved information on financial market trends (analysis briefs, roadshow summaries).

2.2.2.4 Information from 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.

These documents may be communicated via a secure digital platform within a reasonable time frame prior to 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 Board Committees. 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 2015, 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. The internal rules of the Board and the Directors' Charter, updated on November 25, 2014, expressly provide that any new Director is given a welcome pack including all documents pertaining to the governance of Essilor International and the option of participating in an integration procedure.

2.2.2.5 Meetings of the Board of Directors in 2014

The Board meets as often as necessary in the Company's interest and at least five times per year. The dates of the meetings of the Board for the following year are set on August 31 at the latest, except in the event of an extraordinary meeting. The Independent Directors meet at least once a year without the Executive Directors in attendance, to conduct the performance evaluation of the Chairman and Chief Executive Officer.

In accordance with the internal rules of the Board, Directors are convened at least seven days prior to 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. As in prior years, the Labor-Management Committee representatives on the Board attended all Board Meetings held in 2014.

In 2014, the Board of Directors held six meetings on the dates planned in 2014. The average duration of the meetings was two hours and thirty minutes.

Increased commitment from the members of the Board of Directors

In addition to participation in the meetings of the Board and the committees, the organization and coordination of these meetings require increased availability and commitment from Directors. Between meetings, Directors must spend even more time examining information and documents. More specifically, an Independent Director is appointed in order to supervise the progress of the annual self-assessment of the Board and the members of the Nominations Committee are contacted periodically so that they may meet potential candidates for directorships. The Chairmen of the committees participate actively in preparing the schedule for the committees' works and in preparing the agendas.

Attendance of the members of the Board of Directors

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.

In 2014, none of the Directors used the videoconference or telephone resources.

All the Directors were, furthermore, present at the Combined Shareholders' Meeting on May 7, 2014.

The table below shows the number of Board and Committee Meetings held during 2014, as well as their members and the individual attendance at each of these meetings. The average attendance of the Directors at the Board Meetings was 97%, and 99% for all the meetings of the Board and the committees.

	Board of Directors	Audit and Risk Committee	Executive officers and Remuneration Committee	Nominations Committee	Strategy Committee	CSR Committee
Number of meetings in 2014	6	4	4	4	4	3
Participation (%)						
Hubert SAGNIÈRES	100%				100%	
Philippe ALFROID	100%	100%			100%	
Benoît BAZIN	100%	100%			100%	
Antoine BERNARD DE SAINT-AFFRIQUE	83%	100%			100%	
Maureen CAVANAGH	100%				100%	
Yves CHEVILLOTTE	100%	100%		100%	100%	
Mireille FAUGÈRE [(a)]	33%		50%		50%	
Xavier FONTANET	100%			100%	100%	
Louise FRÉCHETTE	100%				100%	100%
Yi HE	100%				100%	
Franck HENRIONNET [(a)]	16%					
Bernard HOURS	100%		100%		100%	100%
Maurice MARCHAND-TONEL	100%		100%	100%	100%	
Aïcha MOKDAHI	100%	75%			100%	100%
Olivier PÉCOUX	66%				80%	
Michel ROSE	100%		100%	100%	100%	

(a) Incoming or outgoing Directors during the fiscal year (see the Director records for any additional information in Section 2.1.1.2).

Major accomplishments of the Board of Directors in 2014

The matters discussed by the Board in fiscal year 2014 and the decisions taken covered a wide range of areas, including:

- **business developments:** at each meeting planned in the annual schedule (excluding exceptional meetings convened to deliberate on a strategic transaction), the Chairman and Chief Executive Officer 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.;
- **2014 budget:** examination, during two meetings, at the beginning of the fiscal year;
- **financial statements:** examination and/or closure of the 2013 annual financial statements and the half-yearly financial statements, the provisional financial statements, after having heard the reports of the Audit and Risk Committee and the Statutory Auditors. On this occasion, the financial and cash flow situation was reviewed;
- **external growth:** during each meeting planned on the schedule, the Board receives information about and debates acquisition transactions which are underway or are being considered. Furthermore, the Board is informed beforehand of the Company's general external growth policy, based on the reports of the Strategy Committee;
- **financial authorizations:** approval of renewals of authorization to issue European bonds (European medium term notes) and delegation of powers to the Chairman and Chief Executive Officer for the issuance of ordinary bonds and the implementation of the share buyback program authorized in the 13th resolution of the Shareholders' Meeting of May 7, 2014; authorization to issue, sureties, endorsements and guarantees and to delegate, with the power to sub-delegate, their power to grant the Company's guarantee, within the overall annual limit of €400 million, to the Chairman and Chief Executive Officer;
- **notice of Shareholders' Meeting:** examination, during two meetings, and approval of draft resolutions to submit to the Shareholders' Meetings of May 7, 2014 and May 5, 2015;
- **governance:** information regarding new internal organization effective on September 1, 2014, according to whose terms Jean Carrier was appointed as Chief Operating Officer, alongside Paul du Saillant and Laurent Vacherot (this appointment involved a certain number of internal-mobility changes which affected the composition of the Executive Committee); updating of the internal rules of the Board of Directors and the Directors' Charter; completion of the annual self-assessment and, above all, examination, based on the proposals of the Nominations Committee, of its composition and predicted changes (see Section 2.2.2.3) and annual review of the independence qualification of the members (see Section 2.2.1.5); in terms of compensation for Non-Executive Board Directors, the Board has decided to change the distribution of Directors' fees between members and determined the compensation of the Chairman and Chief Executive Officer;

- **corporate social responsibility:** examination, based on the reports of the CSR Committee, of the project to create the endowment fund (see Section 4.4), review of reports in terms of extra-financial reporting; presentation of the activities of the corporate mission as well as the positioning of Essilor International in terms of extra-financial indexes;
- **employee-related issues:** information on Company developments in employee-related matters in 2013 (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.), award of capped performance-based stock subscription options and performance shares to employees in France and the major foreign subsidiaries pursuant to the 12th, 13th and 14th 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 15th resolution of the Shareholders' Meeting of May 7, 2014 (see Section 5.2.1.4); examination of the opinion issued by the Central Company Committee regarding strategic directions;
- **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 Committee (four reports), the Nominations Committee (two reports), the Executive officers and Remuneration Committee (two reports), the Strategy Committee (four reports) and the Corporate Social Responsibility Committee (three 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

On the recommendation of the Nominations Committee, the Board may create special committees and set the rules governing their remit and composition. The latest update to the composition of the committees was performed during the meeting of the Board of Directors of May 7, 2014 and the Board's self-assessment of November 25, 2014 prompted no new changes. These committees act on the authority delegated to them by the Board and make recommendations and proposals to the Board. Indeed, the committees must not replace the Board, but are an offshoot which facilitates its work.

Audit and Risk Committee

Composition

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, nor can they serve as Executive Board Directors of the Company. They should have specific expertise in accounting and financial matters.

The Audit and Risk Committee is chaired by an Independent Director appointed by the Board of Directors on the recommendation of the Nominations Committee. Their appointment or renewal, which is proposed by the Nominations Committee, is subject to particularly close examination by the Board of Directors.

The Audit and Risk Committee is chaired by Yves Chevillotte.

On December 31, 2014, the Audit Committee also included Philippe Alfroid (as of July 1, 2009), Antoine Bernard de Saint-Affrique, Benoît Bazin and Aïcha Mokdahi. All of these individuals have, during the course of their career, undertaken tasks which require financial and accounting skills.

Role

Under the Board of Directors' internal rules and in accordance with Article L.823-19 of the French Commercial Code and AMF recommendations issued in 2010, the Audit and Risk Committee, acting under the responsibility of the Board or Directors, examines issues related to the preparation and control of accounting and financial information.

Without encroaching upon the responsibilities of Senior Management, the Audit and Risk Committee is tasked with overseeing:

- processes for the preparation of financial information;
- the effectiveness of internal control and risk management procedures;
- the statutory audit of the financial statements and, if applicable, the consolidated financial statements by the Statutory Auditors;
- the Statutory Auditors' independence;
- and, generally speaking, the review of all financial statements presented during the year.

The Audit and Risk Committee makes recommendations concerning the choice of Statutory Auditors to be appointed by the Shareholders' Meeting or the body exercising an equivalent function.

As part of its role, the Audit and Risk Committee also has to report regularly to the collegial 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 that ensure:

- the integrity of the financial statements:
  - presentation of the half-yearly 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 competence, availability and positioning of the organization in charge of monitoring the Company's risk control,
  - issuing recommendations, if necessary, for the (i) implementation of corrective actions in the event of weaknesses or significant deficiencies, (ii) improvement of existing procedures, and (iii), if required, the introduction of new procedures;
- the Audit and Risk Committee may also be consulted by the Board or by Senior 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 Senior 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 Article L.823-16 of the French Commercial Code and the responses provided by Senior 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 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.

In accordance with the internal rules of the Board of Directors, "the committee is endeavoring to meet at least two days before the meeting of the Board, at least for meetings whose agenda involves examining financial statements (annual and half-yearly financial statements).

In order to successfully complete their mission, the Audit and Risk Committee must have a minimum of five days to familiarize themselves in advance with supporting documents for the discussions and, above all, to examine the financial statements prior to publication".

Major accomplishments in 2014

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, updated in August 2014.

The Audit and Risk Committee met four times (with a participation rate of 96% for the year) and heard the Group's Chief Financial Officer, the Secretary General, the Group Legal Director, the Group's Internal Audit Director, the Corporate Senior Vice President, Global Engineering and the Statutory Auditors.

The committee discussed the following topics at these meetings:

- financial statements: review of the financial statements for the third quarter of 2013, the year 2013, a summary of 2014 budget estimates, the financial statements for the first quarter and first half of 2014 (this examination was performed with sufficient time (at least two days) before the relevant meetings of the Board of Directors);
- internal audits and internal control: internal audit plan for 2014 as part of the multi-year "roadmap" with a monitoring of internal and external audits, Chairman's Report on corporate governance and internal control, performance indicators, budget and review of the activity (productivity measurement) of the internal audit and the internal control and associated Group risks self-assessment process, referred to as "iCare";
- presentation of changes in European Regulation in terms of external audits, planned for implementation in 2016;
- self-assessment of the operations of the Audit and Risk Committee performed by two members. The conclusions of this self-assessment were shared with the Board as part of their self-assessment;
- financing strategy;
- risk control: thematic reviews (innovation and intellectual property protection, litigation risks, supplier vulnerability, liquid assets, interest rates, trapped cash, subsidiary counterparties), continuity plan in some organizations, legal compliance program and 2015 action plan;
- examination of adjusted financial indicators;
- accounting and financial integration of strategic acquisitions in 2014;
- examination of the project and the process to reduce reporting deadlines;
- litigation and fraud;
- preparation of the 2015 work schedule.

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

On February 16, 2015, the 2014 consolidated financial statements were reviewed by the Audit and Risk Committee.

Nominations Committee

Composition

The internal rules of the Board of Directors stipulate that the Nominations 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 Nominations Committee.

The Nominations 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 Chief Executive Officer 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 Nominations 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 to the Board of Directors as members of the special committees;
- reflect on the composition of the Board of Directors and any possible developments;
- prepare for a change of Directors as needed.

Major accomplishments in 2014

The committee met four times in 2014 (with a participation rate of 100% for the year).

It reviewed the following topics:

- preparation of the nomination of the Director representing employees;
- consideration of draft resolutions for submission to the Shareholders' Meeting for the reappointment of five Directors;
- confirmation of Independent Director classification attributed to certain Directors, after a review conducted by one of the Independent Directors (see Section 2.2.1.5);
- consideration of potential candidates for directorships and preparation of the reappointments over the next few years (especially in terms of improving male-female equality);
- project involving preparation of a succession plan for Executive Board Directors;
- review of the findings of the Board's self-assessment (see Section 2.2.2.3).

Executive officers and Remuneration Committee

Composition

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

There are no Executive Board Directors in the committee. The committee is chaired by a Director appointed by the Board who is an independent member.

The Executive officers and Remuneration Committee is chaired by Michel Rose and includes Bernard Hours and Maurice Marchand-Tonel: all three are Independent Directors.

Role

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

- make recommendations regarding the compensation of Non-Executive Board Directors (Executive Board Directors and Directors);
- make recommendations regarding the allocation of stock options and/or free "performance" shares for these Executive Board Directors and regarding the numbers of shares from stock options or performance shares that Executive Board Directors must conserve until their term is over;
- review the Company's general compensation policies;
- submit the draft report regarding compensation to the Board on an annual basis. The Shareholders' Meeting must make a decision regarding this report as part of an advisory vote;
- make recommendations to the Board regarding the selection of Executive Board Directors;
- assist the Chairman and the Board in the Group's Senior Management succession planning and their plans for major organizational changes.

Major accomplishments in 2014

The Executive officers and Remuneration Committee met four times in 2014 (with a participation rate of 100% for the year for current members) to consider the following topics to submit as recommendations to the Board:

- review of the 2013 performance of the Chairman and Chief Executive Officer for the final calculation of his variable compensation for the fiscal year ended;
- rules for determining the variable compensation of the Chairman and Chief Executive Officer for 2014;
- review of a benchmark for the compensation of executives of comparable companies;
- review of the budget for Directors' fees, in preparation for the Shareholders' Meeting of May 7, 2014 and May 5, 2015;
- the structure and components of the compensation of the Chairman and Chief Executive Officer for fiscal year 2014;
- 2014 plans for free allocation of shares and stock subscription options and review of the conditions for future plans as part

of the preparation of draft resolutions to be submitted to the shareholders for voting during the Shareholders' Meeting of May 5, 2015.

Strategy Committee

Composition

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 and as part of the work of the Board of Directors, 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 2014

The Strategy Committee met four times in 2014 (with a participation rate of 99% for the year).

The committee reviewed the following topics:

- sunwear strategy;
- the action and initiatives undertaken in terms of corporate social responsibility (especially in Brazil, China, India and France);
- research and innovation: presentation of innovation;
- overview of players and business in terms of equipment and instruments;
- human resources: presentation of three main action areas, namely talent management, the Principles and Values of Essilor International and the organization and operation of Human Resources;
- internet sales activities;
- lens and sunwear manufacturing activity.

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

Corporate Social Responsibility (CSR) Committee

Composition

The CSR Committee was established following the deliberations of the Board during their meeting of February 27, 2013. The internal rules, which were amended for this purpose, provide that the CSR Committee must be comprised of a minimum of four members and a maximum of six members. Among these members, there must be two Independent Directors, as well as the Chairman and Chief Executive Officer and a 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 Nominations Committee.

The CSR Committee is chaired by Louise Fréchette (Independent Director), and is composed of Aïcha Mokdahi, 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 its 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 the 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;
- issue an opinion regarding the CSR Report to be published pursuant to legal obligations (Article L.225-102-1 of the French Commercial Code).

Major accomplishments in 2014

During 2014, the committee met three times (with a participation rate of 100% for the year) and discussed the following topics:

- creation of the "Essilor Social Impact" fund, whose purpose is to finance CSR initiatives;
- review of the activity of the "corporate mission";
- review of reports published in terms of CSR and especially pursuant to regulatory obligations in the French Grenelle II law;
- updating of non-financial reporting and positioning of Essilor International in terms of indexes;
- works 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 Euronext 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). Their 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 consists in:

- ensuring management actions or executions of transactions, and staff behavior, fall within the scope defined by the guidelines applicable to activities undertaken by the Company's corporate bodies. This includes compliance with applicable laws and regulations, as well as values, standards and rules internal to the Company;
- verifying the quality and accuracy of all accounting, financial, legal and management information reported to the Board of Directors, the regulatory authorities, shareholders or the public;
- covering 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 Section 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 internal 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 executives. 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. This document is organized based on three major concepts which give 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.

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 Group culture in a very real way. The members of Valoptec and other employee shareholders together hold 14.2% 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 control

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;
- a system that aims to identify and analyze the main identifiable risks with respect to the objectives of our Company and to ensure 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 system 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 the internal audits and the Group's internal control, with a total dedicated workforce of 21 people as of December 31, 2014 (18 for internal audits, 2 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 (6 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 Chief Operating Officers. This Director has no authority over nor responsibility for the operations they control. The internal audit team also reports on the department's activities to the Audit and Risk Committee.

The ongoing role of the internal audit team 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(s) of the audited entity, the Chairman and Chief Executive Officer, the Finance Department and, depending on the nature and impact of the issues raised, the Chief Operating Officers, the Legal Department of the Group and 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, at the instigation of the Director, the Internal Audit Department deployed a five-year roadmap which was produced based on a study bringing together various benchmarks and good practices on the start of the art in the field of internal audits. This roadmap, which is updated regularly, is organized around the following themes: governance, risk management and internal control, terms of office, human resources, technology, performance, quality and value creation. Action plans aimed at advancing the function (despite issues inherent to a company experiencing rapid growth and decentralized operations) are reviewed and shared with the main internal audit partners and the management team. Substantial progress which has been made in several fields – regarding its operating methods and internal efficiency – allowed ACS to win the "Innovation Prize" organized by the IFACI (French Institute of internal control) and its partners in November 2013. This prize, for which 59 participating organizations compete, was aimed at increasing familiarity with and distinguishing good practices in companies and public organizations, as regards innovation in the internal audit and internal control field. In its area of work, ACS is thus part of 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. With the support of regional financial management departments, this department 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 Corporate Sustainability Department plays a cross-functional role. This cross-functional unit is primarily responsible for anticipating and influencing changes in the business and analyzing the economic, human and environmental consequences, to enable the Company and its stakeholders to benefit from the opportunities that arise and to take account of and warn management of possible risks. The department 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 Corporate Sustainability Department. 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 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, including those relating to external growth, 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 policy, the Legal Affairs Department includes recourse to arbitration in as many contracts as possible. In addition, the department plays a key role in meeting legal and regulatory compliance objectives.

The department also advises the Group regarding good corporate governance practices. It regularly attends meetings of the Audit and Risk Committee, the Corporate Social Responsibility 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 monitors the Company's fulfillment of some twenty thousand contractual obligations held by them at the Company's registered office, 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 hosts information memoranda on its intranet site announcing changes in legal (including intellectual property), 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 legal and governance information on these subsidiaries.

The Insurance Department, which is part of Legal Affairs, also 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 (see Section 1.6.5).

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 executives and 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. The legal risk prevention and management system is aimed at raising awareness and informing, auditing, training, controlling and reporting with regard to legal action and risks.

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 across the Group.

Essilor Principles are one of the formal bases for the risk prevention policy and ensure its consistent application. These Principles were supplemented by the Principles governing relations with partners, as part of external growth, allowing for compliance with prevention policy when integrating new partners.

Within this framework, local legal teams throughout the world continue to take targeted action to sensitize managers (including partners' managers) to, and inform them of, identified risks (competition and corruption law). This sensitizing and informative action is supplemented by e-learning training programs for which local Human Resource Departments are responsible, in coordination with the Corporate Training Department. The results were presented to Senior Management, the Executive Committee, and to the Audit and Risk Committee.

The results of these sensitizing actions and a report of identified legal risks and actions to implement (legal audits, implementation of compliance programs, good practices guide) are regularly 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. At a local level, legal experts also regularly report compliance actions implemented alongside the improvement focus points at the Subsidiary Management Committees.

As part of the continued improvement of the legal risk prevention and management policy, Essilor performs the following actions:

- updating of the legal audit campaign for competition law;
- formalization of the Group compliance program for competition law, which is presented and submitted to all members of the Executive Committee, country managers and members of the Audit and Risk Committee. Deployment was entrusted, at the level of the subsidiaries, to the local legal teams;
- deployment of e-learning training modules for the prevention of corruption and conflicts of interest for Group employees;
- pending formalization of the good practice guide at the level of the Group for corruption and fraud prevention;
- updating of the Group "gifting" policy and conflicts of interest;
- updating, in collaboration with the Audit and Internal Control Departments, of the conflict of interest declaration monitoring procedure with annual reporting of the status of signatures provided by local Human Resource Departments.

The legal "Compliance" center within the Group Legal Affairs Department ensures coordination and consistency of the Group legal risk prevention and management policy, supporting local teams who are responsible for applying this policy.

For the purposes of promoting insider dealing rules and preventing money laundering and corruption, a memorandum has been available to all Group employees for several years on the intranet for the Legal Affairs Department. This memorandum was supplemented by an audio kit popularizing the legal financial information obligations. 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.

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. A legal book which includes good legal practices and is fully accessible via a dedicated website has been established.

The action plan for 2015 for the deployment of the legal Compliance policy was presented by the new Legal Director to the Audit and Risk Committee and is part of the legal risk prevention and management policy implemented by their predecessor.

Quality

The "Quality and Client Satisfaction" Department reports hierarchically to the Corporate Senior Vice President, Global Engineering (member of the Executive Committee). Its four core aims are to:

- satisfy clients, in terms of products and services, taking into account the diversity and variation of expectations, in accordance with client segments;
- improve the efficiency and consistency of internal processes, aligning them with the overall strategic objectives and measuring their efficiency;
- control the factual nature of decision-making processes (results focus);
- represent the Essilor group in standardization bodies and promote the interests of consumers in these bodies.

To carry out its tasks, the "Quality and Client Satisfaction" Department works with local teams to increase familiarity with market realities and to increase the Company's reactivity, especially as regards:

- defining roles and responsibilities;
- goal-setting;
- defining and reviewing action plans;
- developing skills.

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. With the support of local M&A Departments which report functionally to it, the department 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 ensuring 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.

Short-, medium- and long-term financing as well as a large percentage of short-term investments are managed in a centralized manner by the parent company, using bond loans, private investments, bank loans, 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 instruments (investment funds, bank deposits, negotiable debt securities), 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, although 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 relating 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 GSG brings together the various elements of internal control covering diverse organizational processes, including fixed assets, inventories, sales / clients, cash, purchasing, on- and off-balance-sheet commitments, tax, R&D and production start-up costs, production accounting, fraud prevention, projected benefit obligation procedures, insurance, human resources, legal affairs, consolidation and acquisitions of companies, assets and businesses. The GSG 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 via 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 operational and functional 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 the annual internal control self-assessment questionnaire (iCare).

Unified reporting system

In order to ensure the quality and reliability of its financial information, Essilor has a unified reporting system ("CARS – Consolidation And Reporting System"), which enables both the production of financial statements for the Group as well as the reporting of financial performance indicators and provisional information.

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, cash, 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 "CARS" comply with the Group accounting policies and procedures. The use of this tool guarantees consistent treatment of the information and enables us to exercise regular control over the preparation of the accounts of the various Group entities.

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 statements containing non-financial data reported by the Corporate Sustainability 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 secure 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 on five "Social Responsibility" indexes, specialized in the evaluation of the Company's commitment to sustainable development: ECPI® Ethical EMU Equity, ECPI® Ethical Europe Equity, Ethibel Excellence, FTSE4Good and STOXX 50 ESG Leaders. Essilor is a member of the Low Carbon 100 Europe index.

For the third consecutive year, Corporate Knights has classed Essilor International among the 100 global companies which have shown the most responsibility in 2015. Announced each year at the World Economic Forum in Davos since 2005, the Global 100 classification is considered as the most exhaustive evaluation of corporate sustainability documented in figures.

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 (CDP) 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, everyday 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 occupational 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 subject to a new forecast in the middle of the year, based on the results of the first half of the year. This forecast is updated in October upon establishment of the new budget.

The process, which concerns all Group entities, 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 "CARS" reporting system, which is used not only for business analysis, but also for statutory consolidation. All entities are managed by the system to maintain strict control over accounting and financial information.

As regards statutory consolidation, the data in the income statement, the balance sheet statement and the cash flow statement are reported on a monthly basis. The Consolidation Department checks the figures entered by the entities 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 inherent to the system or performed by the various finance departments (business analysis, consolidation, cash) within the required timeframes;
- guarantee data integrity through the system's security.

Specific instructions are issued to 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 the balance sheet. Full information about these commitments is included in our reporting system.

The budgeting process and consolidation procedures enable us to constantly monitor the performance of the various entities and to swiftly identify any variances from the 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 Department ("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 also 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, design 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 Statutory Auditors 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 greater responsiveness and efficiency of operations in terms of the governance and strategic management of the Company. In addition, the presence on the Board of a high proportion of Independent Directors, three representatives of the Valoptec Association, and one employee representative (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 Senior 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 Chief Executive Officer is assisted by three Chief Operating Officers.

2.2.5 Special 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 fully paid up.

The rights of shareholders to be represented by proxy at Shareholders' Meetings 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 functioning of Shareholders' Meetings, their main powers and the rights of shareholders, which are in compliance with the law:

2.2.5.1 Shareholders' right to information (Article 24)

Under the terms and periods defined by law, 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 sent or made available to shareholders are determined according to the relevant laws and regulations.

2.2.5.2 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 Extraordinary Shareholders' Meetings.

The Ordinary Shareholders' Meeting makes all decisions that exceed the powers of the Board of Directors and that are not intended to change 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 validly conduct 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 for 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.

2.2.5.3 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 term 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 an increase in capital via 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 relevant class. Regarding the specific capital that it represents, 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.

2.2.6 Principles and rules applied by the Board of Directors to determine compensation and benefits of its members

Information regarding compensation policy as well as the details of all the compensation information of Executive Board Directors is included in Section 2.3 of the Reference Document.

Charenton, February 18, 2015

The Chairman of the Board of Directors

2.3 COMPENSATION AND BENEFITS

2.3.1 Board of Directors Compensation policy

Directors' fees

The Ordinary Shareholders' Meeting of May 7, 2014 voted to award Directors' fees of €580,000. At its meeting on the same day, the Board of Directors decided to allocate this sum as per the rules shown in the table below which emphasize the variable component.

Directors' fees	Fixed component	Variable component based on attendance record
All Board members	€6,800	€2,000 per meeting
Chairman of the Audit and Risk Committee	€22,000	€2,200 per meeting
Chairman of the Executive officers and Remuneration Committee and of the Corporate Social Responsibility Committee	€11,000	€2,200 per meeting
Only for Directors not paid by Essilor, members of the Audit and Risk, Executive officers and Remuneration, Nominations or Corporate Social Responsibility Committees	€4,200	€2,200 per meeting
Members of the Strategy Committee	Not applicable	€1,000 per meeting

Total Directors' fees paid to members of the Board of Directors in 2014 amounted to €504,409, including €323,400 for the variable component.

Aïcha Mokdahi, Yi He and Maureen Cavanagh, Directors representing employee shareholders, pay their Directors' fees to the Valoptec Association, net of tax and any applicable social security contributions. Franck Henrionnet, appointed as Director representing employees, pays his Directors' fees to a trade union organization.

2.3.2 Executive compensation policy

Compensation of key management personnel, within the meaning of IAS 24, is presented in Note 31 to the consolidated financial statements, Section 3.4.

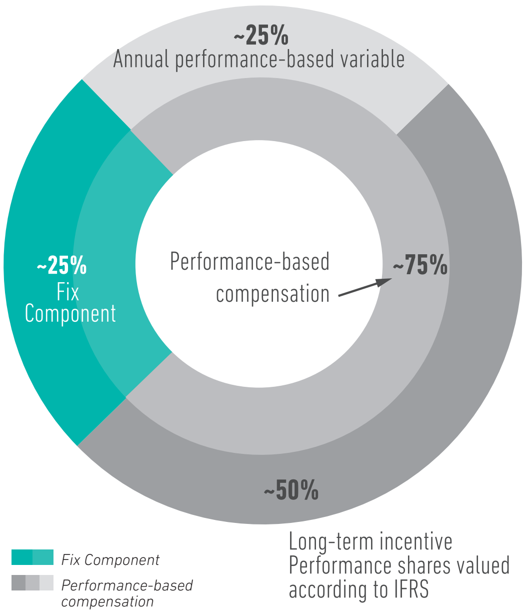
2.3.2.1 General principles

The compensation of Executive Board Directors is set by the Board of Directors at the proposal of the Executive officers and Remuneration 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'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 the Executive Board Directors' compensation must be **performance-based**;
- the aim should be to reward **short-term** performance, as evidenced by the achievement of Essilor's annual strategic targets, through an annual bonus and through **long-term** incentive plans whose performance targets and value are ultimately based on the creation of lasting value for all stakeholders.

The 2014 compensation package of Hubert Sagnières, Chairman and Chief Executive Officer, is a good illustration of this policy:



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

Each year, the Executive officers and Remuneration Committee reviews the Executive Board Director's compensation structure, the balance between the various compensation components, and the competitiveness of the compensation package as measured by the benchmarking studies. Based on this analysis, it may recommend changes to the Board of Directors.

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 on January 1, 2010. He was appointed Chairman and Chief Executive Officer of Essilor 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 2.4).

Company policy consists of promoting talented internal candidates whenever possible. Employees who are promoted through this process to the top positions in the Company have demonstrated over the long term their ability to reach excellent performance and their adherence to the Group's values and culture. Moreover, they have acquired the high levels of business, 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 asked the Board of Directors to waive his Directors' fees following his appointment as Chairman and Chief Executive Officer, which was endorsed by the Board in a formal resolution.

The Executive officers and Remuneration Committee commissioned two benchmarking studies of senior executive compensation practices from an independent firm of compensation consultants. The first reviewed the compensation paid to the Chairmen and Chief Executive Officers or the Chairmen of the Management Boards of French manufacturers included in the CAC 40 and Next 20 stock indices, with market capitalization and/or revenue similar to Essilor's. The second was a pan-European comparison of Chief Executive Officers compensation at 15 corporations (five French, five German and five British) similar to Essilor in terms of their revenue, workforce, market value and extensive global footprint.

Fixed compensation

The annual fixed compensation of Hubert Sagnières was set at €800,000 for 2014, unchanged since 2012.

Variable annual compensation

Also unchanged since 2012, the annual performance-related compensation of Hubert Sagnières for 2014 was set at €800,000 if the targets were met, or at between 0 and 1.6 times (1.5 times in 2013) this amount if the targets were not met, were only partly met or were exceeded. The reason for increasing the maximum amount of the variable compensation was to strengthen the short-term variable component relative to the long-term component.

Variable compensation for 2014 was 80%-based on financial targets and 20%-based on personal targets, broken down as follows:

- 40% on an restated net EPS target, or up to 74% if the target were to be exceeded significantly;
- 30% on a combined growth target [1], or up to 56% if the target were to be exceeded significantly;
- 10% on a growth from bolt-on acquisitions target, without any increase if the target were to be exceeded;
- 20% on four personal objectives related to business strategy, without any increase if the target were to be exceeded. The targets for 2014 were an in-depth review of the external growth strategy, quality of succession planning, success of the Transitions integration, and planning for the renewal of the Board assisted by the Nominations Committee.

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 restated 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 "bolt-on acquisition-led growth" criterion.

On an exceptional basis, and in line with the Group's 2014 employee-bonus policy, personal targets were also weighted by the achievement of the Group's organic growth target.

(1) Organic growth and growth from acquisitions completed in 2013, including Costa.

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 2014 equal to 147% of his gross fixed compensation for the year (versus 106% for 2013), or €1,178,400. Details of the calculation are presented in the table below:

W			A	W x A	W x A x target (€)
Weighting	**Target**	**Performance measurement**	**% achievement**	**Weighted % achievement**	**Achievement in €**
40%	Restated net EPS	0 to 185%	185%	74.0%	592,000
30%	Combined growth	0 to 185%	145%	43.5%	348,000
10%	Bolt-on acquisition-led growth	0 to 100%	98%	9.8%	78,400
20%	Personal factor result (C1 x C2)	0 to 100%	100%	20.0%	160,000
	C1: Personal factor	0 to 100%	100%		
	C2: Group organic growth	0 to 100%	100%		
100%				**147.3%**	**1,178,400**

In 2014, Essilor achieved:

- published (non-restated) adjusted net earnings per share of €3.05;
- Combined growth of 8.6%; and
- 10 bolt-on acquisitions equal to annual revenues of €165 million.

The level of achievement required for these targets was established in a precise, rigorous manner. Details of these performance measures are not disclosed for reasons of confidentiality (in accordance with AMF recommendations and the AFEP-MEDEF Corporate Governance Code). Since Essilor is a listed company whose only one business line (unlike its competitors) is ophtalmic optics, it considers that disclosure would be detrimental to the proper execution of its strategy.

b) Long-term incentive plans

Long-term incentives: stock option and performance share awards

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

They contribute to:

- developing a culture of entrepreneurship, which has helped drive 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 awarded 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").

Performance shares and performance stock options are awarded at the same time of the year.

November 25, 2014 plan

Pursuant to the twelfth, thirteenth and fourteenth resolutions of the Annual Shareholders' Meeting of May 11, 2012, on November 25, 2014 the Board of Directors decided to award 1,544,904 performance shares and 121,505 capped performance stock options to 9,554 Group employees. Compared with the capital at December 31, 2014, this represents 0.716% awarded as performance shares and 0.056% awarded as capped performance options, or 0.772% of total capital.

Under the terms of this plan, Hubert Sagnières was awarded 40,000 performance shares compared to 45,000 in 2013 (valued as shown in Table 4 in Section 2.3.3), representing 2.4% of the total number of performance shares awarded (sum of performance shares and performance stock options awarded) and 0.019% of the capital at December 31, 2014.

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 share price measured over several years;
- an employment condition 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 convergence between the interests of employee shareholders and external shareholders;
- stricter conditions for Executive Board Directors and members of the Executive Committee.

General performance condition

This condition is applicable to all performance share grantees.

The number of vested performance shares is based on annualized growth [1] in the Essilor share price, measured as follows:

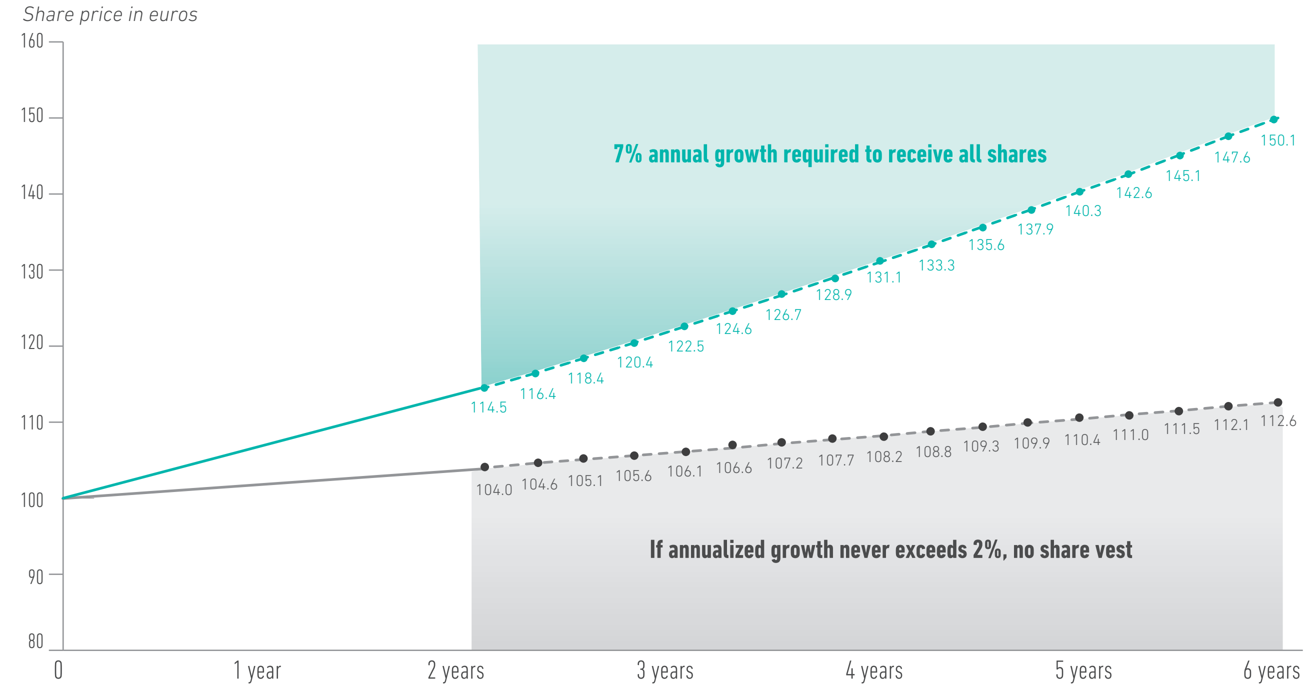
- on the award date, the Initial Reference Price is determined (corresponding to the average of the opening prices for the 20 trading days preceding the award date);
- two years after the award (Y+2), an Average Price is calculated, corresponding to the average of the opening prices for the three months preceding the second anniversary of the award date;
- 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 will vest provided that the employment condition is also met (see "Employment condition"),
  - between 4% and 14.5% (corresponding to an annualized growth of between 2% and 7%), some of the shares initially awarded will vest provided that the employment condition is also met (see "Employment condition"), The vesting rates based on annualized growth in the Essilor 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 or equal to 7%	100%

  - less than 4% (corresponding to an annualized growth of less than 2%), none of the shares will vest on the second anniversary of the award date. In this case, a further performance assessment is carried out three months later using the same method (based on an 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 at this point in time (corresponding to a 12.6% gain in the Average Price compared with the Initial Reference Price), the plan becomes null and void and employees receive no 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 minimum growth in the Average Price required 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 diagram below. In the interest of simplicity, the share price is assumed to be 100 on the award date.



(1) Calculation formula: (Average Price/Initial Reference Price)^(1/Y)-1, where Y is the number of years between the award date and the performance measurement date. Y initially equals 2 and increases by increments of 0.25 if the performance target is not met until reaching a maximum of 6.

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 above "General performance condition").

For non-residents, the shares will only vest if the grantee is still employed by the Group 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 this occurs after the fourth anniversary of the award date.

This employment condition is waived in the case of the grantee's death, disability 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 will become available for sale as of the sixth anniversary of the award date at the earliest;
- 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 Executive Board Directors and members of the Executive Committee.

Cap applicable to awards made to Executive Board Directors

Awards to Executive Board Directors are capped as follows:

- the IFRS value of performance stock options and/or performance shares awarded to each Executive Board Director may not exceed 60% of his or her total target compensation (corresponding to the sum of annual fixed salary, target bonus for the year and IFRS-based value of long-term incentive);
- an Executive Board Director may not receive an award exceeding 7% of the total awards (performance stock options + performance shares) made each year by Essilor to employees.

Specific additional performance conditions applicable to Executive Board Directors

Awards to Executive Board Directors are subject to a second performance condition based on an Average Ratio corresponding to the average achievement rate of their annual variable compensation targets over the vesting period. If the Average Ratio is less than 100%, it reduces the proportion of shares that vest pursuant to the first performance condition. If it is more than 100%, it is automatically capped at 100% and therefore has no impact on the number of shares that vest pursuant to the first performance condition.

Executive Board Directors are required to keep one third of the shares acquired under the performance share plans throughout their term of office. This restriction no longer applies when the cumulative value of shares acquired through vesting or the exercise of stock options permanently represents the equivalent of two years' cash compensation (salary plus target bonus), based on compensation due in the year in which the Executive Board Director intends to sell the performance shares.

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 incentive plans, until the expiration of his term of office.

Pursuant to the Directors' Charter, Executive Board Directors 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 and interim financial statements and of 15 days before the publication of quarterly financial statements. 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 Executive Committee. It is based on the average rate of achievement of the targets set for the Group-based portion of their annual variable compensation during the vesting period (from two to six years). If the average rate is below 100%, the numbers of shares that vest is decreased proportionately. If it exceeds 100%, it is capped at 100% and therefore has no impact on the number of shares that vest in the Executive Committee members pursuant to the general performance condition.

Assessment of performance in relation to the performance share plan targets

November 25, 2010 "Non-resident" Plan

At its meeting on November 25, 2010, the Board of Directors awarded 45,000 performance shares to Hubert Sagnières.

The award was contingent on two performance conditions and on Hubert Sagnières being employed by the Company for at least four years after the award date.

1) Achievement of the first performance condition, which was applicable to all plan grantees, was measured on November 25, 2012, by calculating the annualized growth in the Essilor share price, as follows:

Initial Reference Price: Average opening Price for 20 trading days preceding November 25, 2010	€48.01
Average Price: Average opening Price for period from August 25 to November 25, 2012	€72.41
Increase =	50.8%
Annualized growth =	**+22.8%**

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, was based on an Average Ratio corresponding to the average rate of achievement of his annual variable compensation targets over the vesting period.

The Average Ratio for the period 2010 and 2011 was measured as follows:

Percentage to which the 2010 bonus targets were met	131.3%
Percentage to which the 2011 bonus targets were met	134.0%
Average Coefficient	**+132.7%**

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

As the two performance conditions were fully met, Hubert Sagnières received 45,000 vested Essilor shares, registered in his name. Half of the shares were available immediately and half are subject to a lock-up until November 26, 2016. As of that date, Hubert Sagnières will be required to hold one-third of the shares (15,000 shares) for as long as he remains in office, or until such time as he holds on a permanent basis a number of shares (acquired over time through vesting or the exercise of stock options) equivalent to two years' fixed and variable cash compensation.

November 27, 2012 "Resident" Plan

At its meeting on November 27, 2012, the Board of Directors awarded 45,000 performance shares to Hubert Sagnières.

The award was contingent on two performance conditions and on Hubert Sagnières being employed by the Company for at least two years after the award date.

1) Achievement of the first performance condition, which was applicable to all plan grantees, was measured on November 27, 2014, by calculating the annualized growth in the Essilor share price, as follows:

Initial Reference Price: Average opening Price for 20 trading days preceding November 27, 2012	€71.35
Average Price: Average opening Price for period from August 27 to November 27, 2014	€84.61
Increase =	18.6%
Annualized growth =	**+8.9%**

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, was based on an Average Ratio corresponding to the average rate of achievement of his annual variable compensation targets over the vesting period.

The Average Ratio for the period 2012 and 2013 was measured as follows:

Percentage to which the 2012 bonus targets were met	123.0%
Percentage to which the 2013 bonus targets were met	106.0%
Average Coefficient	**+114.5%**

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

As the two performance conditions were fully met, Hubert Sagnières received 45,000 vested Essilor shares, registered in his name. The shares are subject to a lock-up until November 27, 2018. As of that date, Hubert Sagnières will be required to hold one-third of the shares (15,000 shares) for as long as he remains in office, or until such time as he holds on a permanent basis a number of shares (acquired over time through vesting or the exercise of stock options) equivalent to two years' fixed and variable cash compensation.

Proposed alteration to the long-term incentive plans

During 2014, the existing performance share plans were reviewed to determine what improvements could be made. Following the review, the Executive officers and Remuneration Committee recommended that the Board of Directors extend the performance measurement period from two to three years. This change is designed in part to strengthen the importance of performance over a longer period and in part to take account of recommendations made by the regulators and stakeholders. It will take effect in 2015 subject to approval by resolution passed at the Annual Shareholders' Meeting.

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), subject to the following conditions:

- they have at least ten years' seniority in the Company (versus two years recommended in the AFEP-MEDEF Corporate Governance Code);
- they retire from Essilor (or a plan member company). In accordance with the applicable regulations, an executive whose employment is terminated after he or she reaches the age of 55 and who does accept any other paid position is considered as having retired from the Company.

If both 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.

Accordingly, the plan pays category IIIC and HC executives with at least 20 years' seniority a maximum pension benefit of up to 25% of their reference compensation (versus a maximum of 45% provided for in the AFEP-MEDEF Corporate Governance Code). The increase in potential rights is a maximum of 1.25% per year (versus the 5% maximum recommended by the AFEP-MEDEF Corporate Governance Code).

Hubert Sagnières had 26 years' seniority at December 31, 2014 and his hypothetical benefit entitlement at that date would therefore be equivalent to 25% of his average compensation for the years 2012, 2013 and 2014 (approximately €424,000).

The benefit obligation is accrued in the balance sheet during the vesting period (*i.e.* the period during which the Executive Board Director remains in office). Upon his retirement, the liability will be 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 agreed several years before he became a corporate officer guaranteeing him an amount equivalent to two years' contractual compensation in the event that his contract is terminated by the Company.

At December 31, 2014, his gross contractual compensation was €1,082,500, 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, 2014 would therefore be €2,165,000.

This amount breaks down as follows:

- **termination benefits payable under French labor law and the applicable collective bargaining agreement:** €1,149,254.

  It corresponds solely to the statutory termination benefits that would be due to Hubert Sagnières pursuant to France's

Labor Code for his 21 years of service as an employee of the Company before he was appointed 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 €1,015,746.

  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 Hubert 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 upon which payment of the supplementary benefit is contingent, namely:

Performance will 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 will 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 will be paid).

If the performance rate is below 50%, no supplementary termination benefit will be paid.

d) Group death / disability and health insurance plans and "Article 83" defined contribution 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 2014, in addition to the employee contributions paid by him, were as follows:

- €5,089 for the death / disability insurance plan;
- €1,227 for the health insurance plan;
- €8,313 for the defined contribution pension plan.

e) Benefits in kind

Hubert Sagnières is covered by an unemployment insurance policy purchased from GSC. The related premiums, in the amount of €7,306 in 2014, are qualified as benefits in kind.

2.3.3 Appendix: Compensation and benefits tables

Table 1 – Directors' fees and other compensation received by Non-Executive Board Directors [(a)]

€	2014	2013
Philippe ALFROID	35,800	29,600
Benoît BAZIN	35,800	29,600
Antoine BERNARD DE SAINT-AFFRIQUE	33,800	29,600
Maureen CAVANAGH	22,800	20,800
Yves CHEVILLOTTE	66,600	60,400
Mireille FAUGÈRE [(b)]	13,717	27,400
Xavier FONTANET	35,800	29,600
Louise FRÉCHETTE	42,500	38,400
Yi HE	22,800	20,800
Franck HENRIONNET [(b)]	3,192	
Bernard HOURS	46,600	34,000
Maurice MARCHAND-TONEL	48,800	36,200
Aïcha MOKDAHI	22,800	42,800
Olivier PÉCOUX	17,800	15,800
Michel ROSE	55,600	47,200
TOTAL	**504,409**	**462,200**

(a) No Non-Executive Board Director or non-employee has received any compensation other than Directors' fees.
(b) Director who was elected or whose term of office expired in 2014.

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

Hubert SAGNIÈRES €	2014 Chairman and Chief Executive Officer	2013 Chairman and Chief Executive Officer
Compensation for the year (detailed in Table 3)	1,985,706	1,655,205
Valuation of options granted during the year		
Valuation of performance shares awarded during the year [(a)]	1,565,600	1,521,000

(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 be received upon exercise of the options, if exercised, or vesting of the shares, if vested. In addition, option and share awards are contingent on employment and performance conditions.

Table 3 – Summary of compensation paid to the Executive Board Director

Hubert SAGNIÈRES €	2014 Chairman and Chief Executive Officer		2013 Chairman and Chief Executive Officer	
	Amount due	Amount paid	Amount due	Amount paid
Fixed component	800,000	800,000	800,000	800,000
Variable component [(a)]	1,178,400	848,000	848,000	984,000
Exceptional component				
Directors' fees				
Benefits in kind:				
• car				
• unemployment insurance	7,306	7,306	7,205	7,205
• other				
TOTAL	**1,985,706**	**1,655,306**	**1,655,205**	**1,791,205**

(a) Variable component for Hubert Sagnières for 2014: 147% of achievement of objectives (106% for 2013).

Table 4 – Performance shares awarded to the Executive Board Director

Rights to performance shares awarded to the Executive Board Director in 2014	Total number	Value (Method applied in the consolidated financial statements) (€)	Acquisition date	End of lock-up period	Plan	Performance conditions
Hubert SAGNIÈRES	40,000	39.14	between 11/25/2018 and 11/25/2020	Vesting date (50%) and two years later (50%)	11/25/2014	Employment condition + share price + special condition for Executive Board Director [(a)]

(a) In addition to the employment condition, the number of shares that vest is contingent on a performance condition based on annualized growth in the Essilor share price. A second performance condition applies specifically to Executive Board Directors: the number of shares that vest may be reduced if the average rate of achievement of the variable compensation targets (calculated during the vesting period) is less than 100%.

Table 5 – Performance shares awarded to the Executive Board Director that became available during the fiscal year

Performance shares awarded to the Executive Board Director that became available during 2014	Total Number	Plan	Performance conditions
Hubert SAGNIÈRES	22,500 [(a)]	11/25/2010	Employment condition + share price + special condition for Executive Board Director [(b)]

(a) 22,500 performance shares of the 45,000 that vested under the November 25, 2010 plan became available on November 25, 2014, subject to the specific holding requirement applicable to Executive Board Directors.

(b) Apart from the employment condition, the number of shares that vest is contingent on a performance condition based on annual growth in Essilor share price. A second performance condition applies specifically to Executive Board Directors: the number of shares that vest may be reduced if the average rate of achievement of the variable compensation targets is less than 100%.

Table 6 – Stock subscription or purchase options granted to the Executive Board Director during the fiscal year

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

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

Options exercised in 2014 by the Executive Board Director	Total number	Exercise price (€)	Plan
Hubert SAGNIÈRES	75,935 [(a)]	33.17	11/27/2008
Hubert SAGNIÈRES	150,000	38.96	11/26/2009

(a) Of the 100,000 options granted, 24,065 were cancelled because of the regulations of the stock option plans which cap the gain at 100% of the exercise price.

Table 8 – History of capped performance stock option awards

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	11/25/2014 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	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	11/25/2014
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	121,505
The Executive Board Directors:	50,000	320,000	230,000					
Xavier FONTANET		120,000	80,000					
Philippe ALFROID		100,000						
Hubert SAGNIÈRES	50,000 [(a)]	100,000	150,000					
Option exercise start date	05/14/2010	11/29/2010	11/28/2011	11/26/2012	11/25/2013	11/27/2014	not yet known, depends on performance	not yet known, depends on performance
Expiry date	11/14/2014	11/27/2015	11/26/2016	11/25/2017	11/24/2018	11/27/2019	11/25/2020	11/25/2021
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	€87.16
Exercise conditions	if performance achieved and present in Company: 50% after 2 years, 100% after 3 years	if performance of plan (+ special performance for Executive Board 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 Board 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	if performance achieved and present in Company: 50% after 2 years, 100% after 3 years
Shares subscribed as of 12/31/2014	1,018,880	1,272,270	1,183,777	313,682	22,315	3,587		
Aggregate number of options cancelled or lapsed	98,890	226,337	162,608	54,140	10,460	6,615	2,800	
Options remaining at 12/31/2014		69,473	232,735	266,938	52,845	71,558	85,080	121,505

(a) 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	11/25/2014 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	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	11/25/2014
Total number of shares awarded to:	552,491	513,775	536,116	893,458	1,193,189	1,176,340	1,279,460	1,448,464
The Executive Board Directors:	awarded 103,500 / vested 46,575			45,000	50,000	45,000	45,000	40,000
Xavier FONTANET	awarded 58,500/vested 26,325							
Philippe ALFROID	awarded 45,000 / vested 20,250							
Hubert SAGNIÈRES				45,000	50,000	45,000	45,000	40,000
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	residents: 11/27/2014 non-residents: 11/27/2016	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	residents: 11/27/2018 non residents 50% 11/27/2016 and 50% 11/27/2018	depends on vesting date	depends on vesting date
Performance conditions	presence + number vested depending on increase in share price	presence + number vested depending on increase in share price	presence + number vested depending on increase in share price	presence + number vested depending on increase in share price + special performance for Executive Board Director based on achievement of annual variable compensation targets	presence + number vested depending on increase in share price + special performance for Executive Board Director based on achievement of annual variable compensation targets	presence + number vested depending on increase in share price + special performance for Executive Board Director based on achievement of annual variable compensation targets	presence + number vested depending on increase in share price + special performance for Executive Board Director based on achievement of annual variable compensation targets	presence + number vested depending on increase in share price + special performance for Executive Board Director based on achievement of annual variable compensation targets
Number of shares vested at 12/31/2014	245,640	503,224	522,982	836,688	558,444	548,600	2,300	
Aggregate number of shares cancelled or lapsed	306,851	10,551	13,134	56,770	77,360	54,240	30,020	
Shares remaining at 12/31/2014					557,385	573,500	1,247,140	1,448,464

Table 10 – Executive Board Director – detailed table

Hubert SAGNIÈRES
Chief Operating Officer until December 31, 2009 then Chief Executive Officer from January 1, 2010, then Chairman and Chief Executive Officer from January 2, 2012.

Start of term	2008
End of term	2017
Employment contract	Yes – suspended starting January 1, 2010
Non-compete benefits	No
Supplementary pension plan	Yes
Termination benefits	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 statutory compensation is subject to performance conditions.
Restrictions on the sale of options or performance shares	Starting with awards granted in 2007, lock-up period for: One third of vested performance shares or one third 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).
Hedging instruments	Use of hedging instruments not permitted for options or performance shares
Supplementary pension benefits (projected benefit obligation)	€13,951,755

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

2.3.4 Compensation components due or awarded to Hubert Sagnières, Chairman of the Board of Directors and Chief Executive Officer, in respect of the 2014 fiscal year

To be submitted for the approval of the shareholders at the Shareholders' Meeting on May 5, 2015

Resolution 10 seeks the opinion of the shareholders on the compensation components due or allocated to Hubert Sagnières in respect of the fiscal year ended December 31, 2014. This vote is required in accordance with the recommendations of the AFEP-MEDEF Code of June 2013 (Article 24.3), to which the Company refers in application of Article L.225-37 of the French Commercial Code.

These components are presented in a table prepared in accordance with the recommendations contained in the AFEP-MEDEF Application Guide issued by the High Committee on Corporate Governance.

Details of compensation can be found in Section 2.3.

The shareholders, having read the terms of Article 24-3 of the AFEP-MEDEF Code and having fulfilled the required conditions for quorum and majority voting for Ordinary General Meetings, issue a favorable opinion on the compensation components due or allocated to Hubert Sagnières, Chairman of the Board of Directors and Chief Executive Officer, in respect of the 2014 fiscal year, as presented in Section 2.3.

Compensation components	Amount	Comments
Fixed compensation	€800,000	Gross fixed annual compensation effective January 2, 2012, approved by the Board of Directors on November 24, 2011 at the recommendation of the Executive officers and Remuneration Committee, amount unchanged since 2012.
Variable compensation	€1,178,400	At its meeting of February 18, 2015, the Board of Directors, at the recommendation of the Executive officers and Remuneration Committee and after approval of the financial items by the Audit and Risk Committee, assessed the variable compensation payable to Hubert Sagnières in respect of the 2014 fiscal year. Given the quantitative and qualitative criteria approved by the Board on February 26, 2014 and the achievements recorded as of December 31, 2014, the variable portion was assessed as follows: • in respect of quantitative criteria: ◦ restated net EPS: 185% of target achieved, ◦ combined growth: 145% of target achieved, ◦ bolt-on acquisition-led growth: 98% of target achieved; • in respect of qualitative criteria, the Board assessed that Hubert Sagnières had met all his personal targets set by the Board, namely progress on aspects of the acquisitions strategy, quality succession plans, successful integration of Transitions, and planning of the Board renewal with the support of the Nominations Committee. Consequently, the amount of Hubert Sagnières' variable compensation in respect of 2014 was approved at €1,178,400, i.e. 147.3% of his 2014 fixed annual compensation. Details of these criteria and their respective weighting and assessment scales are provided in Chapter 2, Section 2.3 "Compensation and Benefits".
Deferred variable compensation	N / A	Hubert Sagnières does not benefit from any deferred variable compensation.
Multi-year variable compensation	N / A	Hubert Sagnières does not benefit from any multi-year variable compensation.
Attendance fees	N / A	Hubert Sagnières does not receive any attendance fees.
Exceptional compensation	N / A	Hubert Sagnières does not benefit from any exceptional compensation.
Award of stock-subscription and share-purchase options	N / A	Hubert Sagnières does not benefit from stock options.

Compensation components	Amount	Comments
Award of performance shares	Number: 40,000; accounting valuation: €1,565,600	At its meeting of November 25, 2014, the Board of Directors, in application of the authority granted by the 12th resolution of the Shareholders Meeting of May 11, 2012, and at the recommendation of the Executive officers and Remuneration Committee, awarded a maximum of 40,000 performance shares to Hubert Sagnières, valued at €1,565,600 according to the method used for the consolidated financial statements. This corresponds to 2.4% of the total number of shares awarded (sum of performance shares and performance options allocated) and 0.019% of the capital as of December 31, 2014. As of December 31, 2014, a total of 22,500 shares (out of 45,000 shares vested in respect of the plan of November 25, 2010) were available to Hubert Sagnières Details of the vesting conditions (including maximum limits) and lock-up conditions of these shares are provided in Chapter 2, Section 2.3 "Compensation and Benefits".
Sign-on bonus	N / A	Hubert Sagnières does not benefit from any sign-on bonus.
Severance payment	No payment	Under a clause in his employment contract, which is put on hold during his term as Executive Board Director, Hubert Sagnières is entitled to a contractual severance payment in the maximum amount of €2,165,000, comprised of: • €1,149,254 in respect of benefits payable under French labor law and the applicable collective bargaining agreement; • €1,015,746 in supplementary benefits, entirely subject to performance conditions. In accordance with the procedure regarding related-party agreements and commitments, this commitment was authorized by deliberation of the Board on March 4, 2009, repeated on March 3, 2010, and ratified at the Shareholders' Meetings on May 5, 2011 (4th Resolution). Details of the terms of the award of this payment are provided in Chapter 2, Section 2.3 "Compensation and Benefits".
Non-compete payment	N / A	Hubert Sagnières does not benefit from any non-compete payment.
Supplementary pension plan	No payment	Hubert Sagnières is entitled to the defined benefit supplemental pension plan set up by the Company under the same terms and conditions as those applicable to the class of employees to which he belongs in terms of setting employee benefits and other ancillary items of his compensation. In accordance with the procedure regarding related-party agreements and commitments, this commitment was authorized by the Board on November 26, 2009 and ratified at the Shareholders' Meeting on May 11, 2010 (5th resolution). For example, if the calculation was done on the basis of the reference compensation (fixed and variable) of the last fiscal year, the annual pension provided by this plan would be 25% of the average total compensation (fixed and variable) actually paid to Hubert Sagnières during the 2012, 2013 and 2014 fiscal years (see Chapter 2, Section 2.3 "Compensation and Benefits").
Group death/disability and health insurance plans and defined contribution pension plan		Hubert Sagnières is entitled to the Group death / disability and health insurance plans and the defined contribution pension plan set up by the Company under the same terms and conditions as those applicable to the class of employees to which he belongs in terms of setting employee benefits and other ancillary items of his compensation.
Benefits in kind	€7,306	Hubert Sagnières is covered by an unemployment insurance policy. The premium was paid by the Company in 2014 in the amount of €7,306.

2.3.5 Summary statement of transactions performed in 2014 on Essilor International shares by Corporate Officers

(Article 223-26 of the AMF General Regulations)

First name	Last name	Title	Financial instrument	Transaction type	Transaction date	Transaction amount (€)
Philippe	ALFROID	Director	Shares	Sale	01/13/2014	1,220,469.43
			Shares	Stock options exercice	01/13/2014	497,550.00
			Shares	Sale	09/02/2014	1,604,743.74
			Shares	Stock options exercice	09/02/2014	650,563.21
Maureen	CAVANAGH	Director	Shares	Acquisition	12/19/2014	2,100.30 USD
			Shares	Acquisition	12/19/2014	1,801.80 USD
			Shares	Acquisition	12/19/2014	2,638.80 USD
			Shares	Acquisition	12/19/2014	2,417.10 USD
Xavier	FONTANET	Director	Shares	Stock options exercice	04/30/2014	331,700.00
			Shares	Stock options exercice	05/07/2014	331,700.00
			Shares	Sale	06/26/2014	842,142.25
			Shares	Stock options exercice	07/02/2014	601,770.14
			Shares	Stock options exercice	07/17/2014	331,700.00
			Shares	Sale	09/01/2014	1,217,509.00
			Shares	Stock options exercice	09/05/2014	885,639.00
			Shares	Stock options exercice	10/27/2014	239,520.57
Franck	HENRIONNET	Director	Shares	Subscription	12/19/2014	10,102.03
Bernard	HOURS	Director	Shares	Acquisition	05/06/2014	14,938.51
Aïcha	MOKDAHI	Director	Shares	Subscription	12/19/2014	22,576.25
Hubert	SAGNIÈRES	Chairman and Chief Executive Officer	Shares	Stock options exercice	03/04/2014	2,518,763.95
			Shares	Stock options exercice	03/19/2014	5,844,000.00
			Shares	Sale	11/25/2014	1,784,928.00
			Shares	Sale	11/28/2014	1,792,648.00
He	YI	Director	Shares	Subscription	12/19/2014	64,572.62

2.4 SUMMARY TABLE OF THE AFEP-MEDEF CODE RECOMMENDATIONS WHICH ARE NOT APPLIED

Reminder of the Reference Governance Code

The Essilor International Board of Directors declared that as of March 4, 2009, the AFEP and MEDEF Corporate Governance Code for listed companies of December 2008, which was last reviewed in June 2013 (hereinafter the “AFEP-MEDEF Code”) and is available on the AFEP and MEDEF websites, will be the Code to which Essilor International refers, especially for the preparation of the report provided in Article L.225-37 of the French Commercial Code.

Implementation of the “Apply or Explain” Regulation

As part of the “Apply or Explain” Regulation provided in Article L.225-37 of the French Commercial Code and referred to in Article 25.1 of the AFEP-MEDEF Code, the Company considers that its practices comply with the recommendations of the AFEP-MEDEF Code.

Nevertheless, some provisions have been disregarded for the reasons explained in the table below:

Recommendations of the AFEP-MEDEF Code (hereinafter the “Code”)	Practices of Essilor International and explanations
Composition of the Executive officers and Remuneration Committee (participation of the Director representing employees)	The Board of Directors did not wish to change the composition of the Executive officers and Remuneration Committee, which is comprised exclusively of Independent Directors. The compensation of Executive Board Directors is subject to an annual debate, as part of a specific topic deliberated by the Board of Directors and excluding the presence of the Executive Board Directors and the executive members of the Company, such that the Director representing employees can freely express their opinion prior to any decision. Furthermore, the employee shareholders are periodically invited, as part of the Valoptec Association, to discuss a certain number of topics, including the compensation of Executive Board Directors.
Suspension of employment contract of Executive Board Directors (Point 22 of the Code) It is recommended that, when an employee becomes an Executive Board Director 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 the Executive officers and Remuneration Committee, the Board had expressed reservations about “the obligation” to terminate the employment contract of a Non-Executive Board Director were he or she appointed Chairman and Chief Executive Officer 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 compensation, which is certainly not the objective pursued by the AFEP and MEDEF. This measure would detach the Non-Executive Board 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 Chief Executive Officer or Chief Executive Officer when they have been at the Company for at least 10 years.
Stock options and performance shares (Point 23.2.4 of the Code) Moreover, the performance shares awarded to Executive Board Directors 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 Executive Board Directors for the entire term of their office.

2.5 STATUTORY AUDITORS' REPORT ON THE REPORT OF THE CHAIRMAN

Report of the Statutory Auditors prepared pursuant to 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, 2014)

To the Shareholders,

In our capacity as Statutory Auditors of Essilor International and pursuant to Article L.225-235 of the French Commercial Code, we present to you our report for the fiscal year ended December 31, 2014 prepared by the Chairman of your Company in accordance with the provisions of Article L.225-37 of the French 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 French 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 French Commercial Code, without being responsible for verifying their accuracy.

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

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

The professional standards applicable in France require us to plan and perform an audit to assess the accuracy of 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. 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 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, prepared in application of the provisions of Article L.225-37 of the French 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 French Commercial Code.

Neuilly-sur-Seine and Courbevoie, March 2, 2015

The Statutory Auditors

PricewaterhouseCoopers Audit	**Mazars**
Christine Bouvry	Daniel Escudeiro

2.6 SPECIAL REPORT OF THE STATUTORY AUDITORS ON REGULATED AGREEMENTS AND COMMITMENTS

Shareholders' Meeting to approve the financial statements for the fiscal year ended December 31, 2014

To the Shareholders,

In our capacity as Statutory Auditors of your company, we present to you 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 the 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 and 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, where applicable, to report to shareholders as stipulated in Article R.225-31 of the French Commercial Code regarding the performance, during the past fiscal year, of any agreements and commitments already approved by the Shareholders' Meeting.

We performed our procedures in accordance with the 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 were approved during the past fiscal year and would require the approval of the Shareholders' Meeting pursuant to the provisions of 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 past fiscal year.

Neuilly-sur-Seine and Courbevoie, March 2, 2015

The Statutory Auditors

PricewaterhouseCoopers Audit	**Mazars**
Christine Bouvry	Daniel Escudeiro

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FINANCIAL STATEMENTS

IN BRIEF

2014: A YEAR OF STRONG GROWTH

€ millions	2014	2013	Change
Revenue	5,670	5,065	+13.4% [(a)]
Adjusted [(c)] contribution from operations [(b)]	1,057	920	+15.0%
(as a % of revenue)	*18.6%*	*18.2%*	
Adjusted net earnings per share [(c)] (€)	3.05	2.87	+6.3%
Free cash flow [(d)]	800	546	+47%
Dividend per share [(e)] (€)	1.02	0.94	+8.5%

(a) Excluding exchange rate effects.
(b) Contribution from operations corresponds to revenue less cost of sales and operating expenses (research and development costs, selling and distribution costs, other operating expenses).
(c) Adjusted for non-recurring items primarily related to the acquisition of Transitions Optical, Coastal.com, Costa and Xiamen Yarui Optical.
(d) Cash flow from transactions less changes in working capital and capital expenditures.
(e) Subject to shareholder approval at the Shareholders' Meeting of May 5, 2015.

DATE OF LATEST FINANCIAL INFORMATION

The latest audited financial information corresponds to financial years 2013 and 2014 (periods from January 1 to December 31).

DOCUMENTS INCLUDED BY REFERENCE

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

- the consolidated financial statements for the year ended December 31, 2012 and the Statutory Auditors' Report on the consolidated financial statements for the year, which appear respectively on pages 90 to 151 and 152 of the 2012 Registration Document filed with the AMF on April 2, 2013 under number D.13-0252;
- the consolidated financial statements for the year ended December 31, 2012 and the Statutory Auditors' Report on the consolidated financial statements for the year, which appear respectively on pages 91 to 157 and 158 of the 2013 Registration Document filed with the AMF on March 25, 2014 under number D.14-0200.

THE REGISTRATION DOCUMENTS AND RELEASES CITED ARE AVAILABLE AT:

@ Investors / Publications
www.essilor.com

SELECTED FINANCIAL INFORMATION FOR INTERIM PERIODS

The Company has elected not to restate financial information for interim periods in this Document. For the record, the consolidated results at June 30, 2014 were released on August 28, 2014. The financial statement, the consolidated income statement, consolidated balance sheet and consolidated statement of cash flows at June 30, 2014 and the presentation of results for the first half of 2014 are available on the Essilor website.

3.1 COMMENTS ON THE COMPANY'S FINANCIAL POSITION AND EARNINGS

3.1.1 Operating profit

Condensed statement of income

The published 2014 financial statement contain several non-recurring items. In order to facilitate understanding of its operating performance, Essilor publishes financial statements that are adjusted for these items. Most of these adjustments are purely accounting related with no impact on cash.

Reported Statement of Income / Adjusted Statement of Income

€ millions	2014 Adjusted [b]	Non-recurring items [c]	2014 Reported	2013 Reported
Revenue	5,670		5,670	5,065
Contribution from operations [a]	1,057	(15)	1,043	917
(% of revenue)	*18.6%*		*18.4%*	*18.1%*
Other income (expense), net	(68)	247	179	(73)
Operating profit	989	232	1,222	843
Net profit	702	284	986	646
Attributable to equity holders of Essilor Internationall	642	288	929	593
(% of revenue)	*11.3%*		*16.4%*	*11.7%*
Earnings per share (€)	3.05	1.37	4.41	2.82

(a) Contribution from operations corresponds to revenue less cost of sales and operating expenses (research and development costs, selling and distribution costs, other operating expenses).

(b) Adjusted for non-recurring items related mainly to the Transitions Optical, Coastal.com and Costa acquisitions in 2014 and to the Xiamen Yarui Optical (Bolon) acquisition in 2013. Revenue data are not adjusted.

(c) Non-recurring items primarily include the €544-million gain recognized on the full-consolidation of Transitions Optical, in application of IFRS 3 (revised), offset by (i) €118 million in impairment losses on property, plant and equipment, intangible assets and goodwill, (ii) €28 million in technical expense adjustments arising from the full-consolidation of Transitions Optical, (iii) €17 million in acquisitions costs, (iv) €54 million in restructuring costs arising from plans to unleash acquisition-related synergies, (v) €50 million in contingent consideration payments and adjustments to other provisions for contingencies, and (vi) the €30-million contribution to the Vision for Life program.

The following tables and comments concern the adjusted statement of income.

Adjusted Statement of Income

€ millions	2014 Adjusted [b]	2013 Adjusted [c]	Change
Revenue	5,670	5,065	+12.0%
Gross profit	3,328	2,841	+17.1%
(% of revenue)	*58.7%*	*56.1%*	
Operating expenses	2,271	1,921	+18.2%
EBITDA [d]	1,365	1,173	+16.4%
(% of revenue)	*24.1%*	*23.2%*	
Contribution from operations [a]	1,057	920	+15%
(% of revenue)	*18.6%*	*18.2%*	
Operating profit	989	857	+15.4%
Net profit	702	657	+6.9%
Attributable to equity holders of Essilor International	642	603	+6.5%
(% of revenue)	*11.3%*	*11.9%*	
Earnings per share (€)	3.05	2.87	+6.3%

(a) Contribution from operations corresponds to revenue less cost of sales and operating expenses (research and development costs, selling and distribution costs, other operating expenses).

(b) Adjusted for non-recurring items related mainly to the Transitions Optical, Coastal.com and Costa acquisitions in 2014 and to the Xiamen Yarui Optical (Bolon) acquisition in 2013. Revenue data are not adjusted.

(c) The 2013 income statement has been adjusted for €3 million in contribution from operations and gross profit, corresponding to step-up on inventories from the acquisition of Xiamen Yarui Optical, and for a €10-million expense, net of tax, in other expenses.

(d) Corresponding to adjusted contribution from operations before recurring depreciation and amortization.

Significant factors affecting operating profit

Revenue

For more information on revenue, refer to Section 1.5 "Performance of the Group in 2014" of this Registration Document.

Higher adjusted gross margin

Adjusted gross profit (revenue less cost of sales) stood at €3,328 million for the year, representing 58.7% of revenue, versus 56.1% in 2013. The improvement mainly reflects the contribution from Transitions Optical.

Adjusted operating expenses up 18.2% to €2,271 million

Operating expenses amounted to 40.0% of revenue, versus 37.9% in 2013. The increase came both from the consolidation of the year's acquisitions (especially Transitions Optical) and from the higher media spend.

These expenses included:

- €188 million in R&D and engineering costs, versus €164 million in 2013;
- €1,367 million in selling and distribution costs, up from €1,118 million in 2013 as a result of (i) the costs of launching new products, such as Transitions' new generation photochromic lenses marketed under the Signature brand and (ii) a strategic increase in media spend to spur faster sales of the Varilux, Crizal, Transitions, Xperio and Kodak brands in the main geographic markets. Excluding Transitions Optical, Costa, Coastal.com and Xiamen Yarui Optical, these costs increased by 5.3% in 2014.

Higher adjusted contribution from operations

The adjusted contribution margin widened by 40 basis points, of which:

- 10 basis points from the synergy gains arising on the integration of Transitions Optical, partially offset by a reinvestment in advertising;
- 30 basis points from the accretive impact of the Transitions Optical and Xiamen Yarui Optical acquisitions, partially offset by the dilutive impact from Coastal.com.

Contribution from operations [a]	2014 Adjusted [b]	2013 Adjusted [c]	Change
€ millions	1,057	920	+15%
As a % of revenue	18.6%	18.2%	

(a) Operating profit before compensation costs for share-based payment plans, restructuring costs, other income and expenses, and goodwill impairment.

(b) Adjusted for non-recurring items related mainly to the Transitions Optical, Coastal.com and Costa acquisitions in 2014 and to the Xiamen Yarui Optical (Bolon) acquisition in 2013.

(c) The 2013 income statement has been adjusted for €3 million in contribution from operations and gross profit, corresponding to a step-up on inventories from the acquisition of Xiamen Yarui Optical, and for a €10-million expense, net of tax, in other expenses.

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

Adjusted "Other income and expenses from operations" and "Gains and losses on asset disposals" together represented a net expense of €68 million versus an expense of €63 million 2013. It covered:

- Charges to restructuring provisions in a total amount of €22 million, mainly related to the rationalization of the prescription laboratory network in Europe;
- Compensation costs for shared-based payments (in particular performance share plans), totaling €39 million;
- Other expenses in an amount of €7 million.

Operating profit

In 2014, adjusted operating profit (Contribution from operations – Other income and expenses) was up 15.4% to €989 million or 17.4% of revenue.

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

Adjusted finance costs and other financial income and expenses, net

This item rose to a net cost of €44 million from €20 million in 2013, due to the increase in interest costs following the debt taken on to finance the Transitions Optical, Costa, Xiamen Yarui Optical (Bolon) and Coastal.com acquisitions.

Adjusted attributable profit up 6.5% to €642 million

Profit attributable to equity holders of Essilor International is stated after:

- €246 million in adjusted income tax expense, representing an adjusted effective tax rate of 26% compared with 24.1% in 2013. Most of the increase resulted from changes in the scope of consolidation and the increase in business in North America;
- €3 million in the share of profits of associates, corresponding to Transitions Optical's contribution in first-quarter 2014. Last year, when Transitions was accounted for by the equity method over the full year, the share of profits of associates stood at €22 million;
- €60 million in non-controlling interests, up from €54 million in 2013 due to the non-controlling interests in companies newly consolidated in 2014, especially Xiamen Yarui Optical (Bolon).

Adjusted earnings per share rose 6.3% to €3.05.

3.1.3 Financial position

Cash flow statement

Operating cash flow [(1)] grew at the same rate as revenue, rising 12%, and was sufficient to finance the dividends paid to shareholders, the capital expenditure program and part of the purchases of financial assets.

Capital expenditure and investments

Totaling €232 million in 2014, purchases of property, plant and equipment and intangible assets covered capital expenditure to support the Company's development and the completion of several new buildings, including the regional headquarters in Singapore and the Sunglasses & Readers Division's Rhode Island distribution center in the United States. These outlays amounted to €297 million in 2013, when they included several exceptional transactions such as the acquisition of the Kodak license and the construction of the new R&D center in France.

Financial investments for the year came to €1,851 million, including the purchases of Transitions Optical, Costa and Coastal.com.

Lastly, €36 million was invested in the buyback of 469,425 Essilor shares to offset part of the dilution from the issuance or distribution of shares for employees.

Working capital requirement

Working capital requirement declined by €10 million in 2014, thanks primarily to tight inventory management and items related to accrued taxes and personnel expenses.

(1) Net cash from operating activities before working capital requirement.

Free cash flow (1)

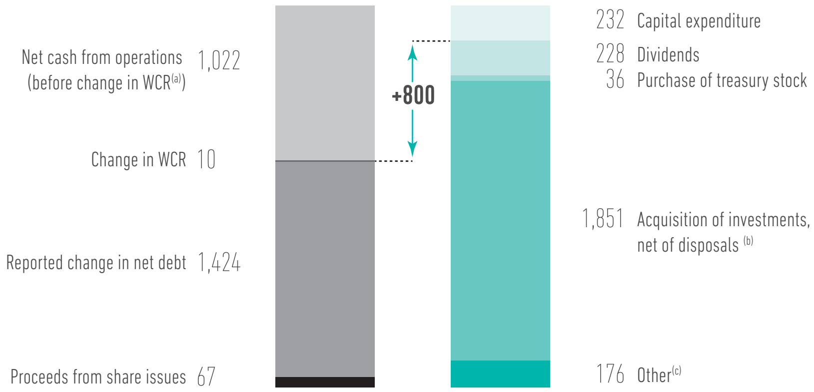
In the end, capital expenditure discipline helped to increase free cash flow (1) by 46.5% to €800 million for the year.

Consolidated net debt ended 2014 at €1,793 million or 1.3 times consolidated EBITDA. This illustrates the rapid deleverage over the second half from a net debt of €2,166 million reported at June 30, 2014 in the wake of the acquisitions of Transitions Optical, Coastal.com and Costa.

Acquisitions during the year were primarily financed by the €800-million issue of seven and ten-year bonds, by a $450-million bank loan, and by commercial paper issues for the remainder. See Notes 7 and 23 in Section 3.4.

Simplified cash flow statement

(€ millions)



(a) WCR = Working capital requirement.
(b) Financial investments net of cash acquired, plus debt of newly acquired companies.
(c) Other items include the positive €167-million currency effect.

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-term 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. Furthermore, recent advances have made lenses even more attractive in relation to competing technologies.

3.2.3 Subsequent events

None.

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

3.2.4 2015 Outlook

In 2015, Essilor will step-up its growth momentum by strengthening in three main businesses: Corrective Lenses, Sunwear, and Online Sales. It will step up its consumer marketing spend, which should total almost €200 million across the business base, and will continue to develop all the synergies generated from the acquisitions completed in 2014. Lastly, it will continue to expand in fast-growing countries and enter new territories.

Essilor expects to deliver revenue growth exceeding 4.5% on a like-for-like basis in 2015. Barring any new strategic acquisitions, the Company is targeting revenue growth of between 8% and 11% (excluding the currency effect) and an adjusted contribution from operations [1] of at least 18.8% of revenue.

Over the medium term, the broadening of the Company's playing field and its increasing proximity with consumers should continue to drive faster like-for-like revenue growth and boost profitability.

3.3 CONSOLIDATED FINANCIAL STATEMENTS

3.3.1 Consolidated income statement

€ millions, excluding per share data	Note	Year 2014	Year 2013
Revenue	3	5,670	5,065
Cost of sales		-2,355	-2,227
GROSS PROFIT		**3,315**	**2,838**
Research and development costs		-188	-164
Selling and distribution costs		-1,367	-1,145
Other operating expenses		-717	-612
CONTRIBUTION FROM OPERATIONS [a]		**1,043**	**917**
Other income from operations	6	546	5
Other expenses from operations	6	-367	-79
OPERATING PROFIT	**3**	**1,222**	**843**
Finance costs, net	7	-31	-8
Other financial income	8	297	87
Other financial expenses	8	-312	-99
Share of profits of associates	16	3	22
PROFIT BEFORE TAX		**1,179**	**845**
Income tax expense	9	-193	-199
NET PROFIT		**986**	**646**
Attributable to Group equity holders		**929**	**593**
Attributable to minority interests		57	53
Basic earnings attributable to Group equity holders per share (€)		4.41	2.82
Weighted average number of shares (thousands)	10	210,511	210,156
Diluted earnings attributable to Group equity holders per share (€)		4.32	2.78
Diluted weighted average number of shares (thousands)	11	214,820	213,057

(a) Contribution from operations corresponds to revenue less cost of sales and operating expenses (research and development costs, selling and distribution costs, other operating expenses).

The accompanying notes are an integral part of the consolidated financial statements.

(1) Adjusted contribution from operations corresponds to revenue less cost of sales and operating expenses (research and development costs, selling and distribution costs, other operating expenses), adjusted for non-recurring items related mainly to strategic acquisitions.

Statement of consolidated comprehensive income

€ millions	Year 2014			Year 2013		
	Attributable to Group equity holders	Attributable to minority interests	Total	Attributable to Group equity holders	Attributable to minority interests	Total
NET PROFIT FOR THE PERIOD (A)	**929**	**57**	**986**	**593**	**53**	**646**
Items of comprehensive income that will not be reclassified subsequently to profit or loss						
Actuarial gains and losses on pension obligations	-50		-50	6		6
Tax on items that will not be reclassified subsequently	7		7	-6		-6
Items of comprehensive income that may be reclassified subsequently to profit or loss						
Cash flow hedges, effective portion	8		8	-5		-5
Hedges of net investment in foreign operations, effective portion						
Increase (decrease) in fair value of long-term financial investments	-1		-1	-1		-1
Translation reserves	367	29	396	-238	-18	-256
Tax on items that may be reclassified subsequently	-2		-2	2		2
TOTAL INCOME (EXPENSE) FOR THE PERIOD RECOGNIZED DIRECTLY IN EQUITY, NET OF TAX (B)	**329**	**29**	**358**	**-242**	**-18**	**-260**
TOTAL RECOGNIZED INCOME AND EXPENSES, NET OF TAX (A) + (B)	**1,258**	**86**	**1,344**	**351**	**35**	**386**

The accompanying notes are an integral part of the consolidated financial statements.

3.3.2 Consolidated balance sheet

Assets

€ millions	Note	December 31, 2014	December 31, 2013
Goodwill	12	4,668	2,476
Other intangible assets	13	1,532	732
Property, plant and equipment	14	1,154	998
Investments in associates	16	3	113
Non-current financial assets	17	103	97
Deferred tax assets	9	151	112
Long-term receivables		15	17
Other non-current assets		1	1
TOTAL NON-CURRENT ASSETS		**7,627**	**4,546**
Inventories	18	1,002	869
Prepayments to suppliers		20	16
Short-term receivables	19	1,327	1,192
Current income tax-assets		56	67
Other receivables		38	33
Derivative financial instruments recognized in assets	24	43	17
Prepaid expenses		50	46
Marketable securities	23		5
Cash and cash equivalents	20	626	786
CURRENT ASSETS		**3,162**	**3,031**
TOTAL ASSETS		**10,789**	**7,577**

The accompanying notes are an integral part of the consolidated financial statements.

Equity and liabilities

€ millions	Note	December 31, 2014	December 31, 2013
Share capital		39	39
Issue premiums		360	302
Consolidated reserves		3,758	3,340
Own shares		-286	-304
Hedging and revaluation reserves		-121	-83
Translation difference		236	-131
Profit attributable to Group equity holders		929	593
Equity attributable to parent company owners		**4,915**	**3,756**
Equity attributable to non-controlling interests	32	345	285
TOTAL CONSOLIDATED EQUITY		**5,260**	**4,041**
Provisions for pensions	21	281	209
Long-term borrowings	23	1,521	607
Deferred tax liabilities	9	383	165
Other long-term liabilities	25	394	517
NON-CURRENT LIABILITIES		**2,579**	**1,498**
Provisions	22	274	131
Short-term borrowings	23	926	567
Customer prepayments		31	28
Short-term payables	19	1,215	1,060
Taxes payable		58	63
Other current liabilities	25	421	156
Derivative financial instruments recognized in liabilities	24	17	17
Deferred income		8	16
CURRENT LIABILITIES		**2,950**	**2,038**
TOTAL EQUITY AND LIABILITIES		**10,789**	**7,577**

The accompanying notes are an integral part of the consolidated financial statements.

3.3.3 Statement of changes in equity

Fiscal year 2014

€ millions	Share capital	Issue premiums	Revaluation reserves	Reserves	Translation difference	Treasury stock	Profit attributable to Group equity holders	Equity attributable to parent company owners	Equity attributable to non-controlling interests	Total equity
EQUITY AT JANUARY 1, 2014	**39**	**302**	**-83**	**3,340**	**-131**	**-304**	**593**	**3,756**	**285**	**4,041**
Capital increases										
• FCP Mutual funds		23						23		23
• Stock purchase options		35						35		35
• Capitalization of reserves										
Capital increases subscribed by minority interests									8	8
Share-based payments				34				34		34
Purchases of treasury stock (net of sales)				-45		18		-27		-27
Allocation of profit				593			-593			
Effect of changes in scope of consolidation				34				34	-4	30
Dividends paid				-198				-198	-30	-228
TRANSACTIONS WITH SHAREHOLDERS		**58**		**418**		**18**	**-593**	**-99**	**-26**	**-125**
Total income (expense) for the period recognized directly in equity			-38					-38		-38
Net profit for the fiscal year							929	929	57	986
Translation differences and other					367			367	29	396
TOTAL RECOGNIZED INCOME AND EXPENSE			**-38**		**367**		**929**	**1,258**	**86**	**1,344**
EQUITY AT DECEMBER 31, 2014	**39**	**360**	**-121**	**3,758**	**236**	**-286**	**929**	**4,915**	**345**	**5,260**

The accompanying notes are an integral part of the consolidated financial statements.

Fiscal year 2013

€ millions	Share capital	Issue premiums	Revaluation reserves	Reserves	Translation difference	Treasury stock	Profit attributable to Group equity holders	Equity attributable to parent company owners	Equity attributable to non-controlling 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 purchase options		45						45		45
• Capitalization of reserves										
Capital increases subscribed by minority interests									2	2
Cancellation of treasury shares		-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**

The accompanying notes are an integral part of the consolidated financial statements.

3.3.4 Consolidated cash flow statement

€ millions	Notes	Year 2014	Year 2013
NET PROFIT [a]		**986**	**646**
Share of profits of associates, net of dividends received		25	42
Depreciation, amortization and other non-cash items		451	247
Profit before non-cash items and share of profits of associates, net of dividends received		**1,462**	**935**
Provision charges (reversals)		99	-2
Gains and losses on asset disposals, net		-513	1
Cash flow after income tax and finance costs		**1,048**	**934**
Finance costs, net		31	8
Income tax expense (current and deferred taxes) [a]		193	199
Cash flow before income tax and finance costs		**1,272**	**1,141**
Income taxes paid		-225	-222
Interest (paid) and received, net		-25	-7
Change in working capital		10	-69
NET CASH FROM OPERATING ACTIVITIES		**1,032**	**843**
Purchases of property, plant and equipment and intangible assets		-232	-297
Acquisitions of subsidiaries, net of the cash acquired		-1,836	-330
Purchases of available-for-sale financial assets		-4	-3
Change in other non-financial assets		-9	-5
Effect of changes in scope of consolidation			2
Proceeds from the sale of other non-current assets		6	12
NET CASH USED IN INVESTING ACTIVITIES		**-2,075**	**-621**
Capital increase [b]		67	68
Net sale (net buyback) of treasury shares [b]		-36	-169
Dividends paid:			
• to equity holders of Essilor [b]		-198	-186
• to minority shareholders of the consolidated subsidiaries [b]		-30	-32
Bond issues	23	800	
Increase/(Decrease) in borrowings other than finance lease liabilities	23	434	281
Acquisition of marketable securities [c]		6	
Repayment of finance lease liabilities		-4	-1
Other movements			1
NET CASH USED IN FINANCING ACTIVITIES		**1,039**	**-38**
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**-4**	**184**
Net cash and cash equivalents at January 1		**749**	**580**
Effect of changes in exchange rates		-147	-15
NET CASH AND CASH EQUIVALENTS AT DECEMBER 31		**598**	**749**
Cash and cash equivalents	20	626	786
Bank credit facilities	23	-28	-37

(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.

The accompanying notes are an integral part of the consolidated financial statements.

3.4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. ACCOUNTING PRINCIPLES

1.1 General

Essilor International (Compagnie Générale d'Optique) is a *société anonyme* (public limited company) with a Board of Directors and is governed by the laws of France. Its registered office is located 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 2014 consolidated financial statements were approved by the Board of Directors on February 18, 2015.

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, 2014. International accounting standards can be accessed on the European Commission website [1].

1.3 New accounting standards and interpretations

The accounting methods applied are the same as those used in the annual financial statements as of December 31, 2013. The standards, amendments and interpretations with mandatory application in or after 2014 (see below) have no material impact on Group financial statements:

- 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 – Offsetting Financial Assets and Financial Liabilities;
- Amendments to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets;
- Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting;
- Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment Entities.

Furthermore, the Group does not apply early the standards, amendments or interpretations whose application is not mandatory on or after January 1, 2014:

- IFRIC 21 – Levies;
- IFRS 9 – Financial Instruments;
- IFRS 14 – Regulatory Deferral Accounts;
- IFRS 15 – Revenues from Contracts with Customers;
- Amendments to IAS 16 and IAS 41 – Agriculture: Bearer Plants;
- Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortization;
- Amendments to IAS 19 – Defined benefit plans: Employee Contributions;
- Amendments to IAS 27 (revised) – Equity Method in Separate Financial Statements;
- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations.

The impact of these standards on the consolidated financial statements is currently being assessed.

(1) http://ec.europa.eu/internal_market/accounting/ias_en.htm#adopted-commission.

1.4 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 1.20 and 12);
- fair values in relation to business combinations and put options granted to minority shareholders (Note 1.20);
- risk assessment to determine the amount of provisions (Notes 1.31 and 1.20);
- measurement of retirement benefit obligations (Notes 1.30 and 21).

The final amounts may differ from these estimates.

1.5 Basis of consolidation

Companies over which the Group has direct or indirect exclusive control are fully consolidated.

Partnerships qualified as joint business are consolidated line by line, for up to the share effectively contributed by the Group. Partnerships qualified as joint ventures are, in turn, consolidated by the equity 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 was consolidated by the equity method until March 31, 2014 (see Note 2). Based on an economic analysis of the flows between Essilor and Transitions, between Transitions and Essilor, and of the sales of Transitions products by Essilor to third parties until March 31, 2014:

- revenue recognition from transactions between Essilor and Transitions has been canceled from Essilor's 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 event of a change in percent interest during the year, profit attributable to equity holders of the parent is calculated by applying:

- the former percentage of ownership interest in the profit generated prior to the date on which the percentage of ownership interest changed; and
- the new percentage of ownership interest in the profit generated after that date and through 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.

1.6 Segment information

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 and Optical Instruments, Equipment, and Sunglasses & Readers.

The **Lenses and 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 and Optical Instruments business chain is 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 and development, marketing, intellectual property and engineering functions.

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 **Sunglasses & Readers** business segment comprises the production, distribution and sale of both non-prescription sunglasses and non-prescription reading glasses. The end customers for this segment are retailers that sell non-prescription reading glasses to consumers.

1.7 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.

1.8 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.

1.9 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 Sunglasses & Readers (non-prescription sunglasses and 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.

1.10 Cost of sales

Cost of sales corresponds mainly to the cost of goods sold, less any cash discounts received from suppliers.

1.11 Contribution from operations

Contribution from operations corresponds to revenue less cost of sales and operating expenses (research and development costs, selling and distribution costs, other operating expenses).

1.12 Other operating income and expenses

Income and expenses that cannot be inherent to the Group's current business activities, in terms materiality, nature or unusual nature are recognized under other operating income and expenses.

They include primarily costs related to restructuring, compensation costs on share-based payments, costs related to major strategic acquisitions, estimate adjustments to opening balance sheets of acquired subsidiaries recorded after the one-year allocation period, provisions and impairment of property, plant and equipment or intangible assets of substantial materiality, legal dispute costs and provisions, changes in price supplements for acquisitions made after January 1, 2010, net income on disposal of business activities and consolidated entities as well as in step acquisitions, the fair value revaluation of the previously held share.

1.13 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, November 2013, and November 2014 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, November 2013, and November 2014 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. An illiquidity discount has been taken into account by the Group since the second half of 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.

1.14 Financial 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.

1.15 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.

1.16 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	17	Share price		N/A	
UCITS units	Fair value	1	23	Market value (net asset value)		N/A	
Forward foreign exchange contracts	Fair value	2	24	Discounted cash flows	ECB rate	Zero Coupon curves	N/A
Currency option	Fair value	2	24	Black and Scholes	Forward curves, ECB rate, Spot rate	Zero Coupon curves	At the money
Interest rate swaps	Fair value	2	24	Discounted cash flows	N/A	Zero Coupon curves	N/A
Cross-currency swaps	Fair value	2	24	Discounted cash flows	ECB rate	Zero Coupon curves	N/A
Liabilities relating to business combinations or minority interests	Fair value	3	24	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 1.20.			

The fair value of financial assets and liabilities is shown in Note 23.2.

1.17 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.

1.18 Basic 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.

Awards of performance shares 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.

1.19 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.

1.20 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 income and 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 income and expenses 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 "Non-controlling 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 accretion of discount 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 "Non-controlling 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 non-controlling 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.

The Group has defined seven CGUs that correspond to like-for-like asset groups and generate identifiable cash flows. 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.

Group 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 12 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.

1.21 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 1.20).

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 20 to 45 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:

- the trademark corresponds to the legal name of a legal entity and is, in fact, associated with the image and reputation of the Company;
- the Group has the intention and ability to support the trademark.

Trademarks with an indefinite life are tested for impairment annually, along with goodwill (see Note 1.20). 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.

Trademarks with a definite life as well as 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.

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.

1.22 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 Property, plant and equipment	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.

1.23 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.

1.24 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.

1.25 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.

1.26 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.

1.27 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 23 "Net Debt and Borrowings").

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.

1.28 Equity

Issue premiums

Additional paid-in capital is the excess of the issue price of capital increases over the par value of the shares issued.

Own shares

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, non-controlling 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.

Non-controlling interests

Non-controlling 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 "Non-controlling interests" to "Other non-current liabilities" or "Other current liabilities" based on their expiration date.

1.29 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.

1.30 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 based on the assessments of independent actuaries.

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.

The provision recorded in the balance sheet correspond to the projected benefit obligation less the market value of any plan assets.

1.31 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 1.20) – 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.

1.32 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 "Non-controlling 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 non-controlling 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	December 2014	December 2013	December 2014	December 2013
Canadian dollar	1.41	1.47	1.47	1.37
British pound	0.78	0.83	0.81	0.85
Yuan	7.54	8.35	8.19	8.16
Yen	145.23	144.72	140.31	129.66
Indian rupee	76.72	85.37	81.04	77.93
Real	3.22	3.26	3.12	2.87
US dollar	1.21	1.38	1.33	1.33

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.

Strategic Acquisitions

On April 1, 2014, Essilor International finalized the acquisition of the 51% stake in Transitions Optical held by PPG. Transitions Optical is a leading provider of photochromic lenses to optical manufacturers worldwide.

Following the transaction, Essilor owns 100% of the capital of Transitions Optical. Founded in 1990, Transitions Optical is a company based in Pinellas Park in Florida (United States). Its revenue totaled USD844 million in 2013, including USD279 million with lens manufacturers other than Essilor.

The consideration for the transaction totals USD1.78 billion paid on the date of acquisition plus a deferred payment USD125 million over five years.

Since April 1, 2014, Essilor has been consolidating 100% of Transitions Optical by the full consolidation method; until that date, 49% of Transitions Optical was equity-accounted.

On April 28, 2014, Essilor International completed the acquisition of the total share capital of Coastal.com, one of the world's leading online vision care retailers. The transaction was announced on February 27, 2014 and approved by Coastal.com's shareholders at the Extraordinary Shareholders' Meeting held on April 16, 2014 before obtaining all the required regulatory approvals.

Based in Vancouver, British Columbia (Canada), Coastal.com designs and distributes one of the widest online selection of optical equipment: contact lenses, prescription and non-prescription eyeglasses, sunglasses and accessories. The Company generated revenue of CAD 218 million in the fiscal year ended October 31, 2013. Its equity totals approximately CAD 430 million, i.e., CAD 12.45 per Coastal.com share.

Since April 28, 2014, Essilor has been consolidating 100% of the Coastal.com group by the full consolidation method.

Newly consolidated companies

The following companies were consolidated for the first time in 2014:

Name	Country	Consolidated from	Consolidation method	% interest	% consolidated
Plunkett Optical Inc.	United States	January 2, 2014	Full	80.00	100.00
Rooney Optical Inc.	United States	January 3, 2014	Full	100.00	100.00
Rooney Optical of Pennsyvania, L.L.C.	United States	January 3, 2014	Full	100.00	100.00
Ping Ding Shan Fangyuan Vision Optical Technology Co Ltd. (a)	China	January 1, 2014	Full	51.00	100.00
Shanghai Global Lens Distribution (a)	China	January 1, 2014	Full	100.00	100.00
Costa Inc.	United States	January 31, 2014	Full	100.00	100.00
Shamir Asia Pte. Ltd.	Singapore	March 25, 2014	Full	50.00	100.00
Intercast Europe S.R.L.	Italy	April 1, 2014	Full	100.00	100.00
Starclic Indústria e Comércio Ótico Ltda.	Brazil	April 1, 2014	Full	25.50	100.00
I-Coat Company, L.L.C.	United States	April 1, 2014	Full	85.00	100.00
Solarlens	Thailand	April 1, 2014	Full	100.00	100.00
Essilor Saudi Arabia Limited	Saudi Arabia	April 10, 2014	Full	50.00	100.00
Coastal Contacts (Aus) Pty Ltd	Australia	April 28, 2014	Full	100.00	100.00
Clearly Contacts Ltd	Canada	April 28, 2014	Full	100.00	100.00
Lensway OY	Finland	April 28, 2014	Full	100.00	100.00
Coastal Japan Kabushikigaisha 2	Japan	April 28, 2014	Full	100.00	100.00
Condis B.V.	Netherlands	April 28, 2014	Full	100.00	100.00
Lensway B.V.	Netherlands	April 28, 2014	Full	100.00	100.00
Asianzakka PTY	Singapore	April 28, 2014	Full	100.00	100.00
Eyeway AB	Sweden	April 28, 2014	Full	100.00	100.00
Lensco AB	Sweden	April 28, 2014	Full	100.00	100.00
Lenshold AB	Sweden	April 28, 2014	Full	100.00	100.00
Lenslogistics AB	Sweden	April 28, 2014	Full	100.00	100.00
Coastal Vision (US), Inc.	United States	April 28, 2014	Full	100.00	100.00
Just Eyewear L.L.C.	United States	April 28, 2014	Full	100.00	100.00
ASE Corporate Eyecare	United Kingdom	May 6, 2014	Full	70.00	100.00
Digitop	Brazil	July 1, 2014	Full	70.00	100.00
Esel Optik	Turkey	July 8, 2014	Full	51.00	100.00
Activisu	France	August 29, 2014	Full	68.29	100.00
Shamir Singapore Pte. Ltd.	Singapore	September 22, 2014	Full	50.00	100.00
Company Grandvision L.L.C.	Russia	September 24, 2014	Full	75.00	100.00
Lotus Flower Holding B.V.	Netherlands	September 24, 2014	Full	75.00	100.00

(a) Companies acquired in prior years and consolidated for the first time during the 2014 fiscal year.

The 2013 income statement also includes the contribution over the full year of the following companies that were consolidated for the first time in 2013:

Name	Country	Consolidated from	Consolidation method	% interest	% consolidated
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
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
Essilor Management North & West Africa	Morocco	September 3, 2013	Full	100	100
Katz & Klein	United States	September 4, 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

Name	Country	Consolidated from	Consolidation method	% interest	% consolidated
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	25.5	100
Comprol	Brazil	December 2, 2013	Full	51	100
R&D Cherry	United States	December 2, 2013	Full	80	100

Other movements

In addition, the Group's holding in the following companies has been changed following the exercise of the partner's put options, internal sales within the Group or transactions with third parties:

- Essilor VSP Holding Co. Inc., from 65% to 100% on January 5, 2014;
- Barnett & Ramel Optical, from 80% to 100% on January 21, 2014;
- Empire Optical of California Inc., from 85% to 100% on January 21, 2014;
- Eyecare Express Lab, from 95% to 98% on February 1, 2014;
- Manufacture Lorraine d'Optique Montroyal, from 64% to 100% on February 3, 2014;
- Optical Suppliers Inc, from 85% to 90%, on February 20, 2014;
- Prescription Safety Glasses Pty Limited, from 51% to 100%, on March 18, 2014;
- Sunix Computer Consultants Pty Limited, from 50% to 100%, on March 20, 2014;
- GBO Commercio de Produtos Opticos Ltda, from 74% to 76%, on April 15, 2014;
- Dac Vision SAS, from 60% to 100%, on June 16, 2014;
- Dac Vision Inc., from 60% to 100%, on June 16, 2014;
- Dac Vision HK, from 60% to 100%, on June 16, 2014;
- Essor France, from 65% to 50%, on July 1, 2014;
- Shamir Australia, from 33% to 50% on August 1, 2014;
- Ceditop, from 76% to 70%, on August 31, 2014;
- MGM, from 85% to 90% on September 29, 2014.

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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 – Transitions	Newly consolidated – other acquisitions	Newly consolidated companies – Total
Intangible assets [(a)]	526	228	754
Property, plant and equipment	102	17	119
Other non-current assets	13	-17	-4
Current assets	168	71	239
Cash	82	-2	80
TOTAL ASSETS ACQUIRED AT FAIR VALUE	**891**	**297**	**1,188**
Minority interests in equity		2	2
Long-term borrowings		3	3
Other long-term liabilities	199	75	274
Short-term borrowings		2	2
Other current liabilities	113	63	176
TOTAL LIABILITIES ASSUMED AT FAIR VALUE	**312**	**145**	**457**
NET ASSETS ACQUIRED[(b)]	**579**	**152**	**731**
Acquisition cost	2,055 [(c)]	572	2,627
Fair value of net assets acquired [(b)]	579	152	731
Recognized goodwill	**1,476**	**420**	**1,896**

(a) See Note 13.
(b) Or consolidated during the period.
(c) This amount corresponds to the total acquisition price and the fair value revaluation of the 49% previously held.

In accordance with IFRS 3 (revised) on business combinations, the Transitions Optical change in consolidation method resulted in the recognition in the 2014 financial statements of the following:

- capital gain of €544 million corresponding to the fair value revaluation, through profit and loss, of the 49% previously held and equity-accounted until March 31, 2014;
- interim allocation of the Transitions Optical acquisition price, primarily by recognizing intangible assets estimated by independent experts at €526 million, including among other things a trademark and contractual customer relationships;
- provisional goodwill in the amount of €1,476 million, recorded after the recognition at fair value of the identifiable assets and liabilities relating to Transitions Optical.

The impact of the changes in the scope of consolidation with the other newly consolidated acquisitions include the impact generated by the acquisition of Coastal.com.

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 and contribution from operations) 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 consists of 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 and contribution from operations was as follows:

As a %	Reported growth	Currency effect	Organic acquisitions scope effect	Strategic acquisitions scope effect [(a)]	Like-for-like growth
Revenue	12.0	-1.4	4.9	4.8	3.7
Contribution from operations	13.7	-1.4	3.6	8.3	3.2

(a) Net of media investments.

If Transitions Optical had been consolidated by the full consolidation method at April 1, 2013, the Group's pro forma revenue, at December 31, 2013, would have been estimated at €5,216 million, compared to reported revenue at December 31, 2013 of €5.065 million.

If the companies consolidated during the year (see Note 2.2 "Newly consolidated companies") were consolidated at January 1, 2014, the Group's 2014 revenue would have been estimated at €5,804 million.

NOTE 3.
SEGMENT INFORMATION

3.1 Information by business segment

Fiscal year 2014 € millions	Lenses and Optical Instruments	Equipment	Sunglasses & Readers	Eliminations	Group total
External revenue	4,970	197	503		5,670
Intra-segment revenue	5	63	1	-69	
TOTAL REVENUE	**4,975**	**260**	**504**	**-69**	**5,670**
Contribution from operations	**949**	**30**	**64**		**1,043**
Operating profit					1,222
Finance costs, net					-31
Other financial income					297
Other financial expenses					-312
Share of profits of associates					3
Income tax					-193
Net profit					**986**
Segment assets [(a)]	**7,784**	**452**	**1,482**		**9,718**
Non-segment assets					1,071
TOTAL ASSETS					**10,789**
Segment liabilities [(b)]	**1,100**	**37**	**109**		**1,246**
Non-segment liabilities					4,283
Equity					5,260
TOTAL EQUITY AND LIABILITIES					**10,789**
Acquisitions of property, plant and equipment & intangible assets	193	5	34		232
Amortization, depreciation and impairment of property, plant and equipment and intangible assets	-327	-10	-76		-413

(a) Segment assets include goodwill, other intangible assets, property, plant and equipment, long-term receivables, inventories and works-in-progress, prepayments to suppliers and short-term receivables.

(b) Segment liabilities include customer prepayments and short-term payables.

Fiscal year 2013 € millions	Lenses and Optical Instruments	Equipment	Sunglasses & 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**
Contribution from operations	**835**	**33**	**49**		**917**
Operating profit					843
Finance costs, net					-8
Other financial income					87
Other financial expenses					-99
Share of profits of associates					22
Income tax					-199
Net profit					**646**
Segment assets [a]	**4,747**	**462**	**1,091**		**6,300**
Non-segment assets					1,277
TOTAL ASSETS					**7,577**
Segment liabilities [b]	**963**	**36**	**89**		**1,088**
Non-segment liabilities					2,448
Equity					4,041
TOTAL EQUITY AND LIABILITIES					**7,577**
Acquisitions of property, plant and equipment & intangible assets	240	4	55		299
Amortization, depreciation and impairment of property, plant and equipment and intangible assets	-204	-10	-39		-253

(a) Segment assets include goodwill, other intangible assets, property, plant and equipment, long-term receivables, inventories and works-in-progress, prepayments to suppliers and short-term receivables.

(b) Segment liabilities include customer prepayments and short-term payables.

3.2 Information by geographical area

	Revenue		Non-current assets [a]	
€ millions	Year 2014	Year 2013	December 31, 2014	December 31, 2013
North America	2,531	2,197	1,642	859
Europe	1,730	1,651	414	450
Asia/Oceania/Africa	1,012	850	665	566
Latin America	397	367	87	83
TOTAL	**5,670**	**5,065**	**2,808**	**1,958**

(a) Non-current assets include 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 20.3% of revenue in 2014, and 20.6% in 2013.

No single customer accounts for more than 10% of the Group's revenue.

NOTE 4. EBITDA

EBITDA (Earnings Before Interests, Taxes, Depreciation & Amortization) is a metric defined as contribution from operations before depreciation and amortization of property, plant and equipment and intangible assets and amortization of inventory revaluations generated by acquisitions.

2014 EBITDA was €1,363 million (€1,173 million in 2013).

NOTE 5. PERSONNEL COSTS, DEPRECIATION AND AMORTIZATION

Personnel costs totaled €1,743 million in 2014 compared to €1,597 million in 2013 (see also Note 30 "Number of employees and personnel costs").

Depreciation and amortization of property, plant and equipment and intangible assets totaled €413 million in 2014, compared to €253 million in 2013.

NOTE 6.
OTHER OPERATING INCOME AND EXPENSES

€ millions	Year 2014	Year 2013
Capital gains on disposals of operations and assets [a]	544	
Other	2	5
OTHER INCOME FROM OPERATIONS	**546**	**5**
Restructuring expenses [b]	-76	-22
Compensation costs on share-based payments	-39	-32
Other [c]	-252	-25
OTHER EXPENSES FROM OPERATIONS	**-367**	**-79**

(a) Capital gains on disposals include, for 2014, the capital gains generated in the full consolidation of 100% de Transitions, previously an equity-accounted company (See Note 2).

(b) Restructuring charges are for the most part related to the streamlining of a number of production sites located primarily in Europe and North America.

(c) Other operating expenses for 2014 consist mainly of:

- *goodwill, tangible and intangible assets impairments for €118 million, which include in particular the impact from the brand amortization policy change (see Note 13),*
- *provisions for liabilities (see Note 22) and variations related to earn-out payments for €50 million,*
- *other expenses related to the technical effect of the integration of Transitions on the elimination of inventory margins for €28 million,*
- *the commitment to allocate funds for the Vision for Life program, whose aim is the implementation of all actions contributing to the fight against vision problems in the world at €30 million.*

Share-based payments

Compensation costs on share-based payments are measured by the method described in Note 1.13 and breaks down as follows:

€ millions	Year 2014	Year 2013
Stock subscription options	1	1
Performance shares [a]	37	31
Employee share issues	1	
COMPENSATION COSTS ON SHARE-BASED PAYMENTS	**39**	**32**

(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 2007 and January 2008 are subject to vesting conditions based on the share performance over a period of two to four years, as well as to the 100% cap on gains.

Stock subscription options granted between November 2008 and November 2014 are subject to vesting conditions based on the share performance over a period of two to six years, as well as to the 100% cap on gains.

The main assumptions used to measure compensation costs on stock options granted in 2014 are as follows:

- share volatility: 18.67% (2013 grants: 18,40%);
- risk-free interest rate: 0.27% (2013 grants: 1,03%);
- yield: 1.42% (2013 grants: 1,44%).

Based on these assumptions, the fair value of options granted in 2014 amounted to €11.33 (€10.13 in 2013).

The following table analyzes changes in the number of outstanding options:

	Quantity	Weighted average exercise price (€)
STOCK SUBSCRIPTION OPTIONS AT JANUARY 1, 2014	**1,703,435**	**44.72**
Options exercised	-855,848	40.89
Options canceled and forfeited	-68,958	36.79
Options granted	121,505	87.15
STOCK SUBSCRIPTION OPTIONS AT DECEMBER 31, 2014	**900,134**	**54.68**
Stock subscription options at January 1, 2013	**2,774,285**	**42.15**
Options exercised	-1,098,051	40.98
Options canceled and forfeited	-60,679	42.16
Options granted	87,880	77.29
Stock subscription options at December 31, 2013	**1,703,435**	**44.72**

The average remaining life of outstanding options at the period-end was 3.5 years (2013: 3.1 years).

The weighted Average Price of Essilor shares in 2014 was €79.60 (2013: €80.60).

Performance shares

Since 2006, the Essilor group has launched performance-based share allotment plans.

The number of shares vested at the end of a period of two to six 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:

- 2014 grants: 1,544,904 shares;
- 2013 grants: 1,376,340 shares.

The following table analyzes changes in the number of performance shares at each period-end:

	Quantity
PERFORMANCE SHARES AT JANUARY 1, 2014	**3,530,585**
Performance shares vested	-963,910
Performance shares canceled	-90,320
Grants for the fiscal year	1,544,904
PERFORMANCE SHARES AT DECEMBER 31, 2014	**4,021,259**
Performance shares at January 1, 2013	**2,848,274**
Performance shares vested	-625,369
Performance shares canceled	-68,660
Grants for the fiscal year	1,376,340
Performance shares at December 31, 2013	**3,530,585**

The performance conditions of the November and December 2012 plans were definitively met in 2014.

The main assumptions used to measure compensation costs on performance shares granted in 2014 are as follows:

- share volatility: 18.67% (2013 grants: 18,40%);
- risk-free interest rate: 0.41% (2013 grants: 1,09%);
- yield: 1.42% (2013 grants: 1,44%).

Based on these assumptions, the fair value of the shares granted in 2014 was €39.14 for non-residents of France (€33.80 in 2013) and €27.34 for French residents (€25.26 in 2013).

Employee share issues

The main parameters used to measure the cost of employee share issues recognized in 2014 are as follows:

Plan date	December 2014	December 2013
Share subscription price (€)	69.72	61.83
Total discount (€)	17.43	15.46
Number of shares subscribed	337,182	377,407
Discount on the share cash price on grant date represented by the lock-up clause	20.5%	16.6%
Share cash price on grant date (€)	90.53	74.30
Risk-free interest rate on the grant date	0.3%	1.2%
Refinancing cost	5.0%	5.0%
Cost recognized in profit or loss (€ thousands)	745	56

Based on these assumptions, the fair value of the shares subscribed in 2014 was €71.93 (€61.98 in 2013).

NOTE 7. COST OF NET DEBT

€ millions	Year 2014	Year 2013
Cost of gross debt	-49	-26
Income from cash and cash equivalents	18	18
COST OF NET DEBT	**-31**	**-8**

The cost of net debt rose, compared to the previous year, due to the financing put in place to acquire Transitions and Coastal.com.

NOTE 8. OTHER FINANCIAL INCOME AND EXPENSES

€ millions	Year 2014	Year 2013
Foreign exchange gains	296	84
Other	1	3
OTHER FINANCIAL INCOME	**297**	**87**
Foreign exchange losses	-291	-86
Accretion of discount on liabilities charges	-12	-10
Provisions for unconsolidated assets	-9	-3
OTHER FINANCIAL EXPENSES	**-312**	**-99**

NOTE 9. INCOME TAX

9.1 Income tax gain (loss) for the period

€ millions	Year 2014	Year 2013
Current tax	-238	-200
Deferred taxes	45	1
TOTAL	**-193**	**-199**

9.2 Income tax expense analysis

As a % of pre-tax profit	Year 2014	Year 2013
Standard French income tax rate	34.4	34.4
Differences in foreign tax rate impact	-6.6	-6.5
Impact of reduced rates and permanent differences between book and taxable profit [a]	-12.5	-3.2
Other non-deductible / non-taxable items under local tax rules	1.1	-0.5
EFFECTIVE INCOME TAX RATE	**16.4**	**24.2**

(a) Includes among other things the effect of the capital gain generated with the full consolidation of Transitions (See Note 6).

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 2014 Supplementary Budget Act.

9.3 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	Year 2014	Year 2013
AT JANUARY 1	**-53**	**-30**
Deferred taxes recognized in equity	5	-4
Deferred tax income (expense) for the period, net	45	1
Effect of changes in scope of consolidation, exchange rate impacts and other movements [a]	-229	-20
AT DECEMBER 31	**-232**	**-53**

(a) The increase in assets and liabilities recognized in an acquisition can be attributed for the most part to the acquisition of Transitions (see Note 2).

9.4 Unrecognized deferred tax assets

€ millions	Year 2014	Year 2013
Tax loss carryforwards	57	49
Other unrecognized deferred tax assets	45	25
UNRECOGNIZED DEFERRED TAX ASSETS	**102**	**74**

9.5 Deferred taxes by type (net position)

€ millions	Year 2014	Year 2013
Elimination of inter-company profits	50	40
Differences in depreciation periods	-3	-6
Temporarily non-deductible provisions	132	9
Actuarial gains and losses	22	14
Assets and liabilities recognized on an acquisition [a]	-491	-147
Assets and liabilities recognized on tax loss carryforwards	41	38
Other	17	-1
TOTAL	**-232**	**-53**

(a) The increase in assets and liabilities recognized in an acquisition can be attributed for the most part to the acquisition of Transitions (see Note 2).

Tax consolidation

In France, Essilor International files a consolidated tax return with ESSILOR, TIKAI Vision (ex-Barbara), BBGR, BNL, DELAMARE, ESSIDEV, ESSIHOLDING, INVOPTIC, NOVISIA, OMI, OPTIM, FGX Holding France, OSE (not consolidated), and VARILUX UNIVERSITY (not consolidated) and pays the corporate income tax due by the tax group. In 2014, the subsidiaries included in the tax consolidation group generated a tax expense of €5 million compared to a tax income of €3 million in 2013.

Provision for tax risks

Following various tax audits and proceedings underway within the Group, provisions totaling €89 million were recognized at end-2014.

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NOTE 10.
CHANGE IN NUMBER OF SHARES

The shares have a par value of €0.18.

Change in real number of shares, excluding treasury stock

	Year 2014	Year 2013
NUMBER OF SHARES AT JANUARY 1	**210,245,092**	**210,336,563**
Exercise of stock subscription options	855,848	1,098,051
Subscription of the Essilor group FCP mutual fund	337,182	377,407
Delivery of performance shares	963,910	625,369
Net (purchases) and sales of treasury stock	-469,425	-2,192,298
NUMBER OF SHARES AT DECEMBER 31	**211,932,607**	**210,245,092**
Number of treasury shares eliminated	3,959,921	4,454,406

Change in weighted average number of shares, excluding treasury stock

	Year 2014	Year 2013
NUMBER OF SHARES AT JANUARY 1	**210,245,092**	**210,336,563**
Exercise of stock subscription options	386,601	612,602
Subscription of the Essilor group FCP mutual fund	11,085	11,374
Sales of treasury shares held for performance share grants	77,306	49,441
Net (purchases) and sales of treasury stock	-209,107	-854,430
WEIGHTED AVERAGE NUMBER OF SHARES OVER THE YEAR	**210,510,977**	**210,155,550**

In 2014, no treasury stock was cancelled. A total of 1,500,000 shares were cancelled in 2013.

NOTE 11.
DILUTED EARNINGS PER SHARE

Profit used for the calculation of diluted earnings per share is €929 million (€593 million in 2013).

The weighted average number of shares used to calculate diluted earnings per share is as follows:

€ millions	Year 2014	Year 2013
Weighted average number of shares	210,510,977	210,155,550
Dilutive effect of stock subscription options	287,863	747,179
Dilutive effect of performance share grants	4,021,259	2,154,245
DILUTED WEIGHTED AVERAGE NUMBER OF SHARES	**214,820,099**	**213,056,974**

NOTE 12.
GOODWILL

€ millions	December 31, 2013	Business combination	Other changes in scope and other movements	Translation difference	Provisions for impairment losses	December 31, 2014
Gross amount	2,489	1,896	-16	330		4,699
Impairment	-13		-1		-17	-31
NET AMOUNT	**2,476**	**1,896**	**-17**	**330**	**-17**	**4,668**

€ millions	December 31, 2012	Business combination	Other changes in scope and other movements	Translation difference	Provisions for impairment losses	December 31, 2013
Gross amount	2,101	512	34	-158		2,489
Impairment	-14			1		-13
NET AMOUNT	**2,087**	**512**	**34**	**-157**		**2,476**

The main increases in goodwill in 2014 resulted among other things from the acquisitions of Transitions Optical from €1,476 million, of Coastal.com and of Costa. The Transitions goodwill was allocated to the various Lenses CGUs based on the destination markets' cash flows.

In 2013, the main increases were attributable to the 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.

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 non-controlling interests. The fair value of the non-controlling interests is then determined by estimating the future price to be paid for those non-controlling interests.

Moreover, most often, when there is an acquisition with no option to redeem non-controlling 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	December 31, 2014	December 31, 2013
Lenses – Europe	684	282
Lenses – North America	1,710	769
Lenses – South America	468	193
Lenses – Asia/Pacific/Middle East/Africa	848	431
Laboratory equipment	271	267
Sunglasses & Readers	687	534
TOTAL	**4,668**	**2,476**

Goodwill impairment tests were conducted on June 30, 2014, and reviewed on December 31, 2014 in line with the principles and methods defined in Note 1.20.

The Group's weighted average cost of capital for 2014 was 7% (2013: 7%). Given the risk premiums calculated, the actual discount rates applied to the groups of CGUs of the Group were as follows:

As a %	Year 2014	Year 2013
Lenses – Europe	8	8
Lenses – North America	7	7
Lenses – South America [(a)]	18	14
Lenses – Asia/Pacific/Middle East/Africa	9	10
Laboratory equipment	7	7
Sunglasses & Readers	7	7
Plants [(b)]	9	8

(a) Primarily Brazil.

(b) Group of CGUs reallocated to various other groups of CGUs depending on sales volumes.

The perpetuity growth rate was estimated at 0% to 2% (2013: 0% to 2%), with the highest rates applied to emerging markets.

In 2014, goodwill impairment losses were recorded in the amount of €17 million for the Lenses-Europe CGU (see Note 6 "Other income and expenses"). No impairment losses were recognized in goodwill in 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 another impairment loss on the net carrying amount of goodwill at December 31, 2014.

A 0.5% decrease in the growth rate at infinity would not generate any impairment loss on in the carrying amount of goodwill at December 31, 2014.

NOTE 13.
OTHER INTANGIBLE ASSETS

€ millions	December 31, 2013	Scope changes	Acquisitions	Disposals and retirements	Translation difference and other movements	Depreciation, amortization and impairment losses	December 31, 2014
Trademarks	301	603			112		1,016
Concessions, patents and licenses	331	71	24	-3	38		461
Contractual customer relationships	328	72	14		40		454
Other intangible assets	171	39	21	-2	15		244
GROSS AMOUNT	**1,131**	**785**	**59**	**-5**	**205**		**2,175**
Accumulated depreciation	-399	-9		3	-34	-204	-643
NET AMOUNT	**732**	**776**	**59**	**-2**	**171**	**-204** [(a)]	**1,532**

(a) Including €118 million in amortization recognized in the contribution of operations (See Note 4) and €86 million in impairment of intangible assets (see Note 6).

€ millions	December 31, 2012	Scope changes	Acquisitions	Disposals and retirements	Translation difference and other movements	Depreciation, amortization and impairment losses	December 31, 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** [(a)]	**732**

(a) Including €75 million in depreciation and amortization recognized in the contribution of operations (see Note 4).

Intangible assets in progress amounted to €8 million at end-2014 (€8 million in 2013).

The entities acquired by the Group in 2014 have as a characteristic that they hold major trademarks that were recognized in their opening balance sheet. Accordingly, the Group carried out a review of its trademarks portfolio. The criteria for defining definite life trademarks and indefinite life trademarks have been clarified in relation to this. As specified in the accounting principles and standards (see Note 1.21), a trademark has indefinite life if the following conditions have been met:

- The trademark corresponds to the legal name of a legal entity and is, in fact, associated with the image and reputation of the Company;
- the Group has the intention and ability to support the trademark.

As a result, the Group has changed the qualification of certain trademarks, previously considered to have indefinite life to trademarks with definite life. An assessment test was conducted on December 31, 2013, following which an impairment loss was recorded for these assets in the amount of €51 million. Impairment losses were recognized prospectively, as from January 1, 2014, for all the definite life trademarks.

NOTE 14.
PROPERTY, PLANT AND EQUIPMENT

€ millions	December 31, 2013	Scope changes	Acquisitions	Disposals and retirements	Translation difference and other movements	Depreciation, amortization and impairment losses	December 31, 2014
Land	48	6			6		60
Buildings	634	78	11	-10	72		785
Plant and equipment	1,589	149	69	-76	149		1,880
Other Property, plant and equipment	474	32	96	-24	-28		550
GROSS AMOUNT	**2,745**	**265**	**176**	**-110**	**199**		**3,275**
Accumulated depreciation	-1,747	-146		103	-122	-209	-2,121
NET AMOUNT	**998**	**119**	**176**	**-7**	**77**	**-209** [(a)]	**1,154**

(a) Including €189 million in depreciation and amortization recognized in the contribution of operations (see Note 4).

€ millions	December 31, 2012	Scope changes	Acquisitions	Disposals and retirements	Translation difference and other movements	Depreciation, amortization and impairment losses	December 31, 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 Property, plant and equipment	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
NET AMOUNT	**1,000**	**60**	**192**	**-15**	**-61**	**-178** [(a)]	**998**

(a) Including €178 million in depreciation and amortization recognized in the contribution of operations (see Note 4).

The carrying amount of property, plant and equipment – including assets under finance leases – held by consolidated companies was €1,154 million at the end of 2014 (€998 million at the end of 2013). 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 €73 million at end-2014 (€60 million at end-2013).

NOTE 15.
PROPERTY, PLANT AND EQUIPMENT: ASSETS UNDER FINANCE LEASES

€ millions	December 31, 2013	Scope changes	Acquisitions	Disposals and retirement	Translation difference and other movements	Depreciation, amortization and impairment losses	December 31, 2014
Land	2						2
Buildings	13	3					16
Other Property, plant and equipment	24		4	-1			27
GROSS AMOUNT	**39**	**3**	**4**	**-1**			**45**
Accumulated depreciation	-28	-2		1		-3	-32
NET AMOUNT	**11**	**1**	**4**			**-3**	**13**

€ millions	December 31, 2012	Scope changes	Acquisitions	Disposals and retirement	Translation difference and other movements	Depreciation, amortization and impairment losses	December 31, 2013
Land	1	1					2
Buildings	14	-1					13
Other Property, plant and equipment	23		2	-1			24
GROSS AMOUNT	**38**		**2**	**-1**			**39**
Accumulated depreciation	-26			1		-3	-28
NET AMOUNT	**12**		**2**			**-3**	**11**

NOTE 16.
INVESTMENTS IN ASSOCIATES

The changes in companies consolidated by the equity method, for the period, can be explained as follows:

€ millions	Year 2014
Opening balance	**113**
Share in the net profit of equity-accounted companies	4
Dividends	-29
Transitions Optical change of method [(a)]	-105
Translation differences and other movements	20
Closing balance	**3**

(a) See Note 2.2 Changes in the scope of consolidation.

NOTE 17.
OTHER LONG-TERM FINANCIAL ASSETS

Long-term financial investments fulfill the criteria for classification as “available-for-sale financial assets” under IAS 39 (see Note 1.23).

€ millions	December 31, 2013	Scope changes	Acquisitions and new loans	Disposals and repayments	Translation difference and other movements	Revaluation	Net allocation to provisions	December 31, 2014
Investments and other non-current assets at fair value	**17**	**4**	**5**	**-1**	**-4**		**-5**	**16**
Non-consolidated interests	15	4	5	-1	-3		-5	15
Other available-for-sale financial assets	2				-1			1
Investments and other non-current assets at amortized cost	**80**		**26**	**-8**	**-7**		**-4**	**87**
Loans, including accrued interest	82		26	-8	-7			93
Impairment	-2						-4	-6
Other long-term financial assets	**97**	**4**	**31**	**-9**	**-11**		**-9**	**103**

€ millions	December 31, 2012	Effect of changes in scope of consolidation	Acquisitions and new loans	Disposals and repayments	Translation difference and other movements	Revaluation	Net allocation to provisions	December 31, 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
Impairment	-1	-1						-2
Other long-term financial assets	**119**	**-25**	**13**	**-4**	**-3**	**-1**	**-2**	**97**

NOTE 18.
INVENTORIES

€ millions	December 31, 2014	December 31, 2013
Raw materials and other supplies	387	327
Goods for resale	248	194
Finished and semi-finished products and work in process	562	496
GROSS AMOUNT	**1,197**	**1,017**
Valuation allowance [a]	-195	-148
NET AMOUNT	**1,002**	**869**

(a) Including €13 million, for 2014, and amortization of inventory revaluations generated by the contribution of operations and €3 million for 2013 (see Note 4).

NOTE 19.
SHORT-TERM RECEIVABLES AND PAYABLES

Short-term receivables break down as follows:

€ millions	December 31, 2014	December 31, 2013
Trade receivables		
Gross amount	1,299	1,152
Valuation allowance	-73	-65
Net amount of trade receivables	**1,226**	**1,087**
Other short-term receivables		
Gross amount	102	106
Valuation allowance	-1	-1
Net amount of other operating receivables	**101**	**105**
TOTAL SHORT-TERM RECEIVABLES, NET	**1,327**	**1,192**

Short-term payables break down as follows:

€ millions	December 31, 2014	December 31, 2013
Trade payables	564	502
Accrued taxes and personnel expense	338	276
Other short-term payables	313	282
TOTAL SHORT-TERM PAYABLES	**1,215**	**1,060**

NOTE 20.
CASH AND CASH EQUIVALENTS

Cash and cash equivalents break down as follows:

€ millions	December 31, 2014	December 31, 2013
Cash	465	396
Money market funds	105	304
Bank deposits	25	70
Other cash equivalents	31	16
TOTAL	**626**	**786**

NOTE 21.
PENSION AND OTHER POST-RETIREMENT BENEFIT OBLIGATIONS

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	December 31, 2014	December 31, 2013
Non-current assets (plan surpluses)	1	1
Provisions for pensions in liabilities	281	209

Analysis of changes in net recognized benefit obligations

€ millions	Obligation	Fair value of funds	Net recognized benefit obligations
AT JANUARY 1, 2014	**313**	**-105**	**208**
Cost of services rendered in the period	14		14
Interest expense on discounting	14		14
Interest income for the period		-5	-5
Cost of past services	-1		-1
Employee contributions	1	-1	0
Contributions to plan assets		-19	-19
Benefits paid	-14	14	-
Actuarial gains and losses	63	-13	50
Plan reduction and liquidation			
Other movements			
Changes in scope of consolidation	42	-31	11
Translation difference	13	-4	9
AT DECEMBER 31, 2014	**445**	**-164**	**281**
of which Obligations funded in whole or in part by a fund	252		252
of which Obligations not funded by a plan assets	193		193

€ millions	Obligation	Fair value of funds	Net recognized benefit obligations
AT JANUARY 1, 2013	**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	
Contributions to plan assets		-12	-12
Benefits paid	-18	18	0
Actuarial gains and losses	-5	-1	-6
Plan reduction and liquidation	-2	2	
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

Analysis of change in actuarial gains and losses recognized in equity

€ millions	December 2014	December 2013
Actuarial gains (losses) recognized in equity at opening	**90**	**96**
Gains (losses) recognized over the period	50	-6
Actuarial gains (losses) recognized in equity at closing	**140**	**90**

Analysis of rights

€ millions	Obligation	Funds	Engagement net December 31, 2014
Pensions (supplementary and guaranteed income plans)	342	-155	187
Retirement benefits	65	-7	58
Other benefits	38	-2	36
TOTAL	**445**	**-164**	**281**

€ millions	Obligation	Funds	Engagement net December 31, 2013
Pensions (supplementary and guaranteed income plans)	231	-97	134
Retirement benefits	57	-7	50
Other benefits	25	-1	24
TOTAL	**313**	**-105**	**208**

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:

	December 31, 2014			December 31, 2013		
As a %	Euro zone	United States	United Kingdom	Euro zone	United States	United Kingdom
Discount rate	2.2	4.4	3.8	3.3	5.0	4.4
Inflation rate	2.0	3.5	3.3	2.0	3.5	3.5
Weighted average rate of return on plan assets		10.9			3.7	
Weighted average rate of salary increases		2.0			2.0	

Additionally, had the discount rate been by 25 basis points lower than the rate actually applied, the total obligation of the Group as of December 31, 2014 would have been by €16 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, 2014 would have been €15 million lower.

Had salaries been by 25 basis points lower than the salaries actually applied, the total obligation of the Group as of December 31, 2014 would have been by €5 million lower. If the salaries had been 25 basis points higher than the salaries actually applied, the total obligation of the Group at December 31, 2014 would have been €5 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 2014, actuarial gains or losses in terms of projected benefit obligations at closing were -€3 million as a result of experience adjustments, +€50 million as a result of changes in financial assumptions and +€3 million as a result of changes in demographic assumptions.

Composition by type of plan assets

As a %	December 31, 2014	December 31, 2013
Shares	13	18
Bonds	26	33
General insurance funds	23	39
Other	38	10

Actual returns on plan assets were €5 million in 2014 (2013: €4 million).

At December 31, 2014, 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	Year 2014	Year 2013
Cost of services rendered in the period	-14	-11
Interest expense on discounting	-9	-6
Cost of past services	1	0
EXPENSES FOR THE YEAR	**-22**	**-17**
Contributions to plan assets	10	4
Benefits paid	9	8
TOTAL INCREASE/(DECREASE) IN PROVISIONS	**-3**	**-5**

NOTE 22.
PROVISIONS

€ millions	December 31, 2013	Provisions for the year	Reversals for the year	Reversals not applicable	Translation difference and other movements	Scope	December 31, 2014
Restructuring provisions [a]	7	32	-6		-4		29
Warranty provisions	25	4	-11	-1	2	6	25
Other [b]	99	44	-8	-1	55	31	220
TOTAL	**131**	**80**	**-25**	**-2**	**53**	**37**	**274**

(a) Restructuring provisions were, for the most part, related to the streamlining of a number of production sites located primarily in Europe and North America.

(b) Provisions for other risks at December 31, 2014 include among other things the provisions for controls and tax audits for a total amount of €89 million and provisions for legal disputes in the amount of €71 million (see Note 29 "Litigation").

€ millions	December 31, 2012	Provisions for the year	Reversals for the year	Reversals not applicable	Translation difference and other movements	Scope	December 31, 2013
Restructuring provisions	8	5	-5		-1		7
Warranty provisions	25	3	-3		-1	1	25
Other risks	94	12	-5	-13	-1	12	99
TOTAL	**127**	**20**	**-13**	**-13**	**-3**	**13**	**131**

NOTE 23.
NET DEBT AND BORROWINGS

23.1 Net debt

The Group's net debt can be analyzed as follows:

€ millions [a]	December 2014	December 2013
Long-term borrowings	1,521	607
Short-term borrowings	881	525
Short-term bank loans and overdrafts	28	37
Accrued interest	17	5
TOTAL LIABILITIES	**2,447**	**1,174**
Cash and cash equivalents	-626	-786
Marketable securities [b]		-5
TOTAL ASSETS	**-626**	**-791**
INTEREST RATE SWAP AND CROSS CURRENCY SWAPS [c]	**-28**	**-14**
NET DEBT	**1,793**	**369**

(a) Sign convention: + debt/- excess cash or securities.
(b) Marketable securities are included by the Group in net debt.
(c) Interest rate swap and cross currency swap measured at fair value at each period end.

Long-term borrowings

At December 31, 2014, the Group's long-term financing structure was as follows:

€ millions	December 31, 2014	December 31, 2013	Issue date	Maturity
Bonds	828		2014	2021/2024
US private placement (2 tranches)	247	217	2012	2017/2019
US private placement (7 tranches)	412	363	2013	2017/2023
Other	34	27		
LONG-TERM BORROWINGS	**1,521**	**607**		

In February 2014, Standard & Poor's and Moody's rated Essilor International's short-term debt A1 and P1, respectively. Long-term debt has been rated A2 by Moody's since March 2014.

As part of its EMTN program, Essilor International issued two bonds on April 9, 2014:

- a bond of €500 million maturing on April 9, 2021, issued at the fixed rate of 1.75%;
- a bond of €300 million maturing on April 9, 2024, issued at the fixed rate of 2.375%; This was covered by an interest-hedge of €300 million which converted the initial borrowing from fixed to variable rate. This transaction is classified as a fair value hedge.

Private placements are subject to a financial covenant, which was met on December 31, 2014.

Short-term borrowings

At December 31, 2014, the Group's short-term financing structure was as follows:

€ millions	December 31, 2014	December 31, 2013	Issue date	Maturity
Bilateral bank facilities		250	2007	2014
French commercial paper	246	215	2014	2015
US commercial paper (USCP)	567		2014	2015
Bank overdraft	28	37		
Other	85	65		
SHORT-TERM BORROWINGS	**926**	**567**		

The Company also launched a US commercial paper program; its outstanding was in the amount of €567 million at December 31, 2014. At that date, the French commercial paper program outstanding was €246 million. In accordance with the Group's policies, the commercial paper programs are backed by long-term committed facilities, totaling €2.3 billion at December 31, 2014.

23.2 Borrowings

Financial debt by maturity

Borrowings can be analyzed as follows by maturity:

€ millions	December 31, 2014	December 31, 2013
Due within one year	926	567
Due in 1 to 5 years	551	316
Due beyond 5 years	970	291
TOTAL	**2,447**	**1,174**

Financial debt by currency

Borrowings break down as follows by currency:

€ millions	December 31, 2014	December 31, 2013
US dollar	1,257	877
Euro	1,113	234
Other currencies	77	63
TOTAL	**2,447**	**1,174**

Fair value of debt

The fair value of borrowings is as follows:

€ millions	December 31, 2014	December 31, 2013
Long-term borrowings	1,595	626
Short-term borrowings	881	543
Short-term bank loans, overdrafts and accrued interest	45	42
TOTAL	**2,521**	**1,211**

Finance lease liabilities

	December 31, 2014		December 31, 2013	
€ millions	Principal	Interest	Principal	Interest
Due within one year	2			
Due in 1 to 5 years	6		4	
Due beyond 5 years				
TOTAL	**8**		**4**	

NOTE 24.
FINANCIAL INSTRUMENTS

24.1 Financial instruments recognized in the balance sheet

Financial instruments carried in the consolidated balance sheet at end 2014 and 2013 fall into the following categories:

		Category of instruments				
2014 € millions	Balance sheet value	Fair value recognized in profit or loss	Fair value recognized in equity [(a)]	Loans, receivables	Debts at amortized cost	Derivatives
Non-current financial assets	103		16	87		
Long-term receivables	15			15		
Prepayments to suppliers	20			20		
Short-term receivables	1,327			1,327		
Tax receivables	56			56		
Other receivables	38			38		
Derivative financial assets	43					43
Cash and cash equivalents	626	626				
FINANCIAL ASSETS	**2,228**	**626**	**16**	**1,543**		**43**
Long-term borrowings	1,521				1,521	
Other long-term liabilities	394		205		189	
Short-term borrowings	926				926	
Customer prepayments	31				31	
Short-term payables	1,215				1,215	
Tax payables	58				58	
Other current liabilities	421		29		392	
Derivative financial liabilities	17					17
FINANCIAL LIABILITIES	**4,583**		**234**		**4,332**	**17**

(a) Assets available for sale as defined by IAS 39, liabilities revalued in accordance with the accounting policies described in Note 1.32.

2013 € 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	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 1.32.

Financial assets and liabilities (including operating receivables and payables) at end-2014 break down as follows by contractual maturity:

€ millions	Less than one year	1 to 5 years	Beyond 5 years	Total
Financial liabilities other than financial instruments	-2,651	-917	-998	-4,566
Financial assets other than financial instruments	2,104	66	15	2,185
Net fair value of financial instruments	4	-6	28	26
NET POSITION	**-543**	**-857**	**-955**	**-2,355**

24.2 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

	December 31, 2014		December 31, 2013	
€ millions	Nominal amount	Market value	Nominal amount	Market value
Forward Currency transactions	1,258	4	1,182	-9
Currency options			68	
Cross-currency swap			250	14
Interest rate swaps	524	22	109	-5
Interest rate options (caps)	91		86	
TOTAL DERIVATIVE INSTRUMENTS	**1,873**	**26**	**1,695**	

Market value by hedge type

€ millions	December 31, 2014	December 31, 2013
Cash flow hedge:		
• Forward / outright	4	-7
• Interest rate swaps	-6	-5
Fair value hedge:		
• Forward / outright		
• Interest rate swap	28	
• Cross-currency swap		14
Not allocated to a hedging relationship:		
• Forward / outright		-2
MARKET VALUE OF DERIVATIVE INSTRUMENTS	**26**	
derivative financial instruments recognized in assets	43	17
derivative financial instruments recognized in liabilities	-17	-17

Forward foreign exchange transaction details at December 31, 2014 (nominal amount)

	Currency purchased						
€ millions	EUR	USD	CNY	MXN	THB	Other	Total
Currency sold							
EUR		167	4		11	15	197
USD	613		87	23		4	727
CAD	214						214
GBP	37						37
AUD	2	32					34
SGD	10						10
Other	30	7				2	39
TOTAL	**906**	**206**	**91**	**23**	**11**	**21**	**1,258**

24.3 Profit (loss) on settling cash flow hedges

The effects on the gross margin of unwinding cash flow hedges set up at the end of the prior year generated income of €3 million for 2014, compared to an expense of €1 million for 2013.

3

NOTE 25. OTHER CURRENT AND NON-CURRENT LIABILITIES

€ millions	December 31, 2014	December 31, 2013
Liabilities related to long-term put options granted to minority shareholders	205	331
Trade payables and liabilities on long-term financial investments	189	186
TOTAL OTHER NON-CURRENT LIABILITIES	**394**	**517**
Liabilities to suppliers related to tangible and intangible fixed assets	5	6
Liabilities related to long-term financial investments	227	57
Liabilities related to short-term put options granted to minority shareholders	169	64
Other	20	29
TOTAL OTHER CURRENT LIABILITIES	**421**	**156**

NOTE 26.
OFF-BALANCE SHEET COMMITMENTS

€ millions	December 31, 2014	December 31, 2013
Commitments given		
Guarantees and endorsements	115	89
Debt secured by collateral:		
• Net carrying amount of collateral	2	3
Commitments received		
Guarantees, endorsements and sureties received	2	2
Commitments under operating leases and for royalties		
Due within one year	29	26
In 1 to 5 years	76	64
Beyond 5 years	22	6
TOTAL OPERATING LEASING COMMITMENTS	**127**	**96**

NOTE 27.
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.

Liquidity risk

The Group aims to maintain continuous liquidity in order to ensure its independence and growth. Key to this is substantial and steady cash flow. It also operates a financing policy that guarantees available funding capacity at all times at low cost. This policy is based on the diversification of funding sources, the use of medium- and long-term financing and committed credit facilities.

Most of the long-term financing and credit facilities are issued by the parent company, which then refinances its subsidiaries. Some companies may, however, find it better to arrange their own local financing when local regulations hamper intra-Group arrangements.

The Group has the following confirmed credit facilities with leading banks.

€ millions	Amount December 31, 2014	Issue date	Maturity
Syndicated credit facility	850	2013	2018-2019*
Club deal	412	2014	2018
Bilateral bank facilities	1,006	2012-2014	2015-2017

* *With the option to extend for an additional year*

Drawing down on these lines is not subject to any particular covenant.

At December 31, 2014, none of these lines had been drawn.

The Group increased the diversification of its means of financing and has endeavored to spread over time the short- and long-term debt repayment schedules in order to reduce the risk of refinancing. It has also increased the amounts of its committed credit facilities serving, among other things, as supports for the commercial paper and US commercial paper programs.

The distribution of the Group's net financial debt and available credit lines by contractual maturity at end-2014 was as follows:

(Please also refer to Note 23 to the consolidated financial statements, "Net debt and net borrowings")

€ millions	2015	2016	2017	2018	2019	2020	2021	> 2021	Total
Bonds							500	300	800
Commercial paper and USCP [(a)]				13	800				813
Bank borrowings	74	7	7	2	8		9		107
US private placements			226	103	194	111		25	659
Bank overdraft	29								29
Other liabilities	9		1			1			11
GROSS DEBT	**112**	**7**	**234**	**118**	**1,002**	**112**	**509**	**325**	**2,419**
Cash	-626								-626
NET DEBT [(b)]	**-514**	**7**	**234**	**118**	**1,002**	**112**	**509**	**325**	**1,793**
Available committed credit facilities [(c)]	84	300	621	462	800 [(c)]				2,267

(a) Commercial paper and USCP are set to mature in 2018 and 2019 (maturity of credit facilities).

(b) > to 0: net debt; < to 0: net cash surplus.

(c) With the option to extend for an additional year.

Currency risk

Due to its international presence, the Group is naturally exposed to currency fluctuations. This impacts its operations, its financing, and the conversion into euros of the accounts of foreign subsidiaries denominated in other currencies.

Currency hedging is for the most part managed by Essilor International.

The Group seeks to limit currency risk first with natural hedges, then by hedging residual transactional exposure through currency forwards or options. Foreign exchange 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.

The Group's total net currency exposure at December 31, 2014 represented an amount equivalent to some €29 million.

Consolidated foreign exchange exposure on assets and liabilities at December 31, 2014

(assets and liabilities denominated in a currency other than the functional currency of the Company)

€ 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	607	-539	68	131
CAD	210	-210		
CNY	-117	91	-26	
GBP	41	-29	12	
EUR	-20	1	-19	2
SGD	9	-10	-1	
THB	-9	9		
MXN	6	-2	4	19
JPY	-6	-1	-7	1
Other	12	-14	-2	4
TOTAL	**733**	**-704**	**29**	**157**

(a) > to 0: Assets to be hedged; < to 0: Liabilities to be hedged.
(b) > to 0: Net purchases of currencies; < to 0: Net sales of currencies.
(c) > to 0: Unhedged assets; < to 0: Unhedged liabilities.
(d) > to 0: Hedges of currency purchases; < to 0: Hedges of currency sales.

Sensitivity of equity and profit to changes in the fair value of derivatives at December 31, 2014

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	+5%	-5%
On equity	0	0
On Profit before tax	34	34

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.

Interest rate risk

The purpose of the interest rate management policy is to minimize the cost of financing while limiting the volatility of financial expenses linked to interest rate variations. The major part of financing is therefore kept at fixed rates, either in the initial agreement or via hedging.

The vast majority of the Group's financing is centralized on the parent company; interest rate risks are therefore also centralized at the parent company level. The interest rate risk on financial liabilities is structurally limited.

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	1,503	944	-104	-15	91	1,399	929	91
Cash and similar	-25	-601				-25	-601	
SUB-TOTAL	**1,478**	**343**	**-104**	**-15**	**91**	**1,374**	**328**	**91**
NET DEBT		**1,821**			**-28**			**1,793**

(a) Including the fair value of the interest rate swap of €300 million.

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	816	84	-228	-690	50	588	-606	50
USD	622	558	124	419	41	746	977	41
CAD	1	-20		207		1	187	
Other	39	-279		49		39	-230	
SUB-TOTAL	**1,478**	**343**	**-104**	**-15**	**91**	**1,374**	**328**	**91**
NET DEBT		**1,821**			**-28**			**1,793**

(a) Including the fair value of the interest rate swap of €300 million.

At December 31, 2014, 58% of the gross debt after hedging was at fixed rate (in the same proportion as in 2013).

The average weighted interest rate of the gross debt after hedging was 1.60% at end-2014 (2.10% at end-2013).

A parallel shift by 1% of the interest rate curves at December 31, 2014 applied to the components of the net debt would have the following impact:

€ millions	Cash effect on income statement
1% increase	-4
1% decrease	4

Net debt per currency

€ millions	Gross debt	Cash and similar	Hedges [a]	Net debt after hedging [a]
USD	1,258	-78	584	1,764
CAD	1	-20	207	188
EUR	1,114	-214	-868	32
GBP		-9	30	21
SGD	6	-23	10	-7
BRL		-29		-29
KRW		-29		-29
JPY		-30		-30
CNY	14	-94	-4	-84
Other	54	-100	13	-33
SUB-TOTAL	**2,447**	**-626**	**-28**	**1,793**
NET DEBT		**1,821**	**-28**	**1,793**

(a) Including the market value of fair value derivatives.

Counterparty risk

The Group is exposed to financial counterparty risk in its short-term investments, hedges and credit facilities. Default by a counterparty may result in an impairment (non-repayment of an asset) or loss of liquidity (inability to draw down a credit facility).

To limit this risk, the Group only deals with top-tier banks with the best credit ratings, while maintaining prudent diversification.

Available cash is invested in funds that give precedence to security and liquidity over performance. The Group sets limits on investment periods and vehicles, as well as on concentrations of counterparty risks.

At December 31, 2014, 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, 75% of investments made by Group subsidiaries had a minimum Standard & Poor's long-term rating of A-.

At December 31, 2014, all the banks providing Essilor International with credit facilities had a minimum Standard & Poor's long-term rating of A-.

Credit risk

Non-provisioned outstanding customer accounts receivable due totaled €239 million at end-2014 (€169 million at end-2013).

This was comprised mostly of receivables due in less than three months (74% in 2014; 89% in 2013) that were slightly past due.

€ millions	December 31, 2014	December 31, 2013
Trade receivables due within one year, net	1,226	1,087
Trade receivables due beyond one year, net	15	17
TRADE RECEIVABLES, NET	**1,241**	**1,104**
Trade receivables not yet due	1,001	897
Past-due trade receivables, net	240	207

Information relating to the 20 largest Group clients is presented in Note 3 "Segment Information".

NOTE 28. ENVIRONMENTAL RISKS

The Essilor group is not exposed to any material environmental risks.

NOTE 29. LITIGATION

Alleged anti-competitive practices

Germany

In late 2008, the German Competition Authority, 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 findings and the amount of the fine that they deem to be disproportionate. As a result, two appeals were lodged against the BKA's decisions of 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.

In 2014, the case was transferred to the Prosecutor's Office at the Court of Appeal.

France

In July 2014, the French Competition Authority's Inspection Department made unannounced visits to a few Group subsidiaries in France and other actors in the ophthalmic lens market related to the online sale of ophthalmic lenses. The Group appealed the court order which authorized the visits.

Group actions

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 were 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 jointly to monopolize the market for the development, manufacture, and sale of photochromic lenses between 1999 and March 2010. A settlement was agreed in 2014, closing these class actions, and leaving only the action by VisionEase pending.

Intellectual property

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

In 2014, Nikon-Essilor filed a motion to the Tokyo Court and the Japanese patent office to seek invalidation of the patent. The matter is currently under investigation.

Tax disputes

Due to its presence in numerous countries, the Group is subject to various national tax regulations. Any failure to observe these regulations may result in tax adjustments and the payment of fines and penalties.

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

NOTE 30.
NUMBER OF EMPLOYEES AND PERSONNEL COSTS

Number of employees	Year 2014	Year 2013
Managerial personnel	7,008	6,541
Supervisors and employees	19,216	16,721
Production	32,256	29,700
TOTAL AVERAGE NUMBER OF EMPLOYEES FOR THE PERIOD	**58,480**	**52,962**

€ millions	Year 2014	Year 2013
PERSONNEL EXPENSES	**1,743**	**1,597**
(Salaries, payroll taxes and compensation costs on share-based payments)		

Number of employees	December 31, 2014	December 31, 2013
NUMBER OF EMPLOYEES AT THE END OF THE PERIOD	**58,032**	**55,129**

NOTE 31.
RELATED PARTY TRANSACTIONS

Management compensation

€ millions	Year 2014	Year 2013
Total compensation and benefits paid to the Executive Committee [a]	15	14
Directors' fees paid to the Executive Committee		
TOTAL SENIOR MANAGEMENT COMPENSATION	**15**	**14**

(a) Gross amount before payroll and other taxes paid to current members of the Executive Committee at December 31.

The Executive Committee had 27 members at December 31, 2014 compared with 24 at December 31, 2013.

Post-employment benefits for Executive Committee members

- Pension and other post-employment benefit obligations: €44,0 million at end-2014 compared to €34.8 million at end-2013.
- Retirement benefits: €1.3 million at end-2014 compared to €1.6 million at end-2013.

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 1.13 for more details).

The costs recognized in 2014 for stock options and performance shares granted to Executive Committee members were €10.4 million (2013: €7.5 million) for performance shares.

Related party transactions

Until March 31, 2014, the Transitions group was 49% owned by Essilor (see Note 2.2). Essilor sells stock lenses to the Transitions group, for transformation into variable-tint lenses. Essilor also distributes Transitions products across its networks.

€ millions	2014	2013
Product sales	10	110
Product purchases	-121	-424
Trade receivables		25
Trade payables		62

Other related party transactions

There were no non-current transactions with members of Senior management.

NOTE 32. MAJOR NOT WHOLLY-OWNED SUBSIDIARIES

The Group holds some ownership interest with less than 100% control. None of these investments contributes materially to the various aggregates in the Group's financial statements.

The subsidiaries concerned by this are listed in Note 34.

NOTE 33. 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, 2014.

NOTE 34.
SCOPE OF CONSOLIDATION

Company	Country	Consolidation method	% interest
Easy Vision Pty Ltd	South Africa	Full consolidation	100
Essilor South Africa (Pty) Ltd.	South Africa	Full consolidation	100
Évolution Optical	South Africa	Full consolidation	51
Shamir Optispeed	South Africa	Equity method	25
Spherical Optics (Pty) Ltd.	South Africa	Full consolidation	100
Vision & Value	South Africa	Full consolidation	80
BBGR GmbH	Germany	Full consolidation	100
Essilor GmbH	Germany	Full consolidation	100
Infield Safety GmbH	Germany	Full consolidation	100
Neckarsee GmbH	Germany	Full consolidation	100
Nika Optics	Germany	Full consolidation	100
Rupp & Hubrach Optik GmbH	Germany	Full consolidation	100
Satisloh GmbH	Germany	Full consolidation	100
Shamir Optic GmbH	Germany	Full consolidation	50
Signet Armorlite Germany Holding GmbH	Germany	Full consolidation	100
Signet Armorlite Optic	Germany	Full consolidation	100
Essilor Saudi Arabia Limited	Saudi Arabia	Full consolidation	50
AR Coating S.A.	Argentina	Full consolidation	96
Essilor Argentine S.A.	Argentina	Full consolidation	100
Optovision S.A.	Argentina	Full consolidation	51
City Optical Pty Ltd.	Australia	Full consolidation	100
Coastal Contacts (Aus) Pty Ltd	Australia	Full consolidation	100
Essilor Australia Pty Ltd.	Australia	Full consolidation	100
Essilor Laboratory South Australia Pty Ltd.	Australia	Full consolidation	100
Essilor Lens Australia Pty Ltd.	Australia	Full consolidation	100
Eyebiz	Australia	Full consolidation	70
Humanware Australia	Australia	Full consolidation	63
Precision Optics PTY LTD	Australia	Full consolidation	100
Prescription Safety Glasses Pty Ltd	Australia	Full consolidation	100
Shamir Australia (Pty) Ltd.	Australia	Full consolidation	50
Sunix Computer Consultants Pty Ltd	Australia	Full consolidation	100
Tasmanian Optical Cy Pty LTD	Australia	Full consolidation	100
Transitions Optical Party Ltd	Australia	Full consolidation	100
Wallace Everett Lens Technology	Australia	Full consolidation	66
Essilor Austria GmbH	Austria	Full consolidation	100
De Ceynunck & Co. N.V.	Belgium	Full consolidation	100
Essilor Belgium S.A.	Belgium	Full consolidation	100
Brasilor Participacoes Sc Ltda.	Brazil	Full consolidation	100
Brazil 2.5 New Vision Generation	Brazil	Full consolidation	100
Canto e Mello	Brazil	Full consolidation	70
Ceditop	Brazil	Full consolidation	70
Comopticos	Brazil	Full consolidation	70
Comprol	Brazil	Full consolidation	51
Digitop	Brazil	Full consolidation	70
Embrapol Sul	Brazil	Full consolidation	73
Essilor Da Amazonia Industria e Commercio Ltda.	Brazil	Full consolidation	100
Farol	Brazil	Full consolidation	70
GBO	Brazil	Full consolidation	76

Company	Country	Consolidation method	% interest
Grown	Brazil	Full consolidation	51
Mult Block	Brazil	Full consolidation	51
Mult Laboptical	Brazil	Full consolidation	51
Multi Optica Distribuidora Ltda.	Brazil	Full consolidation	100
Optiminas	Brazil	Full consolidation	70
Orgalent	Brazil	Full consolidation	51
PSA Nilo	Brazil	Full consolidation	51
Repro	Brazil	Full consolidation	70
Riachuelo	Brazil	Full consolidation	70
Satisloh do Brasil	Brazil	Full consolidation	100
Shamir Brasil Commercial LTDA	Brazil	Full consolidation	50
Starclic Indústria e Comércio Ótico Ltda.	Brazil	Full consolidation	25
Styll	Brazil	Full consolidation	51
Sudop Industria Optica Ltda.	Brazil	Full consolidation	100
Technopark Comercio de Artigos Opticos S.A	Brazil	Full consolidation	51
Tecnolens	Brazil	Full consolidation	71
Transitions Do Brasil	Brazil	Full consolidation	100
Unilab	Brazil	Full consolidation	75
YTT Holding	Brazil	Full consolidation	51
Essilor Cambodia	Cambodia	Full consolidation	51
Codi Sivo	Cameroon	Full consolidation	28
Active Vision Lab Inc	Canada	Full consolidation	61
AN Optical Lab Inc	Canada	Full consolidation	31
Aries Optical Ltd.	Canada	Full consolidation	100
BBGR Optique Canada Inc.	Canada	Full consolidation	100
Benson Edwards Optica Limited	Canada	Full consolidation	50
Bugaboos Eyewear Corporation	Canada	Full consolidation	100
Canoptec Inc.	Canada	Full consolidation	100
Cascade Optical Ltd	Canada	Full consolidation	60
Clearlen Systems Inc	Canada	Full consolidation	61
Clearly Contacts Ltd	Canada	Full consolidation	100
CPS 360 Optical LTD	Canada	Full consolidation	50
Custom Surface Ltd.	Canada	Full consolidation	100
Eastern Optical Laboratories Ltd.	Canada	Full consolidation	100
Econo Optics	Canada	Full consolidation	60
Essilor Canada Ltd.	Canada	Full consolidation	100
FGX Canada Corp	Canada	Full consolidation	100
Fundy Vision Optical Laboratory Inc	Canada	Full consolidation	80
Groupe Vision Optique	Canada	Full consolidation	100
Imperial Laboratories Inc.	Canada	Full consolidation	60
K & W Optical Ltd.	Canada	Full consolidation	100
Laboratoire d'Optique de Hull Inc	Canada	Full consolidation	100
Laboratoire d'Optique SDL Inc	Canada	Full consolidation	97
Metro Optical Ltd.	Canada	Full consolidation	100
Morrison Optical	Canada	Full consolidation	100
Naked Eye Enterprises Inc.	Canada	Full consolidation	100
Nikon Optical Canada Inc.	Canada	Full consolidation	50
OMICS Software Inc	Canada	Full consolidation	100
OPSG Ltd.	Canada	Full consolidation	100
Optique Cristal Inc	Canada	Full consolidation	70
Optique de l'Estrie Inc.	Canada	Full consolidation	100
Perspectics	Canada	Full consolidation	100
Pioneer Optical Inc.	Canada	Full consolidation	100
Pro Optic Canada Inc.	Canada	Full consolidation	100
Purelab DLP INC	Canada	Full consolidation	25
R & R Optical Laboratory Ltd.	Canada	Full consolidation	100

Company	Country	Consolidation method	% interest
Riverside Opticalab & Subidiaries	Canada	Full consolidation	61
SDL	Canada	Full consolidation	90
Shamir Canada	Canada	Full consolidation	50
Signet Armorlite Canada, Inc	Canada	Full consolidation	100
Stylemark Canada	Canada	Full consolidation	100
Suntech	Canada	Full consolidation	100
Superlab	Canada	Full consolidation	61
Technologies Humanware	Canada	Full consolidation	63
UTMC	Canada	Full consolidation	61
Westlab	Canada	Full consolidation	100
Megalux	Chile	Full consolidation	51
Chemilens Co. Ltd	China	Full consolidation	50
Danyang	China	Full consolidation	80
Essilor China Holding Co Ltd	China	Full consolidation	100
Eye Buy Direct China	China	Full consolidation	61
FGX International Limited China	China	Full consolidation	100
Nikon Beijing Co. Ltd	China	Full consolidation	50
Ping Ding Shan Fangyuan Vision Optical Technology Co Ltd.	China	Full consolidation	51
Satisloh Trading Shenzen	China	Full consolidation	100
Satisloh Zhongshan	China	Full consolidation	100
Seeworld Optical Co.	China	Full consolidation	51
Shamir Optical (Shanghai Co. Ltd)	China	Full consolidation	50
Shanghaï Essilor Optical Co. Ltd.	China	Full consolidation	100
Shanghai Global Lens Distribution	China	Full consolidation	100
Shanghaï NVG Optical	China	Full consolidation	100
Tian Hong	China	Full consolidation	50
Wanxin	China	Full consolidation	50
Xiamen Artgri Optical Company Ltd	China	Full consolidation	50

Company	Country	Consolidation method	% interest
Xiamen Yarui Optical Company Ltd	China	Full consolidation	50
Youli Optics Co Ltd	China	Full consolidation	51
Essilor Colombia	Colombia	Full consolidation	100
Ivortest	Colombia	Full consolidation	100
Servioptica	Colombia	Full consolidation	51
Signet Armorlite Columbia SA	Colombia	Full consolidation	96
Chemiglas	South Korea	Full consolidation	50
Dekovision	South Korea	Full consolidation	50
Essilor Korea	South Korea	Full consolidation	50
Incheon Optics	South Korea	Full consolidation	40
Onbitt	South Korea	Full consolidation	51
Laboratoires Sivo Abidjan	Côte d'Ivoire	Full consolidation	50
Essilor Optika doo	Croatia	Full consolidation	100
Essilor Danmark A.S.	Denmark	Full consolidation	100
Essilor Amico L.L.C.	United Arab Emirates	Full consolidation	50
Essilor Amico Middle East FZCO	United Arab Emirates	Full consolidation	50
Essilor Middle East Limited	United Arab Emirates	Full consolidation	100
Ghanada	United Arab Emirates	Full consolidation	40
GKB Emirates	United Arab Emirates	Full consolidation	50
Osme	United Arab Emirates	Full consolidation	100
BBGR Lens Iberia S.A.	Spain	Full consolidation	100
Essilor Espana S.A.	Spain	Full consolidation	100
Essilor Optica International Holding S.L	Spain	Full consolidation	100
Satisloh Iberica	Spain	Full consolidation	100
Shamir Optical Espana, SL	Spain	Full consolidation	50

Company	Country	Consolidation method	% interest
Signet Armorlite Iberica	Spain	Full consolidation	100
21st Century Optics Inc.	United States	Full consolidation	100
Accu Rx Inc	United States	Full consolidation	95
Advance Optical	United States	Full consolidation	95
AG Opticals Inc	United States	Full consolidation	100
Apex Optical Company Inc.	United States	Full consolidation	100
Balester Optical	United States	Full consolidation	100
Barnett & Ramel Optical Co. of Nebr.	United States	Full consolidation	100
Bazell	United States	Full consolidation	70
Beitler Mc Kee Company	United States	Full consolidation	90
Blue Optics	United States	Full consolidation	80
BSA Industries	United States	Full consolidation	100
Bugaboos Eyewear Inc.	United States	Full consolidation	100
Carskadden Optical	United States	Full consolidation	100
Central Optical	United States	Full consolidation	60
Classic Optical	United States	Full consolidation	95
Coastal Vision (US), Inc.	United States	Full consolidation	100
Collard Rose	United States	Full consolidation	95
Cordless Network Service (Frame Displays)	United States	Full consolidation	80
Costa Inc.	United States	Full consolidation	100
Custom Optical	United States	Full consolidation	100
Dac Vision Inc	United States	Full consolidation	100
Deschutes	United States	Full consolidation	80
Dibok_Aspen Optical	United States	Full consolidation	100
Dioptics Medical Products	United States	Full consolidation	100
ELOA California Acquisition Corp.	United States	Full consolidation	100
E-Magine Optical	United States	Full consolidation	80
Empire	United States	Full consolidation	100

Company	Country	Consolidation method	% interest
Encore L.L.C.	United States	Full consolidation	50
Epics Labs Inc	United States	Full consolidation	80
Essilor Laboratories of America Corporation	United States	Full consolidation	100
Essilor Laboratories of America Holding Co Inc.	United States	Full consolidation	100
Essilor Laboratories of America, Inc (inclus Laboratoires US)	United States	Full consolidation	100
Essilor Laboratories of America, LP (inclus Avisia, Omega, Duffens)	United States	Full consolidation	100
Essilor Latin America & Caribbean Inc.	United States	Full consolidation	100
Essilor of America Holding Co Inc.	United States	Full consolidation	100
Essilor of America Inc.	United States	Full consolidation	100
Essilor VSP Holding Co.Inc	United States	Full consolidation	100
Eye Buy Direct US	United States	Full consolidation	61
Eye Care Express Lab Inc	United States	Full consolidation	98
Eyewear L.L.C.	United States	Full consolidation	61
FGX Direct L.L.C.	United States	Full consolidation	100
FGX International Holdings Limited	United States	Full consolidation	100
FGX International II Limited	United States	Full consolidation	100
FGX International, Inc	United States	Full consolidation	100
Focus Optical Labs, Inc	United States	Full consolidation	90
Frames For America	United States	Full consolidation	43
Future Optics FL Inc	United States	Full consolidation	92
Future Optics TE Inc	United States	Full consolidation	100
Gentex Optics Inc.	United States	Full consolidation	100
Gulfstates Optical Laboratories Inc.	United States	Full consolidation	80
Hawkins Optical Laboratories Inc	United States	Full consolidation	100
Hirsch Optical	United States	Full consolidation	100
Homer Optical	United States	Full consolidation	100
Humanware USA	United States	Full consolidation	63
I-Coat Company, L.L.C.	United States	Full consolidation	85

Company	Country	Consolidation method	% interest
Interstate Optical	United States	Full consolidation	80
Jorgenson Optical Supply Cy.	United States	Full consolidation	95
Just Eyewear L.L.C.	United States	Full consolidation	100
Katz & Klein	United States	Full consolidation	100
Lenstech Optical Lab Inc.	United States	Full consolidation	80
Mc Leod Optical Company Inc.	United States	Full consolidation	52
MGM	United States	Full consolidation	90
MOC Acquisition Corporation	United States	Full consolidation	84
Nassau Lens Co Inc.	United States	Full consolidation	100
NEA Optical L.L.C.	United States	Full consolidation	80
Next generation	United States	Full consolidation	100
Nikon Optical US	United States	Full consolidation	50
NOA	United States	Full consolidation	100
OOGP	United States	Full consolidation	100
Opt. Lab. Software Solutions	United States	Full consolidation	100
Optical One	United States	Full consolidation	80
Optical Suppliers Inc. (Hawaï)	United States	Full consolidation	90
Optical Venture Inc	United States	Full consolidation	80
Optics East	United States	Full consolidation	100
Optimatrix	United States	Full consolidation	100
Optisource International Inc.	United States	Full consolidation	90
Ozarks Optical Laboratories	United States	Full consolidation	80
Pasch Optical Laboratory Inc.	United States	Full consolidation	40
Pech Optical	United States	Full consolidation	100
Peninsula Optical Lab.	United States	Full consolidation	80
Perferx Optical Co Inc	United States	Full consolidation	94
Personnal Eyes	United States	Full consolidation	100
Plunkett Optical Inc.	United States	Full consolidation	80
Polyvision INC	United States	Full consolidation	50
Precision Optical Co. (Connecticut)	United States	Full consolidation	80
Precision Optical Lab. (Tennessee)	United States	Full consolidation	95
Premier Optics Corp	United States	Full consolidation	90
Prodigy	United States	Full consolidation	100
Professional Opthalmic Lab	United States	Full consolidation	80
RD Cherry	United States	Full consolidation	80
Rooney Optical Inc.	United States	Full consolidation	100
Rooney Optical of Pennsyvania, L.L.C.	United States	Full consolidation	100
Satisloh North America	United States	Full consolidation	100
Shamir Insight, Inc.	United States	Full consolidation	50
Shamir USA	United States	Full consolidation	50
Signet Armorlite Inc	United States	Full consolidation	100
Signet Armorlite USA	United States	Full consolidation	100
Skaggs and Gruber, Ltd d.b.a Trucker Meadows	United States	Full consolidation	80
Southwest lens	United States	Full consolidation	65
Speciality Lens Corp.	United States	Full consolidation	100
Stereo Optical Co. Inc.	United States	Full consolidation	100
Stylemark	United States	Full consolidation	100
SunStar Inc.	United States	Full consolidation	80
Sutherlin Optical Company	United States	Full consolidation	100
Transitions Optical Inc	United States	Full consolidation	100
Tri Supreme Optical L.L.C.	United States	Full consolidation	100
Ultimate Optical Lab	United States	Full consolidation	100
VIP Optical	United States	Full consolidation	100
Vision Web	United States	Equity method	44
Vision-Craft Inc.	United States	Full consolidation	100
Winchester Optical Company	United States	Full consolidation	80

Company	Country	Consolidation method	% interest
X-Cell	United States	Full consolidation	80
Essilor OY	Finland	Full consolidation	100
Lensway OY	Finland	Full consolidation	100
Activ Screen	France	Full consolidation	68
Activisu	France	Full consolidation	68
BBGR	France	Full consolidation	100
BNL Eurolens	France	Full consolidation	100
BNL Polyofta	France	Full consolidation	100
Dac Vision SAS	France	Full consolidation	100
Delamare Sovra	France	Full consolidation	100
Domlens	France	Full consolidation	65
Essidev	France	Full consolidation	100
Essiholding	France	Full consolidation	100
Essor	France	Full consolidation	50
FGX Holding SASU	France	Full consolidation	100
Fred Management (Holding)	France	Full consolidation	100
Interactif Visual System	France	Full consolidation	68
Invoptic	France	Full consolidation	100
IVS Technical Center	France	Full consolidation	68
Mega Optic Design	France	Full consolidation	75
Mont-Royal	France	Full consolidation	100
Novacel Ophtalmique	France	Full consolidation	75
Novisia	France	Full consolidation	100
Omi	France	Full consolidation	100
Optim	France	Full consolidation	100
Satisloh SAS	France	Full consolidation	100
Shamir France SARL	France	Full consolidation	50
Tikai Vision (ex-Barbara)	France	Full consolidation	100

Company	Country	Consolidation method	% interest
ASE Corporate Eyecare	United Kingdom	Full consolidation	70
BBGR United Kingdom	United Kingdom	Full consolidation	100
Crossbows Optical Ltd	United Kingdom	Full consolidation	100
Essilor European Shared Service Center Ltd.	United Kingdom	Full consolidation	100
Essilor Ltd	United Kingdom	Full consolidation	100
FGX Europe Limited	United Kingdom	Full consolidation	100
Horizon Optical Company Ltd.	United Kingdom	Full consolidation	100
Humanware Europe	United Kingdom	Full consolidation	63
Infield safety UK, Ltd.	United Kingdom	Full consolidation	100
Leicester	United Kingdom	Full consolidation	80
Nikon Optical UK	United Kingdom	Full consolidation	50
Shamir UK Limited	United Kingdom	Full consolidation	50
Sight Station Ltd	United Kingdom	Full consolidation	100
Signet Armorlite Europe Ltd	United Kingdom	Full consolidation	100
Sinclair Optical Laboratories	United Kingdom	Full consolidation	100
United Optical Laboratories	United Kingdom	Full consolidation	100
Wholesale Lens Corporation Limited	United Kingdom	Full consolidation	100
Dac Vision HK	Hong Kong	Full consolidation	100
Essilor Hong Kong	Hong Kong	Full consolidation	100
Eye Buy Direct HK	Hong Kong	Full consolidation	61
Foster Grant Hong Kong Limited	Hong Kong	Full consolidation	100
Polycore Optical (HK) Ltd	Hong Kong	Full consolidation	50
Polylite Hong Kong	Hong Kong	Full consolidation	51
Satisloh Asia and Trading Ltd	Hong Kong	Full consolidation	100
Essilor Optika Kft	Hungary	Full consolidation	100
20 20 Optics	India	Full consolidation	70
Beauty Glass Pvt Ltd.	India	Full consolidation	88
Deepak Lens Pvt Ltd	India	Full consolidation	60

Company	Country	Consolidation method	% interest
Delta CNC	India	Full consolidation	39
Delta Lens Pvt Ltd	India	Full consolidation	51
Enterprise Ophtalmics Pvt Ltd	India	Full consolidation	50
Essilor India Pvt Ltd (ex-Esssilor SRF Optics Ltd)	India	Full consolidation	100
Essilor Lens & Specs	India	Full consolidation	60
Essilor Manufacturing India Pvt Ltd (ex-Indian Ophtalmic Lenses Manuf.)	India	Full consolidation	100
GKB Hi Tech	India	Full consolidation	50
GKB Optic Tech Private Ltd	India	Full consolidation	51
GKB Rx Lens Private Ltd.	India	Full consolidation	76
India New Vision Generation Pvt Ltd	India	Full consolidation	100
Optics India Equipment Pvt Ltd	India	Full consolidation	50
OSD Optics	India	Full consolidation	100
Sankar	India	Full consolidation	70
Transitions Optical India	India	Full consolidation	100
Vijay Vision Pvt Ltd.	India	Full consolidation	88
P.T Optical Support of Indonesia	Indonesia	Full consolidation	70
P.T. Essilor Indonesia	Indonesia	Full consolidation	100
P.T. Polyvisi Rama Optik	Indonesia	Full consolidation	49
P.T. Supravisi Rama Optik Manufacturing	Indonesia	Full consolidation	49
Athlone	Ireland	Full consolidation	100
Essilor Ireland (Sales) Ltd	Ireland	Full consolidation	100
Organic Lens Manufacturing (succursale)	Ireland	Full consolidation	100
Transitions Optical Ltd	Ireland	Full consolidation	100
Essilor Israel Holding	Israel	Full consolidation	100
Essilor Israel Laboratories Ltd (Optiplas)	Israel	Full consolidation	50
Inray Ltd.	Israel	Full consolidation	50
Shamir Eyal Ltd.	Israel	Full consolidation	50

Company	Country	Consolidation method	% interest
Shamir Holding Optical	Israel	Full consolidation	50
Shamir Israel Optical Marketing Ltd.	Israel	Full consolidation	50
Shamir Optical Industry	Israel	Full consolidation	50
Shamir Or Ltd.	Israel	Full consolidation	50
Shamir Special Optical Products Ltd.	Israel	Full consolidation	50
Essilor Italia S.p.A.	Italy	Full consolidation	100
Infield Safety Italia, S.R.L.	Italy	Full consolidation	100
Intercast Europe S.R.L.	Italy	Full consolidation	100
LTL S.p.A.	Italy	Full consolidation	100
Oftalmika Galileo S.p.A.	Italy	Full consolidation	100
Optilens Italia S.R.L.	Italy	Full consolidation	100
Polinelli S.R.L.	Italy	Full consolidation	100
Satisloh Italy S.p.A.	Italy	Full consolidation	100
Shamir RX Italia S.R.L.	Italy	Full consolidation	50
Aichi Nikon Co. Ltd.	Japan	Full consolidation	50
Coastal Japan Kabushikigaisha 2	Japan	Full consolidation	100
Nasu Nikon Co. Ltd.	Japan	Full consolidation	50
Nikon – Essilor Co. Ltd	Japan	Full consolidation	50
Nikon and Essilor International Joint Research Center Co Ltd	Japan	Equity method	50
Transitions Optical Japan	Japan	Full consolidation	100
Essilor Amico Kuwait	Kuwait	Full consolidation	50
Essilor Lao Co Ltd	Laos	Full consolidation	100
Impasoles	Luxembourg	Full consolidation	100
Essilor Malaysia Sdn Bhd	Malaysia	Full consolidation	100
Frames and Lenses	Malaysia	Full consolidation	90
ILT Malaysia	Malaysia	Full consolidation	81
Polycore Optical (Malaysia) Sdn Bhd	Malaysia	Full consolidation	50
Essilor Management North and West Africa	Morocco	Full consolidation	100

Company	Country	Consolidation method	% interest
L'N Optics	Morocco	Full consolidation	51
Optiben	Morocco	Full consolidation	80
Sivom	Morocco	Full consolidation	28
VST Lab	Morocco	Full consolidation	80
Aai Joske's S de RL de CV	Mexico	Full consolidation	100
Centro Integral Optico S.A de C.V	Mexico	Full consolidation	26
Cristal y Plastico SA de CV	Mexico	Full consolidation	51
Essilor Mexico	Mexico	Full consolidation	100
Shalens S.A C.V	Mexico	Full consolidation	26
Signet Armorlite de Mexico, SA et CV	Mexico	Full consolidation	99
Sofi de Chihuahua	Mexico	Full consolidation	100
Essilor Norge A.S.	Norway	Full consolidation	100
Sentralslip	Norway	Full consolidation	100
Essilor Laboratories New Zealand Ltd. (ex-OHL Lenses Ltd)	New Zealand	Full consolidation	100
Essilor New Zealand Ltd.	New Zealand	Full consolidation	100
Optical Laboratories	New Zealand	Full consolidation	100
Prolab	New Zealand	Full consolidation	100
B.V. Nederlandse Optische Industrie E.N.O.T.	Netherlands	Full consolidation	50
Condis B.V.	Netherlands	Full consolidation	100
Essilor Nederland B.V.	Netherlands	Full consolidation	100
Essilor Nederland Holding B.V.	Netherlands	Full consolidation	100
Holland Optical Corp. B.V.	Netherlands	Full consolidation	100
Holland Optical Instruments B.V.	Netherlands	Full consolidation	100
Lensway B.V.	Netherlands	Full consolidation	100
Lotus Flower Holding B.V.	Netherlands	Full consolidation	75
O'max Instruments B.V.	Netherlands	Full consolidation	100
Shamir Nederland B.V	Netherlands	Full consolidation	50
Signet Armorlite (Holland) B.V.	Netherlands	Full consolidation	100

Company	Country	Consolidation method	% interest
Transitions Optical Holding B.V.	Netherlands	Full consolidation	100
Epodi	Philippines	Full consolidation	51
Essilor Manufacturing Philippines Inc.	Philippines	Full consolidation	100
Optodev	Philippines	Full consolidation	100
Transitions Optical Philipinnes	Philippines	Full consolidation	100
Essilor Optical laboratory Polska Sp. z o.o.	Poland	Full consolidation	100
Essilor Polonia	Poland	Full consolidation	100
JZO	Poland	Full consolidation	98
Shamir Polska Sp. z o.o.	Poland	Full consolidation	50
Rainbow Optical	Puerto Rico	Full consolidation	100
Essilor Portugal	Portugal	Full consolidation	100
Shamir Portugal, LDA	Portugal	Full consolidation	50
Signet Armorlite Portugal – Unipessoal, LDA	Portugal	Full consolidation	100
Amico Qatar	Qatar	Full consolidation	49
Essilor Optika Spol S.R.O.	Czech Republic	Full consolidation	100
Omega Optrix S.R.O (Tchéquie)	Czech Republic	Full consolidation	100
Opti Express	Dominican Republic	Full consolidation	51
Sivo Togo	Togolese Republic	Full consolidation	28
Essilor Romania S.R.L.	Romania	Full consolidation	100
Company Grandvision L.L.C.	Russia	Full consolidation	75
Essilor Optika OOO	Russia	Full consolidation	100
Luis Optica	Russia	Full consolidation	80
Moc BBGR	Russia	Full consolidation	51
Shamir Russia L.L.C.	Russia	Full consolidation	50
Artgri Group International Pte Ltd	Singapore	Full consolidation	50
Asianzakka PTY	Singapore	Full consolidation	100
Essilor AMERA Pte Ltd.	Singapore	Full consolidation	100
Essilor Philippines Holding	Singapore	Full consolidation	51

Company	Country	Consolidation method	% interest
ETC South East Asia Pte Ltd.	Singapore	Full consolidation	70
ILT To Latin america	Singapore	Full consolidation	51
Integrated Lens Technology	Singapore	Full consolidation	100
Kaleido Vision Pte Ltd (ex-Unique Ophtalmic)	Singapore	Full consolidation	100
OSA Investments Holdings Pte Ltd	Singapore	Full consolidation	100
Polilyte Asia Pacific Pte Ltd	Singapore	Full consolidation	51
Polycore Optical (SG) Pte Ltd	Singapore	Full consolidation	50
Seeworld Holding Pte Ltd	Singapore	Full consolidation	51
Shamir Asia Pte. Ltd.	Singapore	Full consolidation	50
Shamir Singapore Pte. Ltd.	Singapore	Full consolidation	50
Signet Armorlite Asia (ex-Visitech)	Singapore	Full consolidation	100
SMJ Holding Pte Ltd	Singapore	Full consolidation	70
Transitions Optical Singapore	Singapore	Full consolidation	100
Trend Optical Singapore	Singapore	Full consolidation	70
Essilor Slovakia	Slovakia	Full consolidation	100
Omega Optrix S.R.O (Slovaquie)	Slovakia	Full consolidation	100
Essilor D.O.O Slovenia	Slovenia	Full consolidation	100
Global Lens Lanka	Sri Lanka	Full consolidation	50
BBGR Skandinaviska	Sweden	Full consolidation	100
Essilor AB	Sweden	Full consolidation	100
Eyeway AB	Sweden	Full consolidation	100
Lensco AB	Sweden	Full consolidation	100
Lenshold AB	Sweden	Full consolidation	100
Lenslogistics AB	Sweden	Full consolidation	100
Essilor (Suisse) S.A.	Switzerland	Full consolidation	100
Reize	Switzerland	Full consolidation	65

Company	Country	Consolidation method	% interest
Satisloh AG	Switzerland	Full consolidation	100
Satisloh Holding AG	Switzerland	Full consolidation	100
Satisloh Photonics AG	Switzerland	Full consolidation	100
Vaco Holding S.A.	Switzerland	Full consolidation	100
Polylite Taiwan Optilab	Taiwan	Full consolidation	51
SHIH Heng Optical Taïwan Branch	Taiwan	Full consolidation	70
SMJ Holding Pte Ltd Taiwan Branch	Taiwan	Full consolidation	70
Trend Optical Taiwan Branch	Taiwan	Full consolidation	70
Essilor Distribution Thailand Co. Ltd.	Thailand	Full consolidation	100
Essilor Manufacturing (Thaïland) Co Ltd.	Thailand	Full consolidation	100
Essilor Optical Laboratory Thailande	Thailand	Full consolidation	100
Eyebiz Laboratory Co Ltd	Thailand	Full consolidation	70
K-T Optic CO., Ltd	Thailand	Full consolidation	24
ShamirLens Thailand Co., Ltd	Thailand	Full consolidation	24
Solarlens	Thailand	Full consolidation	100
Transitions Optical Thailand Ltd	Thailand	Full consolidation	100
Essilor Sivo	Tunisia	Full consolidation	55
Sicom	Tunisia	Full consolidation	55
Altra Optik Sanayi ve Ticaret A.S	Turkey	Full consolidation	50
Esel Optik	Turkey	Full consolidation	51
Essilor Management Turkey	Turkey	Full consolidation	100
Ipek	Turkey	Full consolidation	70
Isbir	Turkey	Full consolidation	73
Opak	Turkey	Full consolidation	51
Yeda Tora	Turkey	Full consolidation	70
Chemilens Vietnam	Vietnam	Full consolidation	50

3.5 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

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, 2014, 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, 2014 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 Notes 1.12, 2.2 and 2.3 to the consolidated financial statements, which describe the impact on the balance sheet and the income statement of the acquisition, on April 1, 2014, of a 51% ownership stake in Transitions Optical.

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 1.20 to the consolidated financial statements. We reviewed the methods and assumptions used to carry out these impairment tests and we verified that Note 12 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 2, 2015

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: 2014 and 2013.

	PricewaterhouseCoopers				Mazars			
	Amount (net of VAT)		As a %		Amount (net of VAT)		As a %	
€ thousands except percentages	Fiscal year 2014	Fiscal year 2013	Fiscal year 2014	Fiscal year 2013	Fiscal year 2014	Fiscal year 2013	Fiscal year 2014	Fiscal year 2013
AUDIT								
Statutory Auditors, certification, review of separate and consolidated financial statements:								
• parent company	447	447	9%	10%	282	282	8%	10%
• fully consolidated subsidiaries	2,638	2,318	54%	52%	2,476	2,017	69%	71%
Other audit-related services:								
• parent company	726	922	15%	21%	358	162	10%	6%
• fully consolidated subsidiaries	563	611	12%	14%	413	314	12%	11%
SUB-TOTAL	**4,373**	**4,298**	**90%**	**97%**	**3,528**	**2,775**	**99%**	**97%**
OTHER SERVICES PROVIDED TO CONSOLIDATED SUBSIDIARIES								
Legal and tax advice	477	128	10%	3%	26	49	1%	2%
Other	0	0	0%	0%	10	32	0%	1%
SUB-TOTAL	**477**	**128**	**10%**	**3%**	**36**	**82**	**1%**	**3%**
TOTAL	**4,850**	**4,426**	**100%**	**100%**	**3,564**	**2,857**	**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 2014 annual financial statements include the income statement, balance sheet, cash flow statement and notes, presented below.

The Statutory Auditors' Report on the 2014 annual financial statements is presented in Section 3.9 of this Registration Document.

3.7.1 Key figures at December 31, 2014

€ thousands, except per share data which is in €	2014	2013
Income statement		
Revenue	830,421	800,847
Operating results	78,938	103,583
Profit before non-operating items and tax	388,404	339,269
Net profit	693,536	326,184
Balance sheet		
Share capital	38,861	38,646
Equity	2,925,345	2,366,655
Net debt	2,182,434	456,519
Non-current assets, net	5,243,411	2,837,898
TOTAL ASSETS	**6,183,646**	**3,857,618**
Net dividend per ordinary share (€)	1.02 (a)	0.94

(a) Subject to the decision of the Shareholders' Meeting of May 5, 2015.

Essilor International's revenue outside of the Puerto Rico branch increased by 4.7% compared to 2013. Sales of corrective lenses in France were up by 2.6%, led by a strong increase in internal flows within the Group. They were up 11.4% in the export market. Sales of instruments were down 5.1% in France and were up 4.5% in the export market. The Puerto Rico branch recorded a slowdown in business reflected by a drop in revenue of 26.9%.

Despite an increase in activity, the operating results show a decrease of €24.6 million compared to 2013. This change is mainly a result of the internationalization of the "Corporate" functions, an increase in the cost of performance share plans and an increase in consumer marketing expenses.

Financial income totaled €309.5 million, up 31.3% compared to 2013. This change is mainly due to an increase in:

- dividends received of €38.7 million (particularly from the share in the subsidiaries Transitions Optical Ltd and Transitions Optical Holding B.V.);
- net financial income on loans and borrowings including loans of €31.4 million to subsidiaries.

The net non-operating income is up €316.9 million compared to 2013, which is due to impairment losses on property, plant and equipment and intangible assets as well as two particular events:

- sale of 29% of the Transitions Optical Inc. securities to Essilor of America Holding with a net capital gain of €337.2 million;
- the recognition of a non-recurrent charge relating to the contribution of €14.9 million to the Essilor Social Impact fund.

The tax income recognized in the financial statements for the fiscal year 2014 amounted to €0.3 million. This amount reflects a number of factors:

- the impact of a full tax rate and 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).

Net profit totaled €693.5 million, up 112.6% compared to the previous fiscal year.

3.7.2 Income statement at December 31, 2014

€ thousands	Notes	2014	2013
Revenue	2	830,421	800,847
Production transferred to inventory		2,023	-5,127
Production of assets for own use		4,397	5,348
Reversals of depreciation, amortization and provisions	13	88,851	69,753
Other income	3	261,738	255,727
TOTAL OPERATING PROFIT		**1,187,430**	**1,126,547**
Purchases of materials and change in inventories		417,127	391,745
Other external purchases and expenses	4	227,832	205,307
Taxes and duties		30,598	27,800
Personnel expenses	16	365,754	336,223
Depreciation, amortization and provisions, net		59,055	56,369
Other expenses	13	8,127	5,519
TOTAL OPERATING EXPENSES		**1,108,492**	**1,022,964**
OPERATING RESULTS		**78,938**	**103,583**
Financial income	5	309,466	235,685
PROFIT BEFORE NON-OPERATING ITEMS AND TAX		**388,404**	**339,269**
Non-operating income (expense), net	6	304,863	-12,019
Income tax expense	7	-268	1,066
NET PROFIT		**693,536**	**326,184**

3.7.3 Balance sheet as at December 31, 2014

Assets

€ thousands	Notes	2014 Gross amount	2014 Amortizations Provisions	2014 Net amount	2013 Net amount
Intangible assets	8	142,526	110,283	32,243	49,613
Tangible assets	9	375,298	261,530	113,768	123,262
Investments and other non-current assets	10	5,162,868	65,470	5,097,399	2,665,023
LONG-TERM FINANCIAL ASSETS		**5,680,693**	**437,282**	**5,243,411**	**2,837,898**
Inventories	11.1	72,884	18,476	54,409	52,613
Prepayments on orders	11.2	1,279	8	1,271	2,066
Trade receivables	11.2	304,669	4,341	300,327	282,815
Other receivables	11.2	411,154	3,941	407,213	274,263
Marketable securities	11.3	129,761		129,761	374,888
Cash		22,998		22,998	10,905
CURRENT ASSETS		**942,746**	**26,766**	**915,979**	**997,549**
Bond premium redemption		3,560		3,560	
Prepaid expenses	11.4	16,937		16,937	16,174
Conversion losses		3,759		3,759	5,998
OVERALL TOTAL		**6,647,695**	**464,048**	**6,183,646**	**3,857,618**

Liabilities

€ thousands	Notes	2014	2013
Share capital	12.1	38,861	38,646
Issue, merger and transfer premiums		360,451	302,160
Legal reserve		3,879	3,879
Other reserves		1,776,408	1,646,408
Retained earnings		14,054	15,601
Net profit		693,536	326,184
Investment grants		75	95
Untaxed provisions		37,842	36,042
Translation reserve	1.12	239	-2,361
EQUITY	**12.2**	**2,925,345**	**2,366,655**
PROVISIONS FOR CONTINGENCIES AND CHARGES	**13.1**	**149,842**	**114,220**
Other bonds	14.1	1,474,367	583,294
Borrowings and advances from credit institutions (including Group subsidiary current accounts)	14.1	815,119	229,081
Other financial debt	14.1	45,706	29,937
FINANCIAL LIABILITIES	**14**	**2,335,192**	**842,312**
Trade payables	14.2	165,919	136,007
Accrued taxes and personnel expenses	14.2	103,675	96,422
Other liabilities	14.2	501,243	301,033
OPERATING AND OTHER LIABILITIES		**770,838**	**533,461**
Deferred income		170	129
Conversion gains		2,259	841
OVERALL TOTAL		**6,183,646**	**3,857,618**

3.7.4 Cash flow statement at December 31, 2014

€ thousands	2014	2013
Net profit for the fiscal year	693,536	326,184
Elimination of non-cash items	-242,143	68,780
Cash flow	451,392	394,964
Change in working capital [(a)]	95,411	-142,025
NET FLOWS FROM TRANSACTIONS	**546,803**	**252,939**
Purchases of property, plant and equipment	-17,720	-37,761
Acquisition of shares in subsidiaries and affiliates and other investments	-920,899	-131,610
New loans extended	-4,372,544	-939,604
Proceeds from disposals of fixed assets	342,679	-12,692
Repayment of long-term loans and advances	2,857,003	871,407
NET FLOW ASSIGNED TO INVESTMENTS	**-2,111,480**	**-250,260**
Issue of share capital	61,106	67,291
Purchases and sales of treasury stock	-16,869	-64,480
Dividends paid	-197,731	-185,339
Increase / decrease in borrowings	1,492,631	314,289
NET FLOWS FROM FINANCING TRANSACTIONS	**1,339,137**	**131,761**
Change in cash and cash equivalents	-225,540	134,440
Cash and cash equivalents at the beginning of the period	371,180	236,740
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**145,640**	**371,180**

(a) Changes in working capital are as follows:

€ thousands	2014	2013	Change
Prepayments to suppliers	1,271	2,066	795
Inventories	54,409	52,613	-1,796
Operating receivables	325,475	305,118	-20,357
Other receivables	382,066	251,381	-130,685
Accrued interest on loans and dividends receivable	3,027	1,962	-1,065
Operating liabilities	-372,825	-322,355	50,470
Other liabilities	-398,013	-210,528	187,485
Accrued interest	-10,034	-2,405	7,629
Accruals and conversion gains and losses	18,267	21,202	2,935
TOTAL WORKING CAPITAL	**3,643**	**99,054**	**95,411**

Cash and cash equivalents correspond to cash and short-term deposits, less short-term bank loans and overdrafts.

3.8 NOTES TO THE 2014 ANNUAL FINANCIAL STATEMENTS

The following notes provide additional information about items reported in the balance sheet at December 31, 2014, which shows total assets of €6,183,646 thousand, and the income statement, which shows a net profit of €693,536 thousand.

The financial statements cover a 12-month period from January 1 to December 31, 2014.

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 outside of the Puerto Rico branch increased by 4.7% compared to 2013. Sales of corrective lenses in France were up by 2.6%, led by a strong increase in internal flows within the Group. They were up 11.4% in the export market. Sales of instruments were down 5.1% in France and were up 4.5% in the export market. The Puerto Rico branch recorded a slowdown in business reflected by a drop in revenue of 26.9%.

Acquisition of Transitions Optical

On April 1, 2014, Essilor announced the successful completion of the acquisition of 51% of the capital held by PPG in Transitions Optical, the leading global supplier of variable-tint lenses for manufacturers in the optical industry.

On September 30, 2014, Essilor also sold 29% of its shareholding in the Transitions Optical Inc. securities to its subsidiary Essilor of America Holding with a net capital gain of €337.2 million.

New financing

The volume of acquisitions effected in 2014 and the repayment of a bank loan of €250 million led Essilor International to request a credit rating and to launch several refinancing operations.

In February 2014, Standard & Poor's and Moody's assigned the ratings A1 and P1 respectively to Essilor International's short-term debt. Its long-term debt has been rated A2 by Moody's since March 2014.

As part of its EMTN program, Essilor International proceeded to issue two bonds on April 9, 2014:

- a €500 million bond maturing on April 9, 2021, issued at a fixed rate of 1.75%;
- a €300 million bond maturing on April 9, 2024, issued at a fixed rate of 2.375%.

The Company also proceeded to launch a US commercial paper program; its outstanding amount is €567 million at December 31, 2014. At this date, the outstanding amount of French commercial paper program is €246 million. In line with the Group's policy, these US and French commercial paper programs are covered by long-term credit facilities totaling €2.3 million at December 31, 2014.

Income tax

The tax liability recognized in the financial statements for fiscal year 2014 amounted to €0.3 million. This amount reflects a number of factors:

- the impact of a normal tax rate and 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.

NOTE 1. ACCOUNTING PRINCIPLES

1.1 General

The annual accounts have been prepared in accordance with the French General Accounting Plan 2014 corresponding to the Regulation ANC No. 2014-03 of June 5, 2014 (approved by the order of September 8, 2014, published in the Official Gazette (JO) of October 15, 2014) which annuls and constitutes a recodification of the General Accounting Plan 1999, supplemented by regulations published since this date and with generally accepted 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:

- either 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

Internally generated 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 only capitalized 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;
- the Group's 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 capitalized 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 or a declining method 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 property, plant and equipment.

1.5 Financial 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 is estimated each year, generally on the basis of the proportion of equity and by discounting future cash flows. 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 the 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. Production inventories are stated at actual production cost, which includes the cost of raw materials and direct and indirect production costs.

At each period-end, the gross value and net realizable value of inventories are compared and the lower of the two values is retained. Net realizable value is determined in 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;
- recognition of differences compared to the amounts at which these items were initially recognized as translation adjustment assets or liabilities in the balance sheet;
- 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.

A provision is recorded if the net asset value of the mutual fund units represents less than their cost.

1.9 Derivative 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.

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 derivative financial 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, Essilor mainly uses interest rate and 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 the year-end, unhedged foreign currency receivables and payables are converted at the closing exchange rate. Differences arising from 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 converted at the closing exchange rate.

1.11 Pension, length-of-service obligations and other awards

The Company has obligations towards employees for the payment of pensions, early-retirement benefits, length-of-service and other awards. These obligations are subject to provisions.

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 discount rate, inflation, staff turnover rates and the rate of salary increase;
- 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 market 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 market 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 market value of any plan assets, the value of unrealized actuarial gains and losses and unrecognized past service costs.

1.12 Translation of financial accounts from the foreign branch

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 were 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 were translated at the historical rate;
- net profit, which was translated at the hedging rate.

The difference arising on translation is recorded in equity under "Translation reserve."

1.13 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's 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

Regulated 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;
- 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 on the balance sheet 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 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 carrying amount. 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 per business sector

2014 € thousands	France	Export	Total	Change % 2014/2013
Corrective lenses	347,355	302,144	649,499	5.1%
Optical instruments	30,589	61,403	91,991	1.1%
Industrial equipment	215	11,863	12,078	-28.3%
Other sales	15,673	61,180	76,853	2.8%
TOTAL	**393,832**	**436,589**	**830,421**	**3.7%**

2013 € thousands	France	Export	Total	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 sales	14,963	59,762	74,725	-6.1%
TOTAL	**385,746**	**415,101**	**800,847**	**8.6%**

2.2 Net revenue distribution between France and export, Group and outside of Group

€ thousands	2014	2013	Change % 2014/2013
France:			
• Group	81,038	68,097	19.0%
• Non-Group	312,794	317,649	-1.5%
SUB-TOTAL	**393,832**	**385,746**	**2.1%**
Export:			
• Group	420,282	397,015	5.9%
• Non-Group	16,307	18,085	-9.8%
SUB-TOTAL	**436,589**	**415,101**	**5.2%**
TOTAL	**830,421**	**800,847**	**3.7%**

NOTE 3.
OTHER INCOME

€ thousands	2014	2013
Royalties and rebilling of expenses to Group companies	261,652	255,448
Other	86	280
TOTAL	**261,738**	**255,727**

NOTE 4.
OTHER EXTERNAL PURCHASES AND EXPENSES

€ thousands	2014	2013
Outsourcing	60,457	52,221
Rentals, maintenance and insurance	25,629	24,399
Studies, research and documentation	24,970	28,014
Temporary staff	14,982	13,867
Fees	30,833	27,203
Communication and advertising	33,984	26,361
Telecommunications, commissions and business travel	28,871	31,311
Other	8,107	1,931
TOTAL	**227,832**	**205,307**

NOTE 5.
FINANCIAL INCOME

€ thousands	2014	2013
Interest expense	-35,223	-12,765
Financial income		
• Dividends	270,372	231,640
• Investment income	2,482	3,381
• Interest income from loans	71,843	21,104
Net discounts	-4,029	-3,676
Provision charges	-6,569	-1,116
Currency exchange	11,563	2,542
Other	-974	-5,424
TOTAL	**309,466**	**235,685**

NOTE 6.
NON-OPERATING INCOME (EXPENSE), NET

€ thousands	2014	2013
ON REVENUE TRANSACTIONS	**-14,087**	**-2,533**
Other income and expenses from revenue transactions [(a)]	-14,087	-2,533
ON CAPITAL TRANSACTIONS	**334,840**	**112**
Disposal of investments [(b)]	336,922	
Other extraordinary income and expenses from capital transactions	-2,082	112
UNTAXED PROVISIONS AND COST TRANSFER	**-15,890**	**-9,597**
Untaxed provisions	-1,809	-3,904
Cost transfer	305	
Other [(c)]	-14,386	-5,694
TOTAL	**304,863**	**-12,018**

(a) In 2014, other income and expenses on management operations mainly include an irrevocable commitment to contribute €14.95 million to the Essilor Social Impact fund.
(b) Transactions on the disposal of financial investments are mainly composed of transactions relating to the sale of Transitions Optical Inc. securities.
(c) The item "Other" mainly consists of impairment losses on intangible assets and property, plant and equipment.

NOTE 7.
INCOME TAX

7.1 Profit excluding overriding tax assessments

€ thousands	2014	2013
Net profit	693,536	326,184
Income tax expense	-268	1,066
Pre-tax profit	693,268	327,250
Change in regulated provisions	1,800	3,904
Profit before tax, excluding overriding tax assessments	695,068	331,154

Besides a tax charge of €33,057 thousand, taxes recognized at Essilor include income related to the research tax credit of €23,632 thousand (of which €4,529 thousand from previous years) and tax consolidation income of €4,644 thousand. Essilor tax income ended up totaling €268 thousand.

7.2 Allocation of income tax

Income tax expense breaks down as follows between operating and non-operating items:

2014 € thousands	Before tax	Corresponding tax	After tax
Profit before non-operating items and tax [(a)]	388,404	5,073	393,478
Non-operating income (expense), net [(b)]	304,863	-4,805	300,058
NET PROFIT			**693,536**

(a) Of which €270,372 thousand in dividends subject to the parent company-subsidiary treatment and €155,926 thousand in royalties taxed at the reduced rate of 15%.
(b) Including €337,311 thousand net long-term capital gains arising from the disposal of Transition Optical Inc. securities.

2013 € thousands	Before tax	Corresponding tax	After tax
Profit before non-operating items and tax	339,269	1,948	341,216
Non-operating income (expense), net	-12,019	-3,014	-15,033
NET PROFIT			**326,184**

7.3 Increases and reductions in future tax liabilities

Assets

No deferred tax assets are recognized in the balance sheet.

€ thousands	2014	2013
Pension plan	30,894	29,514
Provisions for paid vacation [(a)]	12,304	12,349
Other	20,638	19,231
TOTAL	**63,836**	**61,094**
TAX LOSS CARRYFORWARDS [(b)]	**228,940**	**241,030**
Or a corresponding tax of 38%	111,255	114,807

(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. This debt amounts to €3,910 thousand at December 31, 2014. The Company thinks it could utilize its tax loss carryforwards.

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 €14,409 thousand.

€ thousands	At 2012 year-end	2013 increase	2013 decrease	At 2013 year-end	2014 increase	2014 decrease	At 2014 year-end
Provisions for:							
• Special depreciation allowances	32,138	10,438	6,535	36,042	10,184	8,384	37,842
• Other	236	-141		95	-20		75
TOTAL	**32,374**	**10,298**	**6,535**	**36,137**	**10,164**	**8,384**	**37,917**
Future tax liability (38%)	11,687			13,732			14,409

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
2014							
R&D expenditure	7,466	1,111		-3,133			5,444
Patents, trademarks, licenses	127,496	2,414	1,924	5,351			133,336
Goodwill	434						434
Other intangible assets	5,406	2,625		-4,721			3,311
GROSS VALUE	**140,802**	**6,150**	**1,924**	**-2,503**			**142,525**
Amortization, depreciation and impairment	91,189				21,648	2,555	110,283
NET VALUE	**49,612**						**32,243**
2013							
R&D expenditure	4,752	2,714					7,466
Patents, trademarks, licenses	117,659	7,709	648	2,776			127,496
Goodwill	434						434
Other intangible assets	8,153			-2,746			5,406
GROSS VALUE	**130,998**	**10,423**	**648**	**29**			**140,802**
Amortization, depreciation and impairment	83,072				8,765	648	91,189
NET VALUE	**47,926**						**49,612**

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
2014							
Land	13,957	49		645			14,652
Buildings	158,482	1,742	297	673			160,601
Plant and equipment	139,344	7,121	955	2,623			148,133
Other property, plant and equipment	45,797	588	184	158			46,359
Property, plant and equipment in progress	5,640	1,697	0	-1,793			5,544
Advances and deposits	120	0	0	-111			9
GROSS VALUE	**363,341**	**11,197**	**1,436**	**2,196**			**375,298**
Amortization, depreciation and impairment	240,079				22,771	1,320	261,530
NET VALUE	**123,262**						**113,768**
2013							
Land	13,894	73	10				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 VALUE	**345,279**	**27,477**	**8,623**	**-792**			**363,341**
Amortization, depreciation and impairment	230,224				18,044	8,188	240,079
NET VALUE	**115,056**						**123,262**

NOTE 10.
FINANCIAL ASSETS

10.1 Summary table

2014 € thousands	Value at the start of the year	Increases	Decreases	Movements	Provisions for the year	Reversals for the year	**Value at year-end**
Equity held [(a)]	1,842,706	930,059	10,203	17,054			2,779,615
Receivables from companies in which an equity interest is held [(b)] (Loans to subsidiaries / Advances on share issues)	559,420	4,372,544	2,843,778				2,088,186
Other long-term investments (own shares)	305,537	35,864	52,733				288,668
Other loans	44						44
Other long-term financial investments [(c)]	14,908	11,524	3,022	-17,054			6,355
GROSS VALUE	**2,722,614**	**5,349,992**	**2,909,737**				**5,162,868**
Impairment	57,591				19,779	11,900	65,470
NET VALUE	**2,665,023**						**5,097,399**

(a) Increases:
- *acquisition of 51% of Transitions Optical Holding B.V., 51% of Transitions Optical LTD, 28.6% of Coastal Contacts Inc., 70% of ASE Corporate Eyecare and 60% of Infield France for an overall total of €810.1 million;*
- *capital increases for Canoptec Inc. and Essilor Middle East Ltd. for an amount totaling €102.5 million;*
- *supplementary acquisition of 40% of Dac Vision SAS to come to 100%, and 40% of Dac Vision Inc. to come to 100% for an overall total of €14.2 million;*
- *additional price for Onbitt Co., Ltd. of €2.5 million.*

Decreases:
- *sale of 65% of Essor France securities;*
- *sale of 29% of Transitions Optical Inc. securities;*
- *liquidation of Polylite Asia Pacific Pte. Ltd.*

Movements:
- *long-term assets of various acquisition fees (€17.1 million).*

(b) The increases and decreases are mainly related to the renewal of loans to subsidiaries, particularly those granted to Essilor of America, Inc.

(c) Balance comprising various acquisition fees attached to ongoing acquisitions.

2013 € thousands	Value at the start of the year	Increases	Decreases	Movements	Provisions for the year	Reversals for the year	Value at year-end
Equity held	1,811,968	43,873	13,941	805			1,842,706
Receivables from companies in which an equity interest is held (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	6,463	10,207	957	-805			14,908
GROSS VALUE	**2,535,796**	**1,312,771**	**1,125,953**				**2,722,614**
Impairment	66,147				17,243	25,799	57,591
NET VALUE	**2,469,650**						**2,665,023**

10.2 Table of subsidiaries and shareholdings

Subsidiaries and affiliates whose gross value as a percentage of Essilor International's share capital

€ thousands	Share capital	Other equity	Carrying amount of shares held Gross	Carrying amount of shares held 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 IS GREATER THAN 1%									
French companies	113,462	274,821	268,693	252,743			429,957	69,427	35,660
International subsidiaries	804,469	1,888,480	2,509,152	2,460,883	1,516,650	53,133	6,120,914	465,264	234,659
B DOES NOT EXCEED 1%									
French companies							3,066		66
International subsidiaries	3,410	33,677	1,770	778	86,468		128,022	13,021	0

10.3 Maturities of long-term asset receivables

€ thousands	2014	2013
More than one year [(a)]	1,684,524	319,034
Less than one year	410,061	255,337
TOTAL	**2,094,585**	**574,371**

(a) The increase in maturities to more than a year is related to the loans granted to Essilor of America, Inc. mainly within the context of the acquisition of Transitions Optical.

NOTE 11. CURRENT ASSETS

11.1 Inventories

€ thousands	2014	2013
Raw materials and other supplies	36,569	37,452
Goods for resale	9,990	8,464
Finished and semi-finished products and work in process	26,326	24,369
SUB-TOTAL	**72,884**	**70,286**
Provisions:		
• Raw materials and other supplies	-12,452	-11,591
• Goods for resale	-1,774	-2,422
• Finished and semi-finished products and work in process	-4,250	-3,660
SUB-TOTAL	**-18,476**	**-17,673**
TOTAL	**54,409**	**52,613**

11.2 Maturities of current asset receivables

€ thousands	2014
MORE THAN ONE YEAR	**32,089**
Trade receivables	32,089
Other receivables [b]	
LESS THAN ONE YEAR	**676,722**
Prepayments on orders	1,271
Trade receivables [a]	268,238
Other receivables [b]	407,213
TOTAL	**708,812**

(a) The portion related to commercial paper represents €438.2 thousand.

(b) The "Other receivables" line primarily includes current accounts with regard to subsidiaries of €342 million and a carry-back receivable of €17.4 million.

11.3 Marketable securities

	2014		2013	
€ thousands	Gross	Net	Gross	Net
SICAV [a]	104,566	104,566	304,119	304,119
Currency options			482	482
TOTAL	**104,566**	**104,566**	**304,601**	**304,601**
Bank deposits	25,195	25,195	70,287	70,287
TOTAL	**129,761**	**129,761**	**374,888**	**374,888**

(a) SICAV mutual funds held at closing are comprised solely of money market funds.

Available cash is invested in accordance with the two overarching principles of security and liquidity. Essilor sets limits on investment periods and vehicles, as well as on concentrations of counterparty risks. At December 31, 2014, 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	2014	2013
Prepaid expenses:		
• Operating results	12,987	12,046
• Financial income	3,950	4,128
TOTAL	**16,937**	**16,174**

11.5 Accrued income

€ thousands	2014	2013
Investments and other non-current assets		
Receivables from companies in which an equity interest is held	3,027	1,962
Receivables		
Clients – invoices to raise	63,294	63,639
Other receivables	3,448	3,697
TOTAL	**69,769**	**69,298**

NOTE 12. SHAREHOLDERS' EQUITY

12.1 Composition of capital

	Number of shares					
Number of shares, except per share data	At the start of the fiscal year	Issued	Canceled	Exchanged	At year-end	Par value (€)
Ordinary shares	214,699,498	1,193,030			215,892,528	0.18
TOTAL	**214,699,498**	**1,193,030**			**215,892,528**	**0.18**

Of which treasury shares:

Number of shares	Number of shares at the start of the fiscal year	Share purchases	Cancellation	Exercises of Options	Exercises of Performance shares	Number of shares at year-end
Long-term investments	4,454,406	469,425			-963,910	3,959,921
TOTAL	**4,454,406**	**469,425**			**-963,910**	**3,959,921**

12.2 Variation in equity capital

€ thousands	Share capital	Issue premiums	Reserves and retained earnings	Result for the fiscal year	Untaxed provisions	Government grants	Translation reserve [a]	Total equity
TOTAL EQUITY AT JANUARY 1, 2014	**38,646**	**302,160**	**1,665,888**	**326,184**	**36,042**	**95**	**-2,361**	**2,366,655**
Capital increase								
• FCP Mutual funds	61	23,451						23,512
• Stock subscription options	154	34,840						34,994
Capital reduction								
Other movements over the fiscal year					1,800	-20	2,600	4,380
Allocation of profit			326,184	-326,184				
Dividends paid			-197,731					-197,731
Net profit for the fiscal year				693,536				693,536
EQUITY AT DECEMBER 31, 2014	**38,861**	**360,451**	**1,794,341**	**693,536**	**37,842**	**75**	**239**	**2,925,345**

(a) The translation difference relates to the Puerto Rico branch.

2014

Capital totaled €38,861 thousand, corresponding to an increase of 1,193,030 ordinary shares following:

- subscriptions to Essilor group FCP mutual funds (377,182 shares);
- stock subscription options (855,848).

New shares were entitled to dividends starting January 1, 2014.

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.

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 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 since November 2008 are subject to performance conditions based on the share performance over a period of two to six years, as well as to the 100% cap on gains.

The following table analyzes changes in the number of stock subscription options at the year-end:

	Number of subscription options at Jan. 1, 2014	Exercise of options	Options canceled and forfeited	Grants for the fiscal year	Number of subscription options at Dec. 31, 2014
Share stock subscription options	1,703,435	-855,848	-68,958	121,505	900,134
TOTAL	**1,703,435**	**-855,848**	**-68,958**	**121,505**	**900,134**

Performance shares

Since 2006, the Essilor group has launched performance-based share allotment plans (performance shares).

The number of shares vested at the end of a period of two to six 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 the year-end:

	Number of performance shares at Jan. 1, 2014	Performance shares vested	Performance shares canceled	Grants for the fiscal year	Number of performance shares at Dec. 31, 2014
Performance shares	3,530,585	-963,910	-90,320	1,544,904	4,021,259
TOTAL	**3,530,585**	**-963,910**	**-90,320**	**1,544,904**	**4,021,259**

Employee share issues

The main features of employee share issues are:

€	2014	2013
Share subscription price	69.73	61.83
Total discount amount	17.43	15.46
Number of shares subscribed	337,182	377,407

NOTE 13.
PROVISIONS

13.1 Provisions for contingencies and charges

2014 € thousands	Value at the start of the year	Provisions for the year	Reversals for the year (used)	Reversals for the year (unused)	**Value at year-end**
Provisions for pensions and other post-employment benefits	29,514	5,628	4,248		30,894
Provisions for losses in subsidiaries and affiliates	300				300
Provision for losses on performance shares	55,767	87,746	63,986		79,527
Other provisions [(a)]	28,638	26,403	15,583	337	39,121
TOTAL	**114,220**	**119,777**	**83,818**	**337**	**149,842**

(a) At end 2014, "Other provisions" were comprised primarily of the provision for tax audits, provision for currency loss and provisions for the restructuring program relating to the rationalization of the production site of the Puerto Rico branch.

2013 € thousands	Value at the start of the year	Provisions for the year	Reversals for the year (used)	Reversals for the 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 end 2013, "Other provisions" were comprised primarily of the provision for tax audits, provision for legal disputes and provisions for operating risks and other provisions.

13.2 Asset depreciation

€ thousands	Value at the start of the year	Provisions for the year	Reversals for the year	Value at year-end
2014				
ASSET DEPRECIATION	**89,991**	**41,976**	**40,073**	**91,894**
Inventories	17,673	18,476	17,673	18,476
Receivables	14,719	4,063	10,500	8,282
Shares in subsidiaries and affiliates	56,098	19,271	10,573	64,796
Receivables from companies in which an equity interest is held	1,327		1,327	
Other long-term investments	166	166		332
Other	8			8
2013				
ASSET DEPRECIATION	**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
Receivables from companies in which an equity interest is held	3,485		2,158	1,327
Other long-term investments		166		166
Other	8			8

NOTE 14. LIABILITIES

14.1 Financial debt maturities

Analysis of total liabilities by maturity and by category

€ thousands	2014	2013
DUE IN LESS THAN ONE YEAR	**876,268**	**262,224**
Loans from subsidiaries	35,641	29,405
Interest on bonds and US private placement [(a)]	15,433	3,196
US and French commercial paper programs [(a)]	813,499	215,379
Total borrowings	11,695	14,244
DUE IN ONE TO FIVE YEARS	**514,359**	**290,044**
US private placements [(a)]	514,359	290,044
DUE IN MORE THAN FIVE YEARS	**944,565**	**290,044**
Bonds [(b)]	800,000	
US private placements [(a)]	144,565	290,044
TOTAL	**2,335,192**	**842,312**

(a) The nature and amount of 2014 funding are presented under "Significant events of the year".
(b) As part of its EMTN program, Essilor proceeded to issue two bonds whose redemption price is at par.

Analysis by currency (financial debt)

€ thousands	2014	2013
EUR	1,079,144	205,433
USD	1,230,091	608,664
GBP	3,738	600
THB	11,278	21,082
MXN	336	942
PLN	6,616	5,591
CNY	3,989	
TOTAL	**2,335,192**	**842,312**

Covenants

The Company's financing is not subject to any particular financial covenants. Only the USD 300 and USD 500 million US private placements subscribed in 2012 and 2013 are subject to a specific financial ratio. This was complied with at December 31, 2014.

14.2 Maturities of other liabilities

Analysis of total liabilities by maturity and by category

€ thousands	2014	2013
DUE IN LESS THAN ONE YEAR	**770,838**	**528,112**
Operating liabilities [b]	372,825	322,933
Other liabilities [a] and [b]	398,013	205,179
DUE IN ONE TO FIVE YEARS		**5,349**
Operating liabilities		
Other liabilities		5,349
DUE IN MORE THAN FIVE YEARS		
Operating liabilities		
Other liabilities		
TOTAL	**770,838**	**533,461**

(a) The "Other liabilities" line primarily includes current accounts with regard to subsidiaries of €329 million.
(b) The portion related to commercial paper was zero in 2014.

14.3 Accruals

€ thousands	2014	2013
Accrued interest on borrowings	16,854	4,067
Trade payables	75,787	51,375
Accrued taxes and personnel expenses		
• Vacation pay	36,828	36,055
• Discretionary profit sharing	6,614	5,975
• Other	34,137	29,666
Other operating liabilities		
• Discounts and allowances to be granted	90,147	83,816
• Amounts due to customers	6,115	578
• Credit notes to be issued	6,969	6,111
• Affiliates, dividends to be paid		
Liabilities on long-term assets and related accounts	588	3,528
TOTAL	**274,038**	**221,170**

14.4 Items concerning related companies

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.

There are no significant transactions with these companies that have not been concluded under normal market conditions.

Balance sheet € thousands	Net amount concerning other companies Related parties	with which the Company has capital ties	Other	Total assets
Equity held	1,900,935	813,470		2,714,405
Receivables from companies in which an equity interest is held	2,079,964	7,516	706	2,088,186
TOTAL LONG-TERM FINANCIAL ASSETS (NET)	**3,980,899**	**820,986**	**706**	**4,802,591**
Trade receivables	217,469	17,071	65,787	300,327
Other receivables	341,169	119	65,926	407,213
TOTAL CURRENT ASSETS (NET)	**558,638**	**17,190**	**131,713**	**707,540**
TOTAL ASSETS	**4,539,537**	**838,176**	**132,419**	**5,510,131**
Trade payables	77,142	5,631	83,146	165,919
Other operating liabilities	8,382	192	198,331	206,906
Other liabilities	380,864		17,149	398,013
TOTAL LIABILITIES	**466,388**	**5,823**	**298,626**	**770,838**

Income statement € thousands	Net amount concerning other companies: Related parties	with which the Company has capital ties	Other	Total income statement
Financial expense [(a)]	33,869	594	329,997	364,459
Financial income [(b)]	399,907	169,270	104,749	673,926

(a) Financial expense breaks down as follows:

Financial expenses reported under "Related parties" correspond mainly to impairment losses on shares in subsidiaries, impairment losses on loans and subsidiary current accounts, interest on advances from the cash pool and interest on borrowings.

Financial expenses reported under "Unrelated parties" correspond mainly to interest on borrowings and swaps.

(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, interest on loans, account updates.

Financial income reported under "Capital ties" mainly concern deposited dividends.

Financial income reported under "Unrelated parties" corresponds mainly to gains on investments (SICAV mutual funds and bank deposits), interest on borrowings and reversals of provisions for impairment losses on shares.

NOTE 15. OFF-BALANCE-SHEET COMMITMENTS

15.1 Financial commitments

Commitments given and received

€ thousands	2014	2013
Projected benefit obligations given		
Guarantees and endorsements [(a)]	109,938	342,335
Projected benefit obligations received		
Guarantees, endorsements and sureties received		

(a) Guarantees by Essilor mainly granted to its subsidiaries and affiliates.

Confirmed lines of credit undrawn at December 31, 2014 amounted to €2,267 million.

Forward foreign exchange contracts

Foreign exchange forward transactions at December 31, 2014 are the following:

€ thousands	Contractual amounts (initial price)	Market value at December 31, 2014
Foreign currency sell position	213,823	-10,450
Foreign currency buy position	208,432	10,415
TOTAL		**-35**

Essentially, the Company is in a net selling position for AUD and CAD while it is a net buyer of GBP.

Interest rate products

At the year-end, currency options were as follows:

€ thousands	Notional	Market value at December 31, 2014
USD interest rate swaps	150,000	-3,116
EUR interest rate swaps	400,000	25,310
EUR interest rate caps	50,000	
USD interest rate caps	50,000	
TOTAL		**22,194**

15.2 Commitments under finance leases

There have been no commitments under finance leases since 2006.

15.3 Commitments for future payments

Contractual obligations 2014 € thousands	Future minimum payments up to 1 year	1 to 5 years	over 5 years	Total
Non-cancelable operating leases	3,507	13,632	11,656	28,795
TOTAL	**3,507**	**13,632**	**11,656**	**28,795**

15.4 Commitments 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, 2014, the valuation of all of these put options if they were fully exercised totaled €41,624 thousand.

NOTE 16.
INFORMATION ON PERSONNEL

16.1 Pension, length-of-service obligations and other awards

Supplementary pensions

The Company's obligation to management and management-level employees for supplementary pensions was updated in 2014, using a retrospective method. 2014 actuarial assumptions were as follows: inflation rate (2%), staff turnover rate, rate of future salary increases (4%) and discount rate (2.15%).

Measured in this way, the obligation totaled €63,839 thousand, of which €1,386 thousand has already been paid into pension funds managed by an independent insurance company by the end of 2014.

€ thousands	2014	2013
Current value of projected benefit obligations	63,839	41,953
Market value of plan assets	-16,600	-9,843
Deferred items [(a)]	-40,907	-25,176
PROVISION RECORDED IN THE ACCOUNTS	**6,331**	**6,934**

(a) Deferred items correspond to actuarial losses or gains and costs for past services. In 2014, these items include a withdrawal of €2.3 million corresponding to the reclassification to assets of the surplus from pension plan Article 39. The balance of €6.3 million corresponds to the commitment 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, according to a retrospective method, at €2,685 thousand at December 31, 2014, based on a discount rate of 2.15%.

€ thousands	2014	2013
Current value of projected benefit obligations	2,685	2,355
Market value of plan assets		
PROVISION RECORDED IN THE ACCOUNTS	**2,685**	**2,355**

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 €38,921 thousand at December 31, 2014 based on a discount rate of 2.15%.

€ thousands	2014	2013
Current value of projected benefit obligations	38,921	34,100
Market value of plan assets		
Deferred items [(a)]	-18,723	-14,894
PROVISION RECORDED IN THE ACCOUNTS	**20,198**	**19,206**

(a) Deferred items correspond to actuarial losses or gains and costs for past services.

Expenses for the year

€ thousands	2014	2013
Cost of services rendered in the period	-4,137	-4,025
Interest expense on discounting	-2,516	-2,458
Contributions paid	3,000	
Benefits paid	4,232	3,790
Expected return on plan assets	405	516
Actuarial losses (gains)	-3,196	-3,319
Cost of past services	-302	-302
EXPENSES FOR THE YEAR	**-2,514**	**-5,798**

16.2 Average number of employees

Breakdown of average number of employees	2014	2013
Managerial personnel	1,336	1,327
Supervisors and employees	1,196	1,268
Production	773	830
TOTAL	**3,305**	**3,425**

16.3 Compensation of executives

€ thousands	2014	2013
Executive bodies		
Compensation received [(a)]	1,655	1,791
Length-of-service award payable on retirement (actuarial value)	581	740
Supplementary retirement benefit obligations (actuarial value)	13,952	10,040
Value of performance share rights granted during the year [(b)]	1,566	1,521
TOTAL	**17,753**	**14,092**
Administrative bodies		
Compensation received	504	462
TOTAL	**504**	**462**

(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 information relating to personnel

Individual training entitlement (“DIF”)

The cumulative number of hours training available to employees under the “DIF” incentive was 336,333.

The cumulative number of hours for which no training request had been received at the balance sheet date was 291,618.

NOTE 17.
FEES CHARGED BY STATUTORY AUDITORS AND MEMBERS OF THEIR NETWORKS

	PricewaterhouseCoopers				Mazars			
	Amount		As a %		Amount		As a %	
€ thousands, except for percentages	2014	2013	2014	2013	2014	2013	2014	2013
Audit								
Statutory audit, certification, review of individual and consolidated accounts	447	447	38%	33%	282	282	44%	63%
Other audit-related services	726	922	62%	67%	358	162	56%	37%
SUB-TOTAL	**1,172**	**1,369**	**100%**	**100%**	**640**	**444**	**100%**	**100%**
Other benefits								
Legal and tax advice								
Other								
SUB-TOTAL								
TOTAL	**1,172**	**1,369**	**100%**	**100%**	**640**	**444**	**100%**	**100%**

NOTE 18.
POST-BALANCE SHEET EVENTS

Sale at the start of the fiscal year 2015

At January 1, 2015, Essilor sold the whole of its shareholding in Dac Vision Inc. to the company Satisloh North America for the sum of €32 million.

NOTE 19.

RESULTS (AND OTHER FEATURES) OF THE LAST FIVE FISCAL YEARS

Capital at year-end € thousands	2014	2013	2012	2011	2010
Share capital	38,861	38,646	38,650	38,527	38,098
Number of ordinary shares outstanding	215,892,528	214,699,498	214,724,040	214,038,296	211,655,342
o/w treasury stock	3,959,921	4,454,406	4,387,477	5,363,126	2,894,112
Number of preferred, non-voting shares outstanding (without voting rights)					

Transactions and results for the year € thousands	2014	2013	2012	2011	2010
Net revenue	830,421	800,847	737,543	678,430	680,533
Profit before tax and calculated expenses (amortization and provisions)	749,634	373,329	445,205	300,219	362,900
Income tax expense	-268	1,066	11,294	-14,408	-5,077
Employee profit-sharing due for the year					
Profit after tax and calculated expenses (amortization and provisions)	693,536	326,184	407,376	273,061	341,947
Total dividends	216,171	197,630	185,096	177,374	173,272

Earnings per share € thousands	2014	2013	2012	2011	2010
Earnings per share, after tax and employee profit-sharing, but before calculated expenses (amortization and provisions), excluding treasury stock	3.54	1.77	2.06	1.51	1.76
Earnings per share, after tax, employee profit-sharing, calculated expenses (amortization and provisions), excluding treasury stock	3.27	1.55	1.94	1.31	1.64
Net dividend per ordinary share	1.02 (a)	0.94	0.88	0.85	0.83
Net dividend per preferred, non-voting share					

(a) Subject to the decision of the Shareholders' Meeting of May 5, 2015.

Personnel € thousands, except for the average number of employees	2014	2013	2012	2011	2010
Average number of employees in the year	3,305	3,425	3,457	3,464	3,528
Total payroll	175,783	172,407	167,943	161,028	157,673
Total benefits	99,676	97,673	96,729	81,492	79,270

3.9 STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

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, 2014, 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, 2014 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

We have also performed, in accordance with professional standards applicable in France, 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 *(Code de commerce)* relating to remuneration and benefits received by the directors 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 the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of shareholders and holders of the voting rights has been properly disclosed in the management report.

Neuilly-sur-Seine and Courbevoie, March 2, 2015

The Statutory Auditors

PricewaterhouseCoopers Audit	Mazars
Christine Bouvry	Daniel Escudeiro

4 CORPORATE, SOCIAL AND ENVIRONMENTAL REPORTING

IN BRIEF

> Improving lives by improving sight is our fundamental commitment and contribution to sustainable and responsible development.

"Our mission lies at the heart of a unique business model that has demonstrated beyond doubt that it can create shared value for all our stakeholders. We are proud of what we have achieved so far, but there is still much to be done. At present, there are still too many barriers that prevent a third of the inhabitants of our planet from getting the eye care they need. Providing everyone, everywhere with access to visual health remains a major challenge. Too many people do not even know what it means to see well, and yet very simple solutions exist to enable people to enjoy good sight and take advantage of it in their daily lives.

Thanks to our Corporate Mission Division, we can now really put our expertise to work. We can capitalize on and even extend our geographical range, develop innovative ideas and strategies to address this global issue of uncorrected vision, and continue to create more shared value.

Vision for Life [a], the program supported by two endowment funds recently created by the Group, will help to boost initiatives aimed at eradicating poor sight and promote visual health by raising awareness, organizing vision-care clinics and setting up a basic professional infrastructure. We are incorporating all aspects of sustainable and responsible development into our operations so that we can address one of today's most basic needs and contribute to future economic prosperity, while at the same time making a substantial positive social impact.

Vision For Life™
ESSILOR

For all of these reasons, I am pleased to renew our long-term commitment to the ten principles of the UN Global Compact, both in our strategy and in our day-to-day operations, and to share our progress in this chapter of our 2014 Registration Document."

Hubert Sagnières
Chairman and Chief Executive Officer

ESSILOR INTERNATIONAL WAS PRESENTED WITH A "GOLDEN GOVERNANCE" AWARD FOR ITS CORPORATE SOCIAL RESPONSIBILITY AT THE 11TH AGEFI (FRENCH FINANCIAL EXPERTS GROUP) CORPORATE GOVERNANCE AWARDS IN 2014.

Most Sustainable Corporations in the World GLOBAL100

Low Carbon 100 Europe Index®

ECPI Sense in sustainability

Member 2014/2015 STOXX SUSTAINABILITY INDICES

Forbes | 2014 THE WORLD'S MOST INNOVATIVE COMPANIES Powered by The Innovators DNA

THE GLOBAL COMPACT WE SUPPORT

FTSE4Good

Included in ETHIBEL SUSTAINABILITY INDEX EXCELLENCE Europe

(a) More information in Section 4.4.

4.1 INTRODUCTION

Fiscal year 2014 is the second year to benefit from the work done by the Corporate Social Responsibility Committee of the Board of Directors. This unique method of governance makes it possible to make the various aspects of what is now known as sustainable development an integral part of Essilor's strategy.

In 2014, Transitions conducted its reporting as a pilot project, but Essilor International decided not to include it in the reporting perimeter of first-year financially consolidated companies. As a result, the reporting perimeter has slightly less coverage than the previous period for the time being (69% coverage versus 72.4% in 2013). The Company is committed to achieving its target of 85% coverage in terms of number of employees by 2017. 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. Refer to the "Methodology" Section in this Chapter.

In 2014, the Company produced a **materiality analysis**, which enabled it to:

- **maintain its lead,** continue to update the CSR component of its strategy at regular intervals, anticipate risks, and take advantage of opportunities stemming from its day-to-day operations;
- **refine** and thus simplify **its integrated reporting** by highlighting the indicators pertaining to the most relevant issues and monitoring them as a priority, given that they present the greatest material impact;
- **consult with its stakeholders in more depth,** thereby taking advantage of this ideal opportunity;
- **bring the Group's reporting into stricter compliance with international standards,** including Version G4 of the Global Reporting Initiative (GRI).

This materiality analysis was preceded by a review of the Group's corporate communications based on its 2013 Annual Report and Registration Document, internal and external publications, rating agency reports, and a report on the Group's position following a comparison of its non-financial communications with those of five other multinational companies and five other companies operating in the same vision care sector or an associated healthcare sector. Essilor International belongs to subsector 4537 "Medical Supplies," the "Healthcare Equipment and Services" sector, and the "Health" supersector and industry sector. The study was accompanied by an in-depth examination of the media coverage of the Group and of ophthalmic lens industry stakeholders.

The materiality analysis was based on 33 interviews conducted externally with prescribers, customers, shareholders, suppliers, non-government bodies, rating agencies and banks, and internally with a wide variety of operational or support functions represented at the Group's Executive Committee and relating to key businesses or major geographical regions.

The results of this work are illustrated in the chart below, with the degree of importance as assessed internally (by Essilor) on the horizontal x-axis, and the degree of importance as assessed by independent stakeholders on the vertical y-axis. The chart highlights the 20 most significant topics out of a total of 54 topics considered to be significant, and places them in three categories: "priority," "important" and "ongoing."

Four "priority" topics on which Essilor has already taken action and has long been achieving results:

- **Two** have traditionally strengthened the Group's very nature by creating additional social value and will continue to do so both now and in the future:
  - providing visual health to populations through high-quality products and services;
  - promoting the creation of inclusive economic models for greater access to vision care channels for everyone, including people at the bottom of the pyramid.
- **One** attests to what has been one of the Group's key values since its establishment, namely the creation of additional corporate value – a twofold economic and human objective that has been and will continue to be part of its corporate mission:
  - attracting, following and retaining talent.
- **One** attests to the creation of additional environmental value, in the past, present and future. This increased significantly in the middle of the last century with the invention of ORMA (ORganic MAterial), which immediately eliminated the need for the Group to manufacture breakable mineral lenses and allowed it to gradually reduce its environmental footprint at a time when the very notion of sustainable development had yet to be conceptualized. Today Essilor continues this process of ongoing improvement, which is the hallmark of a group where innovation, positive challenging of what exists and the constant quest for progress are evident on a daily basis:
  - optimizing water use.

Ten "important" topics, which are also part of this same process and have also enjoyed longstanding success:

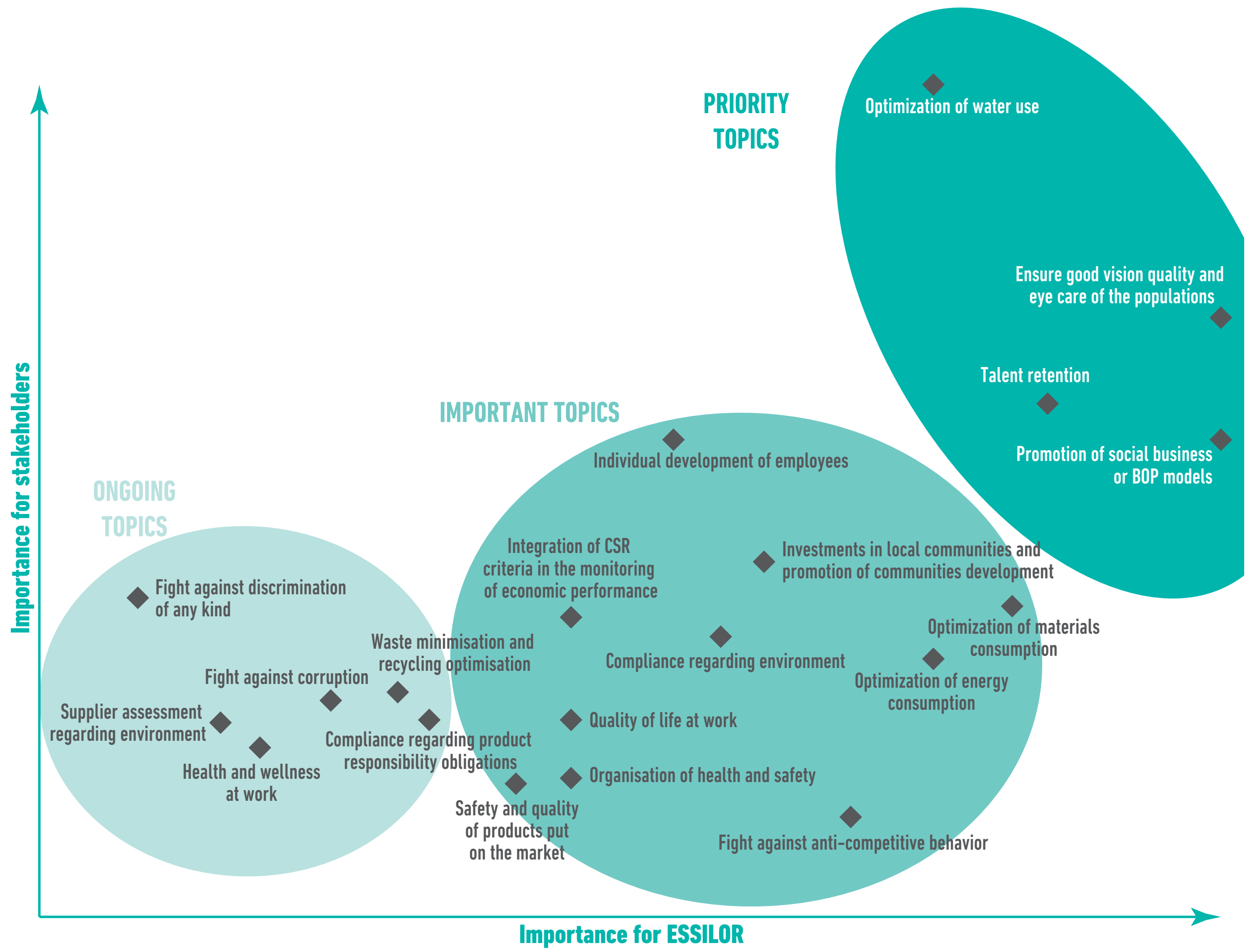
- **Four** have created, are creating and will continue to create additional social value:
  - investment in local communities and participation in their development;
  - inclusion of CSR in the Group's strategy and integration of performance indicators in the Group's overall performance;
  - quality and safety of the products and services placed on the market;
  - ethical business conduct in a competitive environment.
- **Three** have created, are creating and will continue to create additional shared value:
  - individual employee development;
  - quality of life in the workplace;
  - organizing Health and Safety.
- **Three** have created, are creating and will continue to create additional environmental value:
  - optimizing energy use;
  - optimizing the use of raw materials and consumables;
  - complying with environmental standards.

Six "ongoing" topics, which are also clearly part of this same process and have also clearly enjoyed longstanding success:

- **Two** have created, are creating and will continue to create additional social value:
  - responsibility toward our products and services;
  - anti-corruption efforts.
- **Two** have created, are creating and will continue to create additional corporate value:
  - occupational health and safety;
  - anti-discrimination.
- **Two** have created, are creating and will continue to create additional environmental value:
  - minimizing waste and promoting recycling;
  - examining environmental criteria in more detail when assessing supplier CSR.

Results of the materiality review of CSR topics

Final results



Essilor International has been reporting on its corporate, social and environmental performance for 12 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**.

Finally, since the 2012 fiscal year, and following the introduction of the Grenelle 2 Law, Essilor International has continued to use the Global Reporting Initiative (GRI) guidelines and gradually extend the reporting perimeter to cover most of Essilor's legal entities financially consolidated.

As a result, the Group's annual Registration Document fully complies with the Grenelle 2 Law format and thanks to the materiality test performed in 2014 will soon comply with Version G4 of the Global Reporting Initiative (GRI) guidelines, which the Group has adopted for many years.

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.

The numerous corporate, social and environmental data included in this report are generally collected over a period of 12 months from October 1, 2013 to September 30, 2014.

The few data collected for the January 1, 2014 to December 31, 2014 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, 2014, Essilor had **58,032** employees worldwide (including all those working in proportionately consolidated companies). The average workforce for 2014 was **58,480** (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).

			2014	2013	2012
LA 01	**Workforce at the end of the period for the entire year 2014(@)**		**58,032(@)**	55,129(@)	50,668
LA 01	**Average workforce for the entire year 2014(@)**		**58,480(@)**	52,962(@)	50,212
LA 01	**Breakdown of workforce by geographical region (out of 55,129 employees at year end entire year in 2014) (@)**	North America	**12,105 (@) (20.9%)**	12,548 (@) (22.7%)	12,875 (25.6%)
		Europe	**10,029 (@) (17.3%)**	10,768 (@) (19.6%)	11,613 (23.1%)
		Latin America/Africa/ Asia/ Australia/ Middle East/ Russia	**35,898 (@) (61.8%)**	31,813 (@) (57.7%)	25,724 (51.3%)
LA 01	**Workforce covered by 2014 reporting on the period**		**40,371**	39,937	34,075
	Coverage		**69.0%**	72.4%	67.3%
LA 01	**Breakdown of workforce by gender (out of 40,371 reported for the period)**	Women	**21,306 (52.8%)**	22,061 (55.2%)	18,998 (55.8%)
		Men	**19,065 (47.2%)**	17,876 (44.8%)	15,077 (44.2%)
LA 01	**Breakdown of workforce by category (@) (out of an average workforce of 58,480 over all of 2014) (@)**	Production	**32,256 (@) (55.1%)**	29,700 (@) (56.1%)	29,888 (59.5%)
		Supervisors and employees	**19,216 (@) (32.9%)**	16,721 (@) (31.6%)	14,062 (28.0%)
		Managerial personnel	**7,008 (@) (12.0%)**	6,541 (@) (12.3%)	6,262 (12.5%)

			2014	2013	2012
LA 01	**Breakdown of workforce by age group (out of 40,371 reported for the period)**	Under 18 years	**177 (0.44%)**	128 (0.32%)	50 (0.15%)
		18 to 24 years	**3,839 (9.51%)**	4,095 (10.25%)	3,451 (10.13%)
		25 to 34 years	**12,112 (30.00%)**	11,936 (29.89%)	10,265 (30.12%)
		35 to 44 years	**11,623 (28.79%)**	10,649 (26.66%)	8,907 (26.14%)
		45 to 54 years	**7,941 (19.67%)**	7,700 (19.28%)	6,651 (19.52%)
		55 to 59 years	**2,850 (7.06%)**	2,963 (7.42%)	2,572 (7.55%)
		60 years and over	**1,829 (4.53%)**	2,466 (6.18%)	2,179 (6.39%)

New hires and layoffs

Workforce at the end of the period for the entire year in 2014: 58,032(@)

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

2014/2013 change: +5.27%(@)

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.

		2014	2013	2012
LA 02	**Staff turnover**	**8.9%**	8.9%	8.5%

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 2014: €1,743 million(@)

Total salaries in 2013: €1,597 million

Total salaries in 2012: €1,550 million

2014/2013 change: +9.1%(@)

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).

Employee incentive plans and profit-sharing agreements

There are three types of special incentives available to employees of the French parent company.

1 – Discretionary profit-sharing plan

The three-year profit-sharing agreement signed on June 15, 2013 and governed by Articles L.3311-1 *et seq.* of the French Labor Code is still in force. This agreement expires at the end of fiscal year 2015.

Discretionary profit-sharing is designed to motivate employee beneficiaries and recognize collective effort.

As such, it complements other variable and collective compensation components offered by Essilor International to its employees as a means of linking them to the Company's performance.

Discretionary profit-sharing bonuses are calculated according to two criteria:

- criterion 1: the Group's consolidated revenue growth (excluding strategic acquisitions);
- criterion 2: net margin organic growth.

Both criteria have the same weighting.

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.

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 as follows:

- 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:

- 2014: €5,975,000 for 2013;
- 2013: €5,172,000 for 2012;
- 2012: €4,474,000 for 2011;
- 2011: €4,154,000 for 2010;
- 2010: €4,304,000 for 2009.

2 - 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.

3 - 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 as defined in 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.

Management has therefore decided to grant a per-person bonus of €450 gross as profit share to all full-time employees in service in fiscal year 2013.

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 2013.

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.

	2014	2013	2012
Number of employee shareholders	**12,558**	12,041	N/C
Percentage of employee shareholders	**21.5%**	22.7%	N/A

Note: *Percentage calculation based on an average workforce of* ***58,480*** *for the entire year 2014.*

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 2014, new plans were set up with our partners in the following countries: Brazil, Canada, China, the Republic of Korea and the United Kingdom. Performance shares were also distributed.

As of December 31, 2014, active and retired employees held **8.4%** of the share capital and **14.5%** 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

			2014	2013	2012
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	**4.8%**	4.7%	4.8%

Note: *for entities not yet reporting this data, the absenteeism rate is assessed on the basis of the entities' own multi-pronged 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 2014, this took place in Madrid, Spain on May 21, 22 and 23.

This plenary session featured extensive presentations on this year's implementation in Europe of the structure that will be called by the generic name of "Country Management" to coordinate and manage brands at the national level, with a special focus on Spain.

The Group's Human Resources policy and its two main thrusts:

- a strong corporate culture based on the Group's principles and values;
- the need to anticipate changes and adapt to and follow through on them, especially when these changes involve organizational or skills-related development and as a result will require training.

The Group's long-term development policy was reviewed, especially its core mission, which is to provide access to vision care to the 2.5 billion people around the world who currently have limited or no access to vision care whatsoever.

The commitment to continue sharing information and make it more readily available to everyone is illustrated by the ease with which all documents relating to office and plenary meetings may be viewed on the intranet in the EEDIC archives. This is not only in keeping with the key goal of making EEDIC more visible and more active in Europe in compliance with the new EU directive, but more importantly, it demonstrates how genuinely committed Essilor has always been to high-quality labor-related communication 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.

Similarly, staff negotiations vary from one establishment to another, but Essilor consistently promotes these throughout the world as a factor in employee satisfaction.

Global staff opinion polls continue to be conducted periodically within the Group.

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 is 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 not in a position 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 2014 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 were set up at the beginning of the millennium and are maintained at Essilor's upstream plants. Production facilities in Brazil (1), China (1), the United States (1), France (3), Ireland (1), Mexico (1), the Philippines (2), Puerto Rico (1), and Thailand (1) were OHSAS 18001-certified as of December 31, 2014 and, in fact, have been since December 31, 2008. In 2014, an old production site was shut down and a new site opened at which the certification process has not yet begun. As a result, the percentage of certified health and safety management systems of the Group's upstream production facilities remains at 92% (12/13).

In 2014, 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, ergonomics 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 2014, 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

			2014	2013	2012
LA 07	**Rates of injury, occupational illnesses, lost days, absenteeism and total number of work-related fatalities**	Accidents with lost work time	**172**	192	216
		Accidents without lost work time	**338**	386	638
		Fatal accidents	**0**	0	0
		Lost work days	**4,379**	4,179	2,735
		Rate of absenteeism	**4.8%**	4.7%	4.8%
	Frequency rate for the period		**2.0** (@)	2.6	3.5
	Severity rate for the period		**0.05** (@)	0.06	0.08

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 LA7. 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 continued in 2014.

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 2014, 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 main ones 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. While in-house programs are obviously adapted to local needs, they also result in the sharing of best practices between entities based on common standards regarding skills. Distance learning (e-learning) provides complete access to general-interest content or content that is designed for new hires.

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 and the virtuous cycle of win-win development can be continued.

A global initiative was undertaken in 2014 to raise awareness of available training resources and make better use of the materials available to support the development of Group entities. It brought together more than **45** players involved in human resources, professional development or training at the international level, and led to a strengthening of the role of e-learning in talent development. Almost **500** modules were made available to some **15,000 Group managers** through the e-learning platform already in use in the United States. With modules featuring 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**), the teams have developed curricula fully in tune with the skills needed in the key businesses, which will help improve the Company's performance.

Known as **"Essilor University,"** the global training offer now gives all employees a fairly comprehensive overview of all the resources available to them to further their careers.

In 2014 numerous training courses were held on quality management, not only relating to products but also to processes, customer service and satisfaction, the environment, and occupational health and safety. Essilor also 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 an appropriate local component is added. 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) will be developed in 2015. It will be aimed at managers with a direct role in strategic development. With new roles being introduced in the organization, especially at the country and regional level, aligning the content of this program with the Group's strategy demands careful and serious thought.

In 2014, three groups took part in the GMP (one per region) and one new group began the AMP, for a total of **143** managers. As the 2013 AMP group (**33** managers) finished its training course in India, the next group began its program, which will finish in Turkey in 2015.

A leadership program is also available 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. A session for **30** managers took place in the second half of the year, and the program will be expanded to include regional formats in 2015 in order to meet demand.

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. In a strong sign of the remarkable investment by the Group's general management in the professional development of its managers, a session was organized for **110** managers from more than **20** countries plus **10** partner companies, led by **25** experts who were either Executive Committee members or their direct employees.

With regard to diversity, **37%** of participants in these programs were women, with more than **35** different countries represented, which is an accurate reflection of the Group's diversity.

To support the Group's strategy and improve their integration, 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 whose training program began in 2013 and ended in 2014. Other initiatives can be quickly developed by drawing on the experience gained from Group programs over the last few years and using local language resources more effectively for wider dissemination of content to the teams involved.

In 2015, the global offer will be expanded with content more tailored to the Group's talent development policy. Greater emphasis will be placed on senior executives, who are spearheading the Company's future through their own professional development and that of their teams. The program will call for a variety of educational resources and will be based on feedback and peer coaching.

Total number of training hours

For this indicator, the increase in the number of employee training hours exceeds that of the increase in workforce. This is related to improvements made either to the measurement itself or to its perimeter by the most recently acquired entities. As was noted during the last fiscal year, more supervisory staff are required for new talent management programs in a trend that is continuing.

			2014	2013	2012
LA 10	**Average number of training hours per year, per employee**	Number of employee hours	**318,164**	282,969	399,438
		Number of management hours	**238,167**	161,895	138,083
		TOTAL	**556,331**	**444,864**	**537,521**

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 2014.

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.

		2014	2013	2012
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. At December 31, 2014, the Essilor International Board of Directors was composed of **three women and twelve men** (**20%** and **80%** 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.

		2014	2013	2012
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 2014.

See also "Anti-discrimination policy" above in the "Equal opportunities" Section.

		2014	2013	2012
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.

		2014	2013	2012
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.

		2014	2013	2012
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 (as well as others), 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.

Already in the low carbon economy and listed for many years in the Low Carbon 100 Europe Index, Essilor's "green revolution" began in the middle of last century with the introduction of the famous ORMA (ORganic MAterial) lens as a replacement for 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.

The French Innovation and Technology Center (CIT) in Créteil 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. What makes it unique is the multi-disciplinary collaboration between almost a thousand employees from departments as varied as R&D, Engineering, Worldwide Operations, Logistics, Purchasing and Quality. This strengthens the teams' operational efficiency and increases the number of issues that can be dealt with upstream, making it easier for the Group to anticipate, adapt and respond to them during the early stages of product and service development. It also improves time to market optimally and safely by minimizing or eliminating retroactive corrective actions, including those related to environmental issues. In this regard, the use by the project teams of the EHS project guide, one of the Group's key documents, which was updated in 2013 and accompanies the EHS Project Charter, also makes it easier for the Group to anticipate, adapt and respond to environmental and occupational health and safety requirements.

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 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 were set up at the start of the new millennium, and are maintained at Essilor's upstream plants. All of the production facilities worldwide, *i.e.* in Brazil (1), China (1), the United States (1), France (3), Ireland (1), Mexico (1), the Philippines (2), Puerto Rico (1), and Thailand (1) were ISO 14001-certified as of December 31, 2014 and, in fact, have been since December 31, 2005. In 2014, an old production site was shut down and a new site opened at which the certification process has not yet begun. As a result, the percentage of certified environmental management systems of the Group's upstream production facilities was 92% (12/13).

In 2014, 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, which are composed of general service or maintenance experts, as part of a continuous improvement process, much like the Plan-Do-Check-Act (PDCA) cycle.

In 2014, the relevant Essilor 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 2015.

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 2014 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: an essential set of 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, 2013 to September 30, 2014, a total of **€2,740,500** (versus €3,710,000 in 2013) was spent or invested to help prevent environmental risk and pollution.

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 2014. 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.

EN 21	**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 other more specific ones depending on the requirements of local water agencies are monitored locally 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

			2014	2013
EN 22	**Total weight of waste by type and disposal method**	Total quantity of solid waste	**22,360 t**	22,727 t
		Of which:		
		Ordinary waste:	**16,101 t**	17,111 t
		(still called non-hazardous)		
		Special waste:	**6,259 t**	5,616 t
		(still called hazardous)		
EN 23	**Total number and volume of significant spills**		**0**	2

Products and services

EN 26	**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, including production consumables.
EN 27	**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

		2014	2013
EN 28	**Monetary value of significant fines**	**0** (@)	0
EN 28	**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. Three good examples of this are:

- the recycling of more than 95% of elastomer gaskets used in large-scale manufacturing and which are cleaned, ground and finally mixed with 5% new material to produce new joints;
- 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;
- the invention of a revolutionary blocking system by the Equipment Division that will pave the way for the entire industry to gradually replace the traditional systems adopted to block and to surface ophthalmic lenses while still using metal alloys that are sometimes used in surfacing treatments.

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 2014.

4.3.3 Sustainable use of resources

Water used

Essilor International was able to continue reducing the consumption of water per lens produced. The current challenge for the Group, which has already been working on this for the past fifteen years with good results, lies generally in conquering the ultimate additional percentages of reduction. The circulation of good practices among all entities of the Group helps achieve this objective.

			2014	2013
EN 08	**Total water withdrawal**	Total water use	**3,755,782 m³**	4,061,716 m³

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.

Ophthalmic lenses contain no water. Consequently, Essilor's net water consumption is negligible since consumption consists of withdrawing, treating, using, treating and restoring almost all volume consumed, with the exception of slight evaporation and human consumption at site canteens. The use of water in production primarily consists of multiple rinsing stages to keep the lens surfaces immaculate throughout the various stages of production and during surfacing itself. Water is also used in sanitary networks. A number of entities use recycled production water or collected rainwater for sanitary networks.

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 half-million 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.

This substantial flexibility also allows the Group to react quickly in the event of a sudden surge in customer demand in the ophthalmic optics sector in general.

Lastly, Essilor uses all methods to streamline the use of its consumable goods, reduce factory waste, and recover, reuse or recycle materials whenever possible.

			2014	2013
EN 01	**Materials used**	Raw materials – standard substrates	**7,400 t** (@)	7,547 t
		Raw materials – other substrates	**8,326 t** (@)	8,025 t
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 gaskets, 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 defining 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.

Essilor International was able to continue reducing the consumption of energy per lens produced. The current challenge for the Group, which has already been working on this for the past fifteen years with good results, lies generally in conquering the final percentage reductions, which are currently more generally found in areas with high use of capital (energy balance of old buildings, production processes.

This approach has now been incorporated in a new strategy called Lean Initiative For Excellence (LIFE) that has been set up within the Group's Worldwide Operations and is based on Lean Manufacturing.

			2014	2013
EN 03	**Direct energy consumption by primary energy source**	Electricity	**501.2 GWh**	518.0 GWh
		Gas	**64.4 GWh**	68.9 GWh
		Liquid fuel	**8.3 GWh**	8.6 GWh
		TOTAL	**573.9GWH**	**595.5 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 professional travel. In 2014, 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 2014. 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.	

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 EN3 in the above table were assessed at **58,473t** for 2014 (2013: 60,908t). 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 **7,302t** for 2014 (2013: 4,830t). The sharp year-on-year increase is due to the reclassification of some secondary transportation as primary transportation;
- CO_2 emissions related to secondary transportation (from a distribution center to a subsidiary) were assessed at **9,875t** for 2014 (2013: 10,980t). The sharp year-on-year drop is due to the reclassification of some secondary transportation as primary transportation.

  Note: Overall, the assessment of CO_2 emissions related to primary and secondary transportation (**17,177t**) was up 8.6% year on year (15,806t in 2013);
- CO_2 emissions related to a significant portion of professional travel were assessed at **7,514t** in 2014 (2013: 6,810t).

This made a total for 2014 of **24,691t** (2013: 22,620t).

The assessment of CO_2 emissions related to tertiary transportation (the so-called last-kilometer deliveries to eye care professionals) continued in 2014 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. The calculation for 2014 confirms the need to add approximately 2,000 tons to the quantities measured and documented for primary and secondary transportation, as has been done for the last eight years. This figure always refers to a reporting perimeter that is not sufficiently significant. As indicated in previous documents, 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.

		2014	2013
EN16	**Total direct and indirect greenhouse gas emissions by weight (t CO_2eq.)**	**58,473 t (@)**	60,908 t
EN17	**Other relevant indirect greenhouse gas emissions by weight (t CO_2eq.)**	**24,691 t (@)**	22,620 t

Note: *For fiscal year 2014, 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 2013, which makes the comparison easier.

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.

		2014	2013
EN16 + EN17	**Total emissions related to EN16 and EN17**	**83,157 t**	83,528 t
EN 19	**Emissions of ozone-depleting substances by weight**	**0 t**	0t
EN 20	**NOx, SOx and other significant air emissions by type and weight**	**Ɛ t (@)**	Ɛ t

Note: *The Group's NOx and SOx emissions are insignificant and therefore a negligible amount is reported as Ɛ 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 the potential acquisition of a new partner 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

		2014	2013
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 ENGAGEMENT 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, which is summed up in the motto of the Group ("Seeing the World Better") and 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.

To eliminate poor vision, Essilor International has created the ***Vision For Life*** *program, a pioneering step in the Group's mission to improve lives by improving sight. The Group has initially committed* ***€30*** *million to this initiative, which is supported by two endowment funds, making it the world's largest strategic giving program dedicated to eliminating Uncorrected Refractive Error (URE).*

Poor vision is the most common disability in the world, with an estimated ***2.5 billion*** *people failing to receive the vision correction they need. Visual impairment has significant social and economic repercussions and is estimated to be worth as much as USD* ***272 billion*** *in lost global productivity per year.* ***Vision For Life*** *aims to accelerate innovative initiatives targeting poor vision through more awareness campaigns and creating basic vision-care facilities. The development of permanent local vision care centers will create jobs, help alleviate poverty and bring socio-economic development to individuals and the communities in which they live.*

Vision For Life *will fund a variety of public interest projects. These range from community vision-care actions led in conjunction with nonprofit organizations, including local Essilor foundations, to the opening of vision centers and skills development in areas without access to primary eye care. The program will also support awareness campaigns to improve understanding of the importance of good vision.*

4.4.1 Regional, economic and social impacts 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 warmly 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 in this 2014 Registration Document. Refer to the corresponding pages. **Essilor's socio-economic** footprint for fiscal year 2014 can be summarized by the following items in descending order of importance: • revenue: **€5,670** million; • trade payables: **€2,176** million; • employees: **€1,743** million; • income and payroll taxes: **€193** million; • shareholders: **€228** million; and • financial expenses: **€31** 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. It has been reporting its CO_2 emissions and water consumption to the Carbon Disclosure *Project (CDP) and Water Disclosure* Project since these two CDP programs were launched in France. It is also one of the first signatories of Caring for Climate, a *U.N. Global Compact* initiative. Needs 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 protective function of corrective lenses can be incorporated into it, especially against the harmfulness of ultraviolet light in general, which is filtered by Xpério and many other ranges of sunglasses with various ESP® indices or against the retinal phototoxicity of a particular type of blue-spectrum rays that are filtered selectively by the Preventia range of glasses.
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 2014 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 that are 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**	In order to ensure consistency in its supplies and the quality of its finished products and compliance with universal good production practices, Essilor has a centralized purchasing policy. This policy is applied to raw materials and the various key products or services used in the composition or production of ophthalmic lenses and other products and services that Essilor group offers its customers. The Group also generates significant business flows with its local suppliers by preferring short supply chains for products and services outside the scope of central referencing. Local distributors of products and services referenced by Group contracts also benefit from the local economic impact of the Group's purchasing. The result is a balanced situation, the Group estimating that 50% of its procurement is sourced centrally and 50% locally. The Group has a responsible purchasing policy that includes items featured in a Responsible Purchasing Charter based primarily 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 this respect, the 2014 merger between Essilor International and the Brien Holden Vision Institute is a major step in setting up partnerships. The multi-local company formed by Essilor International and the Brien Holden Vision Institute, which is the flagship NGO for the education of eye care professionals, social innovation and the development of polymorphous partnerships in the public sector, private sector and in the social entrepreneurship sector, fills a need to activate their synergies, complementarities and various areas of expertise. To illustrate this historic merger in concrete terms, in 2014 in Malawi, the two organizations launched, among other initiatives, a broadly comprehensive five-year program to build a visual health network and set up a dedicated infrastructure. This large-scale project starts by training eye care professionals and supporting them in managing the vision centers that they will be setting up to create better sight and a better life for the people of Malawi and the jobs to keep it going.

Essilor group runs purely charitable projects in all countries around the world under the aegis of the Essilor Vision Foundation network. The Vision for Life program has been added just recently.

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 2014, Essilor Vision Foundations were created in India and Singapore. A partnership has been set up between one of the Essilor Vision Foundations and one of the biggest foundations in China.

As a result, numerous initiatives are being planned in more than ten countries. In France, successful programs have been run with SAMU Social, Secours Populaire, Action Enfance and Assistance Publique – Hôpitaux de Paris.

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.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 charter 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.

This charter is brought to the attention of all new entities joining the Group. They are invited to use it as inspiration and, in their own turn, apply the responsible purchasing principles that underpin them, adapting them to their own existing practices and activities, and to cascade the guidelines to their own suppliers.

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, pre-mounted lenses and sunglasses. The Group estimates that it accounts for almost 10% of total sales.

Like suppliers, subcontractors are subject to Essilor's purchasing and supply policy, its Responsible Purchasing Charter and, of course, 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 fulfill 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, accordingly, judgment to promote best practices;
- instill a sense of 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 Department's intranet site, in the section reserved for the Legal Compliance Division.

Corruption

		2014	2013
SO 02	**Percentage and total number of business units analyzed for risks related to corruption**	**ℇ%** *See note below*	ℇ%
SO 03	**Percentage of employees trained in the organization's anti-corruption policies and procedures**	The number of employees trained as a percentage is not currently 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 for the SO 02 indicator noted ℇ in the table.*

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

			2014	2013
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 ophthalmic prescription lenses are considered to be Class 1 medical devices. Neither invasive nor in direct contact with human tissue, they are first prescribed and then, after taking the patient's measurements to obtain 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-toxicity and safety 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

		2014	2013
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

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.

The Group's dual economic and human goal, which partly originates 165 years ago in its beginnings as a production workers' cooperative with an original governance model that continues today in the form of a strong employee shareholding ethic (with the Valoptec association being a prime example of a true corporate democracy), brings together all human, social and societal aspects as the core of its corporate mission.

Despite the highly intangible nature of this aspect of sustainable development and corporate societal responsibility, in 2014, the Group mapped its human-rights-related risks. This precautionary initiative has strengthened the Group's understanding of the subject and opened some further avenues to add to the continuous improvement initiatives introduced in several Group networks, where this theme may have real relevance and be developed further. This may be the case in Responsible Purchasing to the extent that some countries are regarded as presenting risks that need to be monitored.

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 well-being 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 under the supervision of eye care professionals. A number of other initiatives are being led outside the world of ophthalmic optics, all of which 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^{SM}" 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.

Essilor International is a member of the EDH association (Entreprises pour les Droits de l'Homme / Companies for Human Rights).

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 offer both daily well-being, have true utility and social impact and offer clear social advantages, Essilor International contributes indirectly to the achievement of several of the Millennium Goals,

the most correlated of which are the second (primary education for all), the sixth [fight diseases (blindness and uncorrected refraction errors for visual health)], the seventh (protect the environment) and the eighth (institute a global partnership for development).

Essilor's activities thus also play a significant role in fighting poverty, the first of these objectives.

Reference to the OECD Guidelines for Multinational Enterprises

In line with the 43 member governments, France is committed to encouraging companies operating in their own countries to respect, wherever they carry on their business, a set of widely recognized principles and standards aimed at ensuring that they act responsibly.

The updated OECD Guidelines for Multinational Enterprises were adopted on May 25, 2011. As a multi-local French company, Essilor respects these guidelines in France and abroad.

Reference to the International Labour Organization Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy

Essilor International intends to contribute positively to economic and social progress and to minimize the problems that its business operations may create and resolve them, taking into account, if necessary, the United Nations resolutions recommending the establishment of a new international economic order and initiatives such as the United Nations Global Compact and Millennium Development Goals.

Reference to ISO 26000

Early this century, while the Group was installing or finishing installing quality, environment and health and workplace safety management systems in target plants, Essilor International participated in the AFNOR (SD 21000) standardization program, which led to the publication on November 1, 2010 of the ISO 26000 standard, which collates the guidelines on societal responsibility.

Based on the central principle of good governance that is solidly rooted in its culture, Essilor has progressively put in place various features of this standard without waiting for its publication or referring to its identifying number. In doing so, it has focused initially on the most material and pertinent aspects of its activities around the world as they affect communities, local development, labor relations and conditions, the environment, fair practices, human rights, and (through eye care professionals and prescribers and customers) issues of concern to wearers of visual equipment (called consumers in the standard), thus formalizing since 2002 the Group's contribution to sustainable 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 Department of Sustainable Development wanted to be a small unit at the Corporate level backed by the operational divisions and the Corporate support functions and Business Unit management teams 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, which very often is 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.

As a result, 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 2014 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. 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 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 of gradually adding existing or future financially consolidated companies to its non-financial reporting.

Joint ventures were not included in the scope of non-financial reporting. They will now be included gradually.

For fiscal 2014, the amount of data published in absolute terms has only slightly increased from the previous year. As Transitions's reporting was only still in pilot phase and therefore not included, the reporting scope for 2014 as a percentage of workforce covered shrank slightly to **69.0%** (from 72.4% in 2013). The reporting perimeter in terms of the total number of training hours for fiscal 2014 covered 37% of the Group's workforce.

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, 2013 to September 30, 2014.

Information collected for the fiscal year from January 1, 2014 to December 31, 2014 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 30 of the current year.

Reporting tool

Non-financial information is collected and consolidated via a special software application that since 2003 uses the Global Reporting Initiative (GRI) benchmark, and its G3 version since 2006. The materiality test performed in 2014 and regular further development of Group supplier assessment since the introduction of the Responsible Purchasing Charter is expected to permit an upgrade to version G4 of the Global Reporting Initiative (GRI) and its recommendations, aiming for its implementation on reports issued after December 31, 2015.

The application is a twin version of the application used for financial reporting. This is a financial closing application from the Oracle group, known as Hypérion®, which has been copied in CARS Figures for financial reporting and CARS Sustainability for non-financial reporting. CARS in an internal Essilor group name that stands for **C**onsolidation **A**nd **R**eporting **S**ystem.

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.

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 the non-financial information is performed using a specific data application and a twin to 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.

The audit covers all the published CSR Information.

Conclusion

The non-financial reporting of the Essilor group is part of a process of ongoing improvement driven by 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 the years 2003 and 2006, this information was presented in separate documents titled "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, 2014

To the Shareholders,

In our capacity as an independent third party appointed by Essilor International S.A., accredited by COFRAC (the French Accreditation Committee) under number 3-1049 [(1)], we present our report on the consolidated corporate, social and environmental information for the year ended December 31, 2014 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 provided for in Article R.225-105-1 of the French Commercial Code and to do so in accordance with the protocol used by the company (hereinafter: the "Protocol"), a summary of which is contained in the Management Report and which is available on request at the company's registered office.

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 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 paragraph 3 of 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 truthfully 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 five people between October 2014 and February 2015 over a period of approximately eight weeks. To help us carry out our work, we called upon our experts in CSR.

We conducted the work described below in accordance with the professional standards applicable in France, the decree of May 13, 2013 determining the manner in which independent third parties conduct their work and, concerning the reasoned opinion of accuracy, ISAE 3000 [(2)].

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 set out in Article R.225-105-1 of the French Commercial Code.

Where some consolidated information had been omitted, we verified that explanations were provided in accordance with the provisions of Article R.225-105, paragraph 3 of the French Commercial Code.

(1) Further details are available at www.cofrac.fr.

(2) ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.

We verified that the CSR Information covered the scope of consolidation, namely, the company and its subsidiaries as defined by Article L.233-1 as well as the entities it controls as defined by Article L.233-3 of the French Commercial Code, based on the limits specified in the methodology note in paragraph 4.5 of the Management Report.

On the basis of our work and in light of the limits mentioned above, we confirm 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 approximately twenty interviews with the persons responsible for preparing the CSR Information from the departments in charge of the processes of information gathering and, where 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 our tests and checks in view of the nature and significance of the CSR Information in relation to: the characteristics of the company, the social and environmental challenges of its business activities, its sustainable development guidelines and best practices of the sector.

For the CSR Information that we considered most significant (1) :

- 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 entities (2) that we selected based on their activity, their contribution to the consolidated indicators, their location, and a 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 represents an average of 21% of employees and between 18% and 35% of the quantitative environmental data.

For other consolidated CSR Information, we assessed its consistency in line 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 whilst 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.

Caveat

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 these is based on a flat rate and not on on-site findings.

Conclusion

Based on our work and subject to this caveat, 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, March 2, 2015

KPMG S.A.

Philippe Arnaud
Partner
Department of Climate Change & Sustainable Development

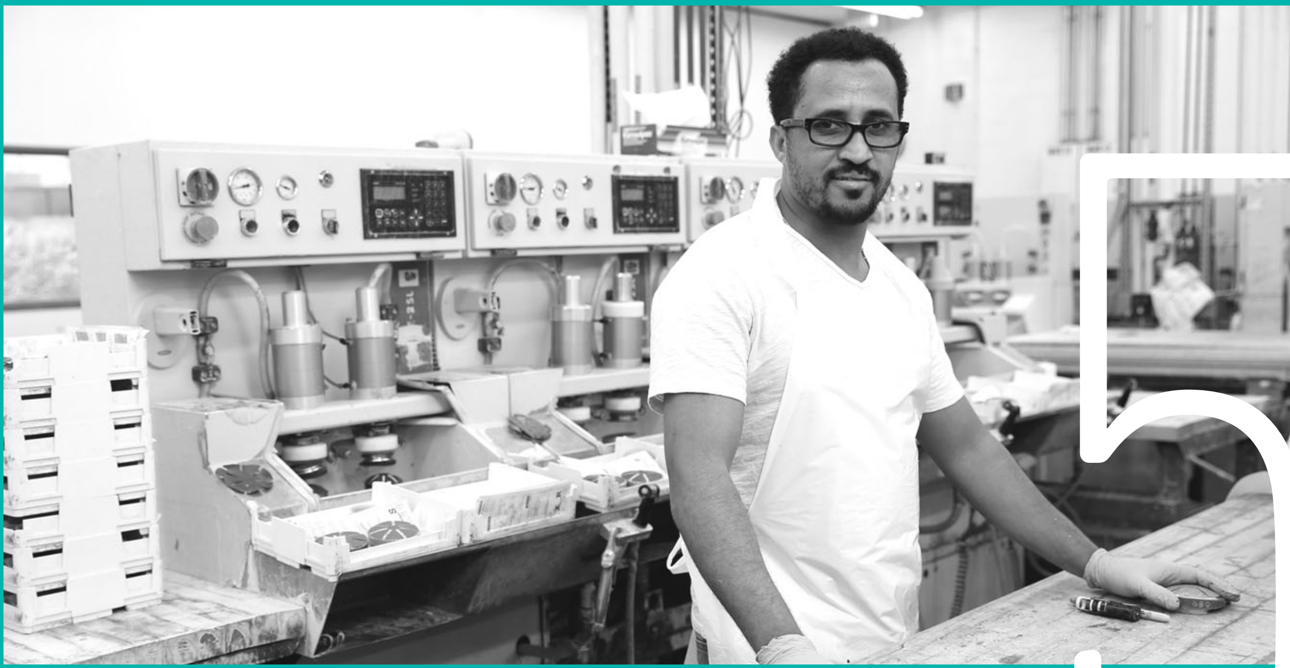
Alphonse Delaroque
Partner

(1) *Social information: Quantitative information: Total workforce (distribution by sex and age), turnover rate, lost-time injury frequency rate, total number of hours of training, the proportion of local executives/managers; qualitative information: Health and safety in the workplace, equal opportunities policy.*
Environmental information: Quantitative information: Total energy consumption, greenhouse gas emissions related to energy consumption, water consumption, raw materials used (monomers and polymers), total quantity of waste products; qualitative information: The company's organization to take account of environmental issues and, where appropriate, processes for environmental assessment or certification; greenhouse gas emissions.
Company-specific information: Qualitative information: The territorial, economic and social impact of the company's business activities on regional employment and development as well as on local populations, the terms for engaging with persons or organizations interested in the company's business activities, the importance of subcontracting and how the social and environmental responsibility of suppliers and subcontractors is taken into account in relationships with them, actions undertaken to promote human rights.

(2) *Essilor International (France), BBGR (France), Essilor Manufacturing Thailand Co. Ltd (Thailand), Optodev (Philippines), Essilor Manufacturing Philippines Inc. (Philippines), Shamir Optical Industry Ltd (Israel), Essilor GmbH (Germany).*

4.7 LOCATION OF GRI ELEMENTS

Strategy and Analysis			
1.1	Statement from the most senior decision-maker of the organization	page 201	Chapter 4
1.2	Description of key impacts, risks and opportunities	pages 27 and next	Section 1.6
Organizational profile			
2.1	Name of organization	page 240	Section 5.1
2.2	Primary brands, products and/or services	page 9	Section 1.3
2.3	Operational structure of the organization	page 9	Section 1.3
2.4	Location of the organization's headquarters	page 240	Section 5.1
2.5	Number of countries where the organization operates	pages 11 and next	Section 1.3
2.6	Nature of ownership and legal form	page 240	Section 5.1
2.7	Markets served	pages 11 and next	Section 1.3
2.8	Scale of the reporting organization	pages 11 and next	Section 1.3
2.9	Significant changes during the reporting period [...]	pages 230 and next	Section 4.5
2.10	Awards received during the reporting period	page 201	Chapter 4
Report parameters			
3.1	Reporting period for the information provided	page 233	Section 4.5
3.2	Date of the most recent previous report (if any)	page 233	Section 4.5
3.3	Reporting cycle	page 233	Section 4.5
3.4	Person to contact	page 234	Section 4.5
3.5	Process for defining report content	pages 230 and next	Section 4.5
3.6	Report scope and boundary	page 233	Section 4.5
3.7	State any specific limitations on the scope [...]	page 233	Section 4.5
3.8	Basis for reporting on joint ventures	page 233	Section 4.5
3.9	Data measurement techniques and the bases of calculations [...]	page 234	Section 4.5
3.10	Explanation of the effects of any re-statements [...]	Provided as needed	
3.11	Significant changes	page 233	Section 4.5
3.12	Table identifying the location of the GRI Standard Disclosures	page 237	Section 4.7
3.13	Policy and current practice with regard to seeking external assurance for the report	page 234	Section 4.5
Governance, commitments and engagement			
4.1	Governance structure of the organization	pages 34 and next	Section 2.1
4.2	Indicate if the Chairman of the Board of Directors is also an executive officer	page 35	Section 2.1
4.3	[...] indicate the number of independent and/or Non-Executive Board members	pages 34 and next	Section 2.1
4.4	Mechanisms [...] recommendations or direction to the Board of Directors	pages 51 and next	Section 2.2
4.5	Linkage between compensation [...] and the organization's performance	pages 71 and next	Section 2.3
4.6	Processes in place for the Board of Directors to ensure conflicts of interest are avoided	page 54	Section 2.2
4.7	Process for determining the [...] qualifications and expertise [...]	page 52	Section 2.2
4.8	[...] statements of mission or values, Codes of Conduct and principles [...]	pages 63 and next	Section 2.2
4.9	Procedures of the Board of Directors for overseeing [...]	pages 63 and next	Section 2.2
4.10	Processes for evaluating the Board of Directors' own performance [...]	pages 63 and next	Section 2.2
4.11	How the precautionary approach is addressed by the organization	pages 223 and next	Sect ion 4.4
4.12	Externally developed [...] charters, principles or other initiatives [...]	page 201	Chapter 4
4.13	Memberships in associations [...]	pages 225 and next	Section 4.4
4.14	List of stakeholder groups engaged by the organization	pages 202, 203, 225 and next	Section 4.1
4.15	Basis for identification and selection of stakeholders with whom to engage	pages 202, 203, 225 and next	Section 4.1
4.16	Approaches to stakeholder engagement, including frequency of engagement [...]	pages 202, 203, 225 and next	Section 4.1
4.17	Key topics and concerns that have been raised through stakeholder engagement [...]	pages 202, 203, 225 and next	Section 4.1



INFORMATION ABOUT THE COMPANY, ITS SHARE CAPITAL AND STOCK OWNERSHIP

IN BRIEF

DISTRIBUTION OF CAPITAL AT DECEMBER 31, 2014

Number of outstanding shares: 215.9 millions

(a) *December 31, 2014 estimates.*

DISTRIBUTION OF VOTING RIGHTS AT DECEMBER 31, 2014

Number of voting rights: 228.6 millions

16,482

Internal shareholders[b] in 52 countries representing:

8.2% of capital

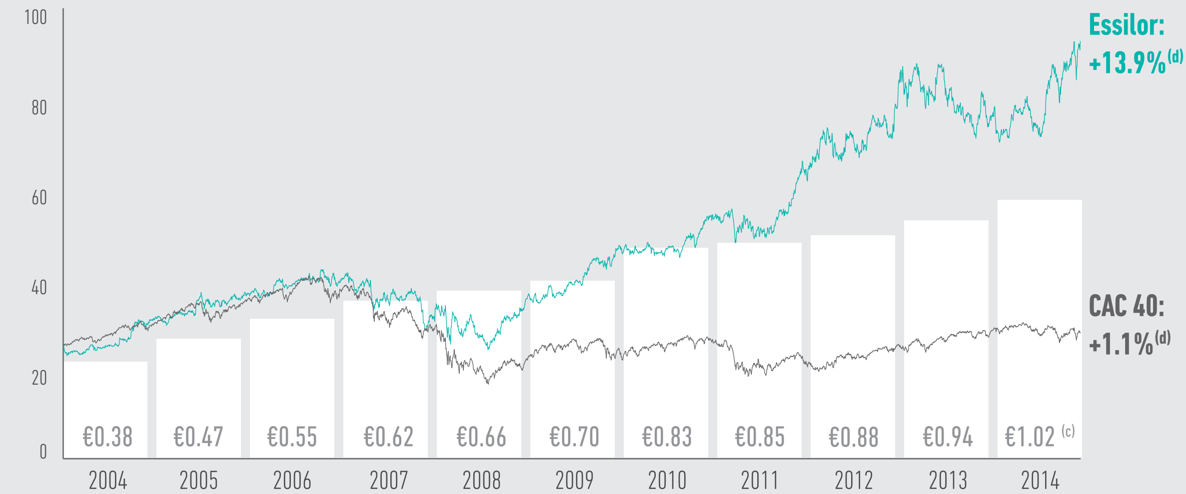
14.2% of voting rights

(b) *Current and former employees and retirees.*

SHARE PRICE AND DIVIDEND

€

The base for the CAC 40 chart was changed to the Essilor share price at January 1, 2004



(c) *Subject to the approval of the Shareholders' Meeting of May 5, 2015.*

(d) *CAGR (Compound annual growth rate).*

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:

- for holders of "pure" registered or "administered" registered shares must be listed as the shareholder of record at midnight, Paris time, on the second business day before the meeting date, Paris time;
- holders of bearer shares must be listed as the shareholder of record at midnight, Paris time, on the second 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 second 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. However, if the sale occurs before the second business day preceding the meeting at midnight, Paris time, the Company shall accordingly invalidate or amend, as appropriate, the postal voting form, proxy or attendance card or certificate of ownership. 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 second 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 as defined in 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 second 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.

2015 Shareholders' Meeting

The Combined Ordinary and Extraordinary Shareholders' Meeting will be convened on May 5, 2015.

For information about the financial authorizations to be put to the vote at the Extraordinary Shareholders' Meeting on May 5, 2015, 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 5, 2015, 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 2014

At December 31, 2014	Number of shares	%	Number of voting rights	%
Internal shareholders				
(current, former and retired employees)				
• FCPE Valoptec International	5,138,786	2.4%	10,212,138	4.5%
• Essilor group 5 and 7-year FCPE	4,850,547	2.2%	9,300,092	4.1%
• Funds for employees outside France	771,871	0.4%	792,079	0.3%
• Pure or administered registered shares held directly by employees	6,995,113	3.2%	12,205,511	5.3%
SUB-TOTAL	**17,756,317**	**8.2%**	**32,509,820**	**14.2%**
Partner shareholders [(a)]				
Pure or administered registered shares held by partners	343,240	0.2%	686,480	0.3%
SUB-TOTAL	**18,099,557**	**8.4%**	**33,196,300**	**14.5%**
Treasury stock				
• Own shares	3,959,921	1.8%		
• Liquidity contract				
SUB-TOTAL	**3,959,921**	**1.8%**		
PUBLIC	**193,833,050**	**89.8%**	**195,372,367**	**85.5%**
TOTAL	**215,892,528**	**100%**	**228,568,667**	**100%**

(a) Partner Shareholders refers to the 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 was subsequently sold in full.

At December 31, 2014, the share capital amounted to €38,860,655.04, divided into 215,892,528 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, 2014 was 228,568,667.

Changes in share capital during the fiscal year were as follows:

- €60,692.76 increase, excluding original issue premium, corresponding to the issue of 377,182 new shares, each with a par value of €0.18 subscribed by the Essilor group five- and seven-year FCPE;
- €154,052.64 increase, excluding original issue premium, corresponding to the issue of 855,848 new shares, each with a par value of €0.18 on exercise of stock options.

There were no material changes in the share ownership position as of January 31, 2015.

Maximum dilution at fiscal year-end

Taking into account all shares that could be issued after December 31, 2014 due to the exercise of the existing options, regardless of their strike prices, the maximum dilution would be as follows:

At December 31, 2014	Number of shares	%	Number of voting rights	%
Position at year end	215,892,528		228,568,667	
Outstanding stock subscription options	900,134	0.4%	900,134	0.4%
Outstanding performance share rights	4,021,259	1.9%	4,021,259	1.8%
TOTAL POTENTIAL DILUTION	**4,921,393**	**2.3%**	**4,921,393**	**2.2%**
Total capital diluted at year end	220,813,921		233,490,060	

The breakdown of changes in share capital in 2014 is presented in Note 10 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 and 2013

At December 31, 2013	Number of shares	%	Number of voting right	%
Employee shareholding				
(current, former and retired employees)				
• Valoptec International FCPE	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 shares				
• Treasury 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 has subsequently been sold in full.

At December 31, 2012	Number of shares	%	Number of voting right	%
Employee shareholding				
(current, former and retired employees)				
• Valoptec International FCPE	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 shares				
• Treasury 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 has 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	Aggregate number of shares of the Company
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 OCÉANE 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**
Subscription of shares reserved for the Essilor group FCPE	337,182	61	23,451	38,707	215,036,680
Exercise of subscription options	855,848	154	34,840	38,861	215,892,528
Cancellation of treasury shares				38,861	215,892,528
Capital increase paid up by capitalizing reserves				38,861	215,892,528
SHARE CAPITAL AT DECEMBER 31, 2014				**38,861**	**215,892,528**

5.2.1.4 Delegations and authorizations granted to the Board of Directors

Summary table of currently valid delegations

Issued and unissued authorized capital [(1)]

the table below summarizes the currently valid delegations granted by the Shareholders' Meetings of May 11, 2012 and May 7, 2014 to the Board of Directors relating to capital, and indicates the use of these delegations.

Delegation type	Date of Shareholders' Meeting (resolution number)	Period (expiration date)	Maximum amount authorized	Overall use at 12/31/2014
Share capital increases for employees and executive corporate officers				
Share capital increase reserved for employees	May 7, 2014 (15th)	21 months (February 6, 2016)	1.5% of the share capital (at the issue date)	0.16%
Free share award (bonus shares) for employees and executive corporate officers	May 11, 2012 (12th)	38 months (July 10, 2015)	2.5% of the share capital (at the award date)	1.94%
Stock options award for employees and executive corporate officers	May 11, 2012 (13th)	38 months (July 10, 2015)	1% of the share capital (at the award date)	0.13%
Share capital increases				
Capital increase through a share issue with preemptive subscription rights	May 7, 2014 (16th)	26 months (July 6, 2016)	One-third of the share capital (at the date of the Shareholders' Meeting) Maximum of €1,500 million for debt securities	None
Capital increase through a share issue without preemptive subscription rights	May 7, 2014 (17th)	26 months (July 6, 2016)	10% of the share capital (at the date of the Shareholders' Meeting) €1 billion for debt securities	None
Greenshoe option (applicable under Resolutions 16, 17 and 20)	May 7, 2014 (18th)	26 months (July 6, 2016)	15% of the initial issue	None
Capital increase in payment for a capital contribution in kind	May 7, 2014 (19th)	26 months (July 6, 2016)	10% of the share capital at the date of the Shareholders' Meeting	None
Allotment of shares to qualified investors or a small circle of investors (Art. L.411-2 II of the French MFC)	May 7, 2014 (20th)	26 months (July 6, 2016)	10% of the share capital (at the date of the Shareholders' Meeting)	None
Share issue based on price terms alternative to those laid down in Resolutions 17 and 20	May 7, 2014 (21th)	26 months (July 6, 2016)	10% of the share capital (at the date of the Shareholders' Meeting)	None
Overall limit of authorizations without pre-emptive subscription rights or reserved for contributions in kind (Resolutions 17, 18, 19, 20)	May 7, 2014 (22nd)	26 months (July 6, 2016)	10% of the share capital (at the date of the Shareholders' Meeting) This ceiling is deducted from the overall ceiling of one-third of the share capital (Resolution 16)	None
Capital increase through incorporation of reserves, profit, premiums or other items	May 7, 2014 (23th)	26 months (July 6, 2016)	€500 million	None
Buyback by the company of its own shares				
Purchase by the Company of its own shares	May 7, 2014 (13th)	18 months (November 7, 2015)	10% of the share capital at the purchase date	469,425 shares or 0.22%
Reduction in share capital by cancellation of shares				
Cancellation of shares acquired by the Company under Article L.225-209 of the French Commercial Code	May 7, 2014 (14th)	24 months (May 6, 2016)	10% of the share capital on the day of cancellation per 24-month period	None

(1) Article L.225-100 of the French Commercial Code.

Financial authorizations to be put to the vote at the Extraordinary Shareholders' Meeting of May 5, 2015

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.

The Board of Directors is further seeking authorization to grant performance shares to Group employees and executive officers, and also grant stock options to Group employees, to give them a stake in the Company's performance.

For information about the proposed renewal of the share buyback program, to be put to the vote at the Ordinary Shareholders' Meeting on May 5, 2015, 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.

Essilor stock is also included in three indices that specialize in socially responsible investment (SRI indices):

- 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 cannot be jointly owned.

5.2.2.1 Key stock market data

(Source: Reuters, Bloomberg and Euronext)

	Share price (€)			Number of outstanding shares at December 31	Market capitalization at December 31 [(a)] (€ millions)
	Session high	Session low	Closing price		
2014	**93.26**	**70.51**	**92.68**	**215,892,528**	**17,942**
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: Bloomberg, Reuters and Euronext Paris)

Stock markets: Euronext Paris, Turquoise, Bats Europe, Chi-x Alternative, Equiduct, London Stock Exchange, SmartPool, QMTF, XOME, TOM1,AQXE, XAQU.

	Trading volume (millions of shares)	Trading volume, in capital (€ millions)	Share price (€)	
			Session high	Session low
2013				
September	20.71	1,685	84.10	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	72,00
2014				
January	22.76	1,800	83.75	73.93
February	17.70	1,354	79.42	74.32
March	22.85	1,668	74.74	70.51
April	20.50	1,520	80.69	71.47
May	15.31	1,189	79.68	75.30
June	18.06	1,415	80.90	76.11
July	18.82	1,405	78.17	72.44
August	19.16	1,432	81.00	71.16
September	25.08	2,200	87.90	80.60
October	29,99	2,486	88.55	76.65
November	16.55	1,452	90.36	85.29
December	19.68	1,758	93.26	82.75
2015				
January	24.71	2368	100.5	88.72

5.2.2.3 Share buyback programs

In May 2014, the Shareholders' Meeting renewed the Board of Director's authorization 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, for a term of 18 months expiring on November 6, 2015.

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 that during fiscal year 2014 it made use of the authorizations given by the Combined Ordinary and Extraordinary Shareholders' Meetings of May 16, 2013 and May 7, 2014.

The main objective of the program was to hedge the employee share-based payment programs.

For this reason, the Company bought 469,295 shares between January 1 and December 31, 2014 at an average gross price of €76.25 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 €76.27.

At December 31, 2014, Essilor held 3,959,921 of its own shares, representing 1.83% of share capital. The par value of these shares was €712,785.78 and their book value was €286.2 million (*i.e.* an average net cost of €72.28 per share).

Liquidity contract

The Company was not a party to any liquidity contracts in 2014.

Share buybacks

In accordance with Article L.225-211 of the French Commercial Code as amended by Order 2009-105 of January 30, 2009, no shares were reallocated in 2014.

	2014
	Treasury shares
Number of shares at start of period – January 1	**4,454,406**
Stock purchase options exercised	
Delivery of performance shares	-963,910
Delivery of convertible bonds	
Cancellation of treasury shares	
Purchase of treasury shares	469,425
Number of shares at end of period – December 31	**3,959,921**

Position at January 31, 2015	
Percentage of capital held directly and indirectly	1.83%
Number of shares canceled in the last 24 months	1,500,000
Number of shares held in portfolio	3,959,921
Book value of portfolio (€)	286,657,450
Market value of portfolio [(a)] (€)	392,309,373

(a) On the basis of the closing price on January 31, 2015.

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	Total gross flows from March 1, 2014 to January 31, 2015			Open positions at January 31, 2015					
	Purchases	Sales	Cancellations	Open buy positions			Open sell positions		
				Calls bought	Puts sold	Forward purchases	Calls bought	Puts sold	Forward sales
Number of shares	469,425								
Average maximum maturity									
Average transaction price, (€)	76.25								
Total amount, (€)	35,873,082								

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 5, 2015 is 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 that can be converted into or exchanged with 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 support the price of the shares under a liquidity contract that complies with the AMAFI Code of Ethics endorsed by the AMF (Autorité des Marchés Financiers);
- the subsequent use of the shares in exchange or presentation as consideration for future external growth transactions up to a maximum of 5% of the capital;
- to implement any market practice that may be acknowledged by regulations or the Autorité des Marchés Financiers.

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 Combined Ordinary and Extraordinary Shareholders' Meeting of May 5, 2015: 10% of capital, or, for example 21,597,961 shares based on capital at January 31, 2015;
- maximum percentage of share capital that may be bought back, taking into account the number of own shares held as of January 31, 2015: 8.16%, *i.e.,* by way of example 21,597,961 - 3,959,921 = 17,638,040 shares based on the capital at January 31, 2015;
- maximum purchase price per share: €130 (as adjusted if necessary to take into account the effects of any equity capital transactions).

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 4, 2016.

5.2.2.4 Share cancellations and capital reductions

The Combined Ordinary and Extraordinary Shareholders' Meeting of May 7, 2014 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 canceled during any 24-month period does not exceed 10% of total share capital. In 2014, Essilor International did not cancel any shares.

5.2.3 Essilor stock and rights held by members of the management, governance and supervisory bodies

Position at December 31, 2014

	Employees and executive officers – Members of the Board of Directors			
	Hubert SAGNIÈRES	Yi HE	Aïcha MOKDAHI	Maureen CAVANAGH
Shares	337,034	19,690	15,820	1,122
Performance share rights				
• November 24, 2011		2,310		1,320
• November 27, 2012		2,000		1,200
• December 14, 2012				
• November 25, 2013	45,000	2,200	2,000	2,000
• December 20, 2013	20		20	
• November 25, 2014	40,000	2,200	2,000	2,000
• December 19, 2014			20	

Independent Directors

At December 31, 2014, the Independent Directors did not hold any stock subscription (or purchase) options or performance share rights. They held 12,729 Essilor shares.

5.2.4 Stock subscription options

Stock subscription options, if exercised, trigger the issuance of new ordinary Essilor shares.

As of December 31, 2014, the total number of shares that may be created as a result of the exercise of the stock subscription options was 900,134.

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 canceled if the target is not met.

Date granted [a]	Number of options granted	Granted to Executive Committee	Subscription price (€)	Number of options outstanding at December 31, 2014	Number of options outstanding at January 31, 2015
November 14, 2007 [b]	1,117,770	148,000	43.65	-	
November 27, 2008 [b]	1,568,080	430,000	33.17	69,473	66,630
November 26, 2009 [b]	1,579,120	314,160	38.96	232,735	224,656
November 25, 2010 [b]	634,760		48.01	266,938	194,228
November 24, 2011 [b]	85,620		52.27	52,845	48,045
November 27, 2012 [b]	81,760		71.35	71,558	70,458
November 25, 2013 [b]	87,880		77.29	85,080	84,940
November 25, 2014 [b]	121,505	21,000	87.16	121,505	121,505
TOTAL	**5,276,495**	**913,160**		**900,134**	**810,462**

(a) Plans prior to that of November 14, 2007 no longer have stock subscription options outstanding.

(b) Capped performance plans.

The stock purchase options situation is presented below:

Information is provided only for those plans for which options or rights are currently outstanding.

	At December 31, 2014	o/w in 2014	At January 31, 2015	o/w in 2015
Options granted [a]	5,276,495	121,505	5,276,495	
Options canceled [a]	561,850	68,958	564,436	2,586
Options exercised [a]	3,814,511	855,848	3,901,597	87,086
Options remaining [a] and [b]	900,134		810,462	

(a) Plans from November 14, 2007 to November 25, 2014.

(b) 0.42% of the capital at December 31, 2014.

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;
- it was decided to limit the granting of shares to employees residing in France; non-residents will continue 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 2014 inclusive are governed by performance-share plan regulations with conditions that have changed 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 Non-Executive Board Director.

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 increase [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. Over time, the minimum threshold (increase of share price) to be reached to receive a minimum number of Essilor shares will increase: 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 as from the six-year anniversary of the 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 6 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) (€)	Number of outstanding rights at December 31, 2014	Number of outstanding rights at January 31, 2015
November 25, 2010	893,458	341,800	48,01		
December 20, 2010	74,355	195	48,01		
November 24, 2011	1,193,189	346,800	52,27	557,385	555,630
December 21, 2011	74,445	195	52,27	2,730	2,730
November 27, 2012	1,176,340	335,500	71,35	573,500	571,450
December 14, 2012	98,640	280	71,35	3,740	3,740
November 25, 2013	1,279,460	347,500	77,29	1,247,140	1,244,740
December 20, 2013	96,880	280	77,29	91,860	91,680
November 25, 2014	1,448,464	404,000	87.16	1,448,464	1,448,464
December 19, 2014	96,440	300	87.16	96,440	96,240
TOTAL	**6,431,671**	**1,776,850**		**4,021,259**	**4,014,674**

(a) Plans prior to that of November 24, 2011 no longer have any performance share rights to vest.

Performance share rights are presented below:

	At December 31, 2014	o/w in 2014	At January 31, 2015	o/w in 2015
Rights granted [(a)]	6,431,671	1,544,904	6,431,671	
Rights canceled [(a)]	240,560	90,320	247,145	6,585
Rights exercised [(a)]	2,169,852	963,910	2,169,852	
Rights outstanding [(a) (b)]	4,021,259		4,014,674	

(a) Plans from November 25, 2010 to December 25, 2014.
(b) 1.64% of the 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 purchase options; • performance share rights; granted to employees other than Non-Executive Board Directors.	Total number	Weighted Average Price (€)	Maturity date	Related plans
Stock options granted in fiscal year 2014 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)	59,900	87.16	November 25, 2021	November 25, 2014
Rights to performance shares granted in fiscal year 2014 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)	238,600	87.16	November 25, 2020 or 2022 and December 19, 2020 or 2022	November 25, 2014 and December 19, 2014
Options held on the aforementioned issuer and companies, **exercised in fiscal year 2014,** by the ten employees of the issuer and of any company in this scope, with the highest number of stock options granted (comprehensive data)	82,135	43.15		November 14, 2007 November 27, 2008 November 26, 2009 November 25, 2010

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 14, 2007	November 27, 2008	November 26, 2009	November 25, 2010
Date of the Shareholders' Meeting	May 11, 2007	May 11, 2007	May 11, 2007	May 11, 2010
Date of the Board of Directors Meeting	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)]
Total number of shares that can be subscribed or bought	Maximum 1,117,770	Maximum 1,568,080	Maximum 1,579,120	Maximum 634,760
By Non-Executive Board Directors		320,000	230,000	
• Philippe Alfroid		100,000		
• Xavier Fontanet		120,000	80,000	
• Hubert Sagnières		100,000	150,000	
By the ten largest employee beneficiaries	206,000	170,000	194,000	75,000
Exercise start date	May 14, 2010	November 29, 2010	November 28, 2011	November 26, 2012
Expiration date	November 14, 2014	November 27, 2015	November 26, 2016 or 2017	November 25, 2017
Subscription or purchase price (€)	43.650	33.170	38.960	48.010
Number of beneficiaries	1,800	2,286	2,412	1,362
Terms of exercise	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 at December 31, 2014	1,018,880	1,272,270	1,183,777	313,682
Subscription options or performance share rights canceled	98,890	226,337	162,608	54,140
Remaining subscription options or performance share rights		69,473	232,735	266,938

(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 canceled if the target is not met.

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Plan	November 25, 2010	December 20, 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 Non-Executive Board Directors	45,000	15		50,000	
• Xavier Fontanet					
• Hubert Sagnières	45,000	15		50,000	
By the ten largest employee beneficiaries	200,000	150	28,300	180,000	150
Exercise start date	Residents: November 26, 2012 Non-residents: November 25, 2014	Residents: December 20, 2012 Non-residents: November 23, 2014	November 25, 2013	November 25, 2013 or 2015 [b]	December 21, 2013 [c]
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 (€)			52,270		
Number of beneficiaries	3,116	4,957	232	5,037	4,963
Terms of exercise	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 Tuesday, 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 Friday, 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 Thursday, 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 at December 31, 2014	836,688	68,625	22,315	558,444	66,315
Subscription options or performance share rights canceled	56,770	5,730	10,460	77,360	5,400
Remaining subscription options or performance share rights			52,845	557,385	2,730

(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 canceled if the target is not met.

(b) 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.

(c) 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 Non-Executive Board Directors		45,000	20		45,000
• Xavier Fontanet					
• Hubert Sagnières		45,000	20		45,000
By the ten largest employee beneficiaries	32,900	193,750	120	34,350	201,500
Exercise start date	November 27, 2014	Residents: November 27, 2014 Non-residents: November 27, 2016 [(c)]	Residents: December 15, 2014 Residents: December 15, 2014 [(d)]	November 25, 2015 [(e)]	November 25, 2015 [(f)]
Plan end date	November 27, 2019	November 27, 2018 or 2020	December 14, 2018 or 2020	November 25, 2020	November 25, 2019 or 2021
Subscription or purchase price (€)	71.350			77.29	NS [(b)]
Number of beneficiaries	216	5,035	4,932	248	5,775
Terms of exercise	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 Tuesday, 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 Friday, 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 Monday, 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 at December 31, 2014	3,587	548,600	88,080		2,300
Subscription options or performance share rights canceled	6,615	54,240	6,820	2,800	30,020
Remaining subscription options or performance share rights	71,558	573,500	3,740	85,080	1,247,140

(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 canceled if the target is not met.

(b) If performance shares are granted, they will be allocated out of the Company's treasury stock.

(c) Shares may be granted to non-residents on November 27, 2016 at the earliest.

(d) Shares may be granted to non-residents on December 14, 2016 at the earliest.

(e) Options may be granted provided that the estimated annualized Average Price is 2% higher than €77.29.

(f) Shares may 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	November 25, 2014	November 25, 2014	December 19, 2014
Date of the Shareholders' Meeting	May 11, 2012	May 11, 2012	May 11, 2012	May 11, 2012
Date of the Board of Directors Meeting	November 25, 2013	November 25, 2014	November 25, 2014	November 25, 2014
Type of plan	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 96,880	Maximum 121,505	Maximum 1,448,464	Maximum 96,440
By Non-Executive Board Directors	20		40,000	
• Xavier Fontanet				
• Hubert Sagnières	20		40,000	
By the ten largest employee beneficiaries	120	59,900	238,600	200
Exercise start date	December 20, 2015 [(c)]	November 25, 2016 [(d)]	November 25, 2016 [(e)]	December 19, 2016 [(f)]
Plan end date	December 20, 2019 or 2021	November 25, 2021	November 25, 2020 or 2022	December 19, 2020 or 2022
Subscription or purchase price (€)	NS [(b)]	87.16	NS [(b)]	NS [(b)]
Number of beneficiaries	4,844	256	6,410	4,822
Terms of exercise	Non-residents: Award subject to performance. Cancellation possible. 50% sellable at award, 50% locked-in until Friday, 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	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 Wednesday, November 25, 2020 or 2022 depending on vesting date. Residents: Award subject to performance. Cancellation possible. May be sold from November 25, 2020 or 2022 depending on the vesting date	Non-residents: Award subject to performance. Cancellation possible. 50% sellable at award, 50% locked-in until Saturday, December 19, 2020 or 2022 depending on vesting date. Residents: Award subject to performance. Cancellation possible. Sellable from December 19, 2020 or 2022 depending on vesting date
Number of shares subscribed at December 31, 2014	800			
Subscription options or performance share rights canceled	4,220			
Remaining subscription options or performance share rights	91,860	121,505	1,448,464	96,440

(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 canceled if the target is not met.

(b) If performance shares are granted, they will be allocated out of the Company's treasury stock.

(c) Shares may 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.

(d) Options may be granted provided that the estimated annualized average is 2% higher than €87.16.

(e) Shares may be granted to residents provided that the estimated annualized average is 2% higher than €87.16. Shares may be granted to non-residents on November 25, 2018 at the earliest.

(f) Shares may be granted to residents provided that the estimated annualized average is 2% higher than €87.16. Shares may be granted to non-residents on December 19, 2018 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 Company's knowledge, there are no shareholders that directly, indirectly or in concert hold 5% or more of the voting rights.

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 capital increase paid up by capitalizing reserves, profit or additional paid-in capital, the registered bonus shares allotted in respect of existing 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, 2014, 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 14.5% 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 savings. It offers various possibilities for investment in plans or funds in various countries.

As a result, 16,482 Group employees currently hold Essilor shares. They represent 8.2% of capital and 14.2% 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.

- FCPEs affected: FCPE Valoptec International, Essilor group five-year FCPE, Essilor group seven-year FCPE, FCPE Essilor International.
- Shareholdings outside of France: Essilor Shareholding Plan (USA), Australian Shareholding Plan, Share Incentive Plan (UK), Irish Shareholding Plan, ESPP Korea.
- Direct share purchase plans: Austria, Brazil, China, Croatia, Denmark, Finland, Germany, Hungary, Italy, Norway, Romania, South Africa, Spain, Sweden and Taiwan.

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.

5.2.7 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.

2015 dividend for fiscal year 2014

For fiscal year 2014, the Board will recommend to the Shareholders' Meeting of May 5, 2015, an 8.5% increase in the net dividend to €1.02 per share for 2013 from €0.94 per share for the previous year.

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 2014.

The dividend will be paid on or after May 21, 2015, in cash only.

History of the overall dividend distribution and growth

Total dividends for 2014 and the previous six years were as follows:

€ millions	Profit attributable to Group equity holders	Amount distributed	Ratio (payout ratio)	Net dividend (€)	Date of payment
2014	642 [(a)]	216 [(b)]	34%	1.02 [(b)]	May 21, 2015
2013	593	198	33%	0.94	May 27, 2014
2012	584	185	32%	0,88	June 4, 2013
2011	506	177	35%	0,85	May 29, 2012
2010	462	173	37%	0,83	May 19, 2011
2009	391	148	37%	0,70	May 28, 2010
2008	382	136	36%	0,66	May 26, 2009

(a) Adjusted for non-recurring items related mainly to the acquisition of Transitions Optical, Coastal.com and Costa in 2014, and of Xiamen Yarui Optical (Bolon) in 2013.
(b) Based on treasury shares at January 31, 2015 and subject to the decision of the Shareholders' Meeting of May 5, 2015.

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.

6 ADDITIONAL INFORMATION ABOUT THE REGISTRATION DOCUMENT

IN BRIEF

COMPANY NAME

The Company's name is Essilor International (Compagnie Générale d'Optique), hereinafter "Essilor", the "Company" or the "Group".

MARKET-RELATED INFORMATION

Unless otherwise stated:

- information on market shares and market positions is based on volumes sold;
- marketing information relating to the market and the ophthalmic industry or Essilor's market share and positions comes from Essilor and from internal assessments and studies, which may be based on external market surveys.

THIRD-PARTY INFORMATION

When information comes from a third party, it has been accurately reproduced and, as far as the Company is aware and able to ascertain from the information published by such third party, no facts have been omitted that would render the reproduced information inaccurate or misleading.

PERSONS RESPONSIBLES

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

TRADEMARKS

Orma®, Varilux®, Varilux Comfort®, Varilux® S™ Series, Varilux® E Series™, Varilux® Physio®, Crizal®, Crizal Forte®, Crizal® Prevencia®, Light Scan®, Swim Control™, I-Relief™, SynchronEyes®, Nanoptix®, Eyezen™, E -SPF®, Xperio®, Xperio® Gradient Polar, Xperio® Colors, Sunmax™, Optifog®, Definity®, Gemcoat®, Myopilux®, Myopilux®Plus, Myopilux®Max, Myopilux® Lite, Your Eyeprint™, M'Eye Fit®, Mr Blue® 2.0., Mr Orange®, M'Eye Sign™, Visioffice® 2, Neksia™, Triplets™, Essilor® Anti-fatigue, Mieux Voir Le Monde™, Intuitiv™, Neva® Blue™, Neva® Max UV™, Sirus® Plus, Vision Booster™, Ergonomic Technology™, Foster Grant®, Foster Grant® Multi Focus™, Gargoyles®, Magnivision®, Corinne McCormack®, Crystal Vision®, Ryders Eyewear™, Infokus™, SolarShield®, Costa®, Native®, Transitions®, Transitions® Signature™, Transitions® Signature™ VII, Chromea7™ MC-280-X™, Small Box Coater™, On Block Manufacturing™, ART ™, 2.5 New Vision Generation™, Essilor Vision Foundation™, Better Life Through Better Sight™ and Vision for Life™ are brands of the Essilor Group.

Vision Impact Institute™ is a brand of the Company Vision Impact Institute. 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. Kodak® is a brand of the Company Eastman Kodak Company. Nikon®, SeeCoat Blue™, SeeCoat Blue Premium™ are brands of the Company Nikon Corporation. Activisu ® and Deep Lights™ are brands of the Company IVS. Ironman® is a brand of the Company World Triathlon Corporation. Nine West® is a brand of the Company Nine West Development LLC. Dockers® is a brand of the Company Levi Strauss & Co. Reebok® is a brand of the Company Reebok International Limited. Hello Kitty® is a brand of the Company Sanrio, Inc. Disney® is a brand of the Company Disney Consumer Products, Inc. Polaroid and Polaroïd Pixel are registered trademarks.

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 (provided in the cross-reference table in Section 6.4.3) 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 historical financial information presented in this document has been the subject of the Statutory Auditors' reports contained in Sections 3.5 and 3.9 of this document. In addition, information for fiscal years 2013 and 2012 is incorporated by reference. For fiscal 2014, the Statutory Auditors have included in their report on the Company's consolidated financial statements contained in Section 3.5 of this document, a comment on the impact on the balance sheet and profit and loss account of the acquisition of a 51% stake in Transitions Optical.

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 12, 2015

Hubert Sagnières

6.2 AUDITORS

6.2.1 Incumbent and alternate Statutory Auditors

Incumbent

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 2014.

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 2014 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 5, 2015.

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

Documents published in the BALO may be viewed at http://balo.journal-officiel.gouv.fr/

Conduct searches using the Company's name (Essilor International) or SIREN number (712049618).

The Group's website www.essilor.com also contains the following public information:

- 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:

- 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.

20.5	Latest financial information	page 91	In brief, Section 3
20.6	Interim and other financial information		
20.6.1	Quarterly and half-yearly financial information		N/A
20.6.2	Interim financial information covering the first six months of the following fiscal year		N/A
20.7	Dividend policy	pages 260 and 198	§ 5.2.7 and Section 3.8 Note 19
20.8	Legal and arbitration proceedings	page 29	§ 1.6.3
20.9	Material changes in Essilor's financial or trading position	page 155	Chapter 3 Note 33
21	**Additional Information**		
21.1	Share capital		
21.1.1	Subscribed capital, changes in share capital and Essilor shares	page 242	Section 5.2
21.1.2	Shares not representing capital		N/A
21.1.3	Stock held by the Company	page 249	§ 5.2.2.3
21.1.4	Convertible securities, exchangeable securities, securities with warrants, stock subscription options, stock purchase options and rights to performance shares	page 251	§ 5.2.3
21.1.5	Terms governing any acquisition rights and/or obligations in relation to subscribed but unpaid capital or to any undertaking to increase the capital	page 246	§ 5.2.1.4
21.1.6	Capital of any member of the Group under option or agreement	page 25	§ 1.5.4.1
21.1.7	Changes in share capital	page 245	§ 5.2.1.3
21.1.8	Financial authorizations to be put to the vote at the Extraordinary Shareholders' Meeting	page 246	§ 5.2.1.4
21.2	Bylaws (Charter and Articles of Association)		
21.2.1	Corporate purpose	page 240	§ 5.1.4
21.2.2	Provisions relating to members of the Board of Directors and senior management	page 55	§ 2.2.2
21.2.3	Rights, preferences and restrictions attaching to each class of shares	pages 251, 252 and 259	§ 5.2.4, § 5.2.5 and § 5.2.6
21.2.4	Changes in shareholders' rights	page 241	§ 5.1.7
21.2.5	Shareholders' Meetings	page 241	§ 5.1.7
21.2.6	Change of control provisions	page 259	§ 5.2.6.2
21.2.7	Disclosure threshold provisions	page 242	§ 5.1.8
21.2.8	Conditions governing changes in capital	page 240	§ 5.1.5
22	**Material Contracts**	**pages 21 and 259**	**§ 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 263	In brief, Section 6
24	**Public Documents**	**page 266**	**Section 6.3**
25	**Information on Holdings**	**page 156**	**Chapter 3 Note 34**

6

6.4.2 Annual Financial Report

Statement by the person responsible for the document	**page 264**	**Section 6.1**
Management Report		
Operating and financial analysis	page 92	Section 3.1
Risk factors	page 27	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 246	§ 5.2.1.4
Information relating to share buybacks (Art. L.225-211, Para. 2 of the French Commercial Code)	page 249	§ 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 259	§ 5.2.6.2
Financial Statements		
Annual financial statements	page 167	Section 3.7
Report of the Auditors on the financial statements	page 199	Section 3.9
Consolidated financial statements	page 96	Section 3.3
Report of the Auditors on the consolidated financial statements	page 165	Section 3.5
Auditors' fees	page 166	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 51	Section 2.2
Report of the Auditors on internal control	page 88	Section 2.5

6.4.3 Management Report

Activity Report		
Status and activity of the Company during the year	pages 9 - 16 - 92	Section 1.3, Section 1.5 and Section 3.1
Research and development	page 20	§ 1.5.2
Operations	page 23	§1.5.3
Acquisitions and partnerships	page 24	§1.5.4.1
Financial information for the year	pages 26 and 92	§1.5.5 and Section 3.1
Description of principal risks and uncertainties	page 27	Section 1.6
Subsequent events	pages 95 and 155	§3.2.3 and Section 3.4 Note 33
Evolution and future prospects	page 96	§3.2.4
Information relating to share capital	page 242	§5.2.1
Financial statements and appropriation of profit	pages 167 and 198	Section 3.7 and Section 3.8 Note 19
Governance		
Financial authorizations to be put to the vote at the Extraordinary Shareholders' Meeting	page 246	§5.2.1.4
Compensation of corporate directors and officers	page 71	§2.3.2
List of directorships and positions held in any company by Directors	page 35	§2.1.1.2
Corporate social responsibility		
Corporate, social and environmental reporting	page 201	Chapter 4
Information on societal engagement to promote sustainable development	page 201	Chapter 4
Key environmental and social indicators	page 201	Chapter 4

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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ESSILOR

SEEING THE WORLD BETTER

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(Compagnie Générale d'Optique)
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France
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A French Limited Company *(Société Anonyme)*
with capital of €38,860,655.04

Créteil trade and Company registry
n°712 049 618 RCS

www.essilor.com