2013 Results

A year of growth, supported by innovation and acquisitions

- **Higher contribution margin, at 18.1% of revenue**
- **Increasing contribution from fast-growing countries, at 21% of revenue**
- **Confidence in the future illustrated by a recommended dividend of €0.94 a share, up 6.8%**

Charenton-le-Pont, France (February 27, 2014 – 6:30AM) – The Board of Directors of Essilor International met on February 26 to approve the 2013 financial statements. The statements have been audited and the auditors are currently issuing their report.

Key figures

in € millions	**2013**	2012[3]	**Change**
Revenue	**5,065**	4,989	**+ 1.5%**
Contribution from operations[1] *(% of revenue)*	**917** *18.1%*	893 *17.9%*	**+ 2.6%**
Operating profit	**843**	831	**+ 1.5%**
Profit attributable to Group equity holders	**593**	584	**+ 1.6%**
Earnings per share (in €)	**2.82**	2.80	**+ 0.6%**
Adjusted earnings per share[2] (in €)	**2.82**	2.72	**+ 3.5%**

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

[2] *The 2012 earnings per share figure has been revised downwards to reflect the non-recurring €16-million gain arising from the change in corporate governance at Nikon Essilor and Essilor Korea.*

[3] *Adjusted to reflect the restatements arising from the retrospective application of IAS 19 (revised).*

Commenting on these results, Hubert Sagnières, Chairman and Chief Executive Officer, said:
"In 2013, Essilor consolidated its positions after two years of strong growth. The Company improved every indicator and laid extensive groundwork in such future-shaping areas as visual health, the sunlens strategy and brand development, while further expanding in fast-growing countries. These initiatives have strengthened our confidence in the future and will help to drive faster organic growth in the years ahead."

Highlights

In 2013, at a time of unfavorable exchange rate movements, revenue increased by 5.4% like-for-like including bolt-on acquisitions, while contribution margin rose to 18.1% of revenue.

Highlights of the year included:

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

Dividend

To demonstrate its confidence in Essilor's future, the Board of Directors will recommend that shareholders approve the payment of a dividend of €0.94 per share (up 6.8%) at the May 7, 2014 Annual Meeting. The dividend will be paid as from May 27, 2014.

Outlook

In a market led by powerful structural drivers, several trends are taking hold. Distribution is becoming more segmented and eyecare networks more structured, online sales are growing and consumers are becoming increasingly demanding. These developments are creating many new opportunities and leading to increasingly pronounced differences in growth potential between the world's major regions.

Essilor is responding to these shifts by strengthening its positioning in several promising segments, including fast-growing countries, sunwear, consumer brands and online sales. This redeployment will help to drive faster organic growth in the coming years.

In 2014, Essilor is aiming for 10% to 12% revenue growth at constant exchange rates and a contribution margin of between 18.2% and 18.6% (excluding new strategic acquisitions) depending on the effective date of consolidation of Transitions Optical and final IFRS adjustments.

Practical information

A meeting with analysts will be held in Paris today, February 27, at 10:00 a.m.

The meeting will be webcast live and recorded for later listening at:
http://hosting.3sens.com/Essilor/20140227-E5EAF0AE/en/

The presentation may be downloaded at:
http://www.essilor.com/en/Investors/Pages/PublicationsDownloads.aspx

Forthcoming investor events

April 29, 2014: First-quarter 2014 revenue announcement

May 7, 2014: Annual Shareholders' Meeting at 10:30 am at Palais des Congrès in Paris.

About Essilor

The world's leading ophthalmic optics company, Essilor designs, manufactures and markets a wide range of lenses to improve and protect eyesight. Its corporate mission is to enable everyone around the world to access lenses that meet his or her unique vision requirements. To support this mission, the Company allocates more than €150 million to research and innovation every year, in a commitment to continuously bring new, more effective products to market. Essilor's flagship brands are Varilux®, Crizal®, Definity®, Xperio®, Optifog™ and Foster Grant®, Bolon® and Costa®. It also develops and markets equipment, instruments and services for eyecare professionals.

Essilor reported consolidated revenue of over €5 billion in 2013 and employs more than 55,000 people. It operates in some 100 countries with 28 plants, more than 450 prescription laboratories and edging facilities, as well as several research and development centers around the world.

For more information, please visit www.essilor.com.

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

Codes and symbols: ISIN: FR0000121667; Reuters: ESSI.PA; Bloomberg: EI:FP.

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EXTRACT FROM THE MANAGEMENT REPORT

REVENUE UP 5.4% EXCLUDING CURRENCY EFFECT

Consolidated Revenue by Operating Segment and by Region

Revenue *in € millions*	**2013**	2012 [1]	Change (reported)	Change (like-for-like)	Change in the scope of consolidation	Currency effect
Lenses and Optical Instruments	**4,505**	4,445	+1.3%	+1.8%	+3.5%	-4.0%
North America	***1,770***	*1,775*	*-0.3%*	*+0.5%*	*+2.8%*	*-3.6%*
Europe	***1,572***	*1,570*	*+0.1%*	*+0.5%*	*+0.4%*	*-0.8%*
Asia/Pacific/ Middle East/Africa	***812***	*778*	*+4.5%*	*+4.2%*	*+8.2%*	*-7.9%*
Latin America	***351***	*322*	*+8.9%*	*+9.7%*	*+10.7%*	*-11.5%*
Equipment	**205**	199	+2.9%	+7.3%	-1.5%	-2.9%
Readers	**355**	345	+3.0%	+2.7%	+3.7%	-3.4%
TOTAL	**5,065**	4,989	+1.5%	+2.1%	+3.3%	-3.9%

[1] *In 2012, Nikon-Essilor's revenue in North America (€39.5 million) and Europe (€11.5m) was recognized in the Asia/Pacific/Middle-East/Africa region*

Growth in 2013 revenue reflected:

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

In 2013, Essilor's robust innovation drive led to the deployment of such major new products as the Varilux S series progressive lens, the Crizal UV antireflective lens and, at year-end, Crizal Prevencia, the first lens that filters harmful blue light. The popularity of these products with eyecare professionals, combined with the assertive acquisitions strategy, enabled Essilor to broaden and deepen its global market positions during the year.

Nevertheless, organic growth was dampened by fierce competition and, in certain regions, by a lackluster economic environment that weighed on demand for eyecare solutions.

Activity by Region and by Division

LENSES AND OPTICAL INSTRUMENTS

North America

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

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

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

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

Europe

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

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

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

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

Asia-Pacific/Middle East/Africa

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

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

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

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

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

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

Latin America

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

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

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

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

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

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

Instruments

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

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

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

EQUIPMENT

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

Demand for coating machines rose steeply from US optical chains as they automated anti-reflective coating operations in their proprietary laboratories. This trend towards greater automation is supported across the production process by the new On-Block Manufacturing solution, which is enjoying growing success among optical chains in both Europe and North America. Revenue from surfacing machines was stable, excluding the impact of the exceptional deliveries in Asia in 2012.
By region, the division widened its market share in North America and certain European countries, as well as in Latin America, led by a solid performance from lens surfacing subsidiary CMSatisloh.

READERS

The Readers Division had a mixed year, generating like-for-like growth of 2.7%, with much more vigorous store sales in the second half. Space gains with a key account and extensive collection renewals drove brisk business in the distribution of non-prescription lenses. Sunglass sales, on the other hand, were hurt by unfavorable weather in the United States, especially in regions where FGX International's large customers have a strong presence.
Internationally, demand was robust despite the economic slowdown seen in certain regions at the end of the year. FGX International began marketing its lineup in Ecuador, Poland and Algeria. Sales rebounded in Europe, with solid growth in the United Kingdom and especially in Italy, where Polinelli widened its market share. The situation was more difficult in Canada, however.
The year was also shaped by Stylemark’s successful integration into FGX International and execution of the synergies plan, which helped to strengthen FGX's market leadership and improve its operating performance. FGX pursued its acquisitions strategy, with two major transactions completed in China and Canada.

Twenty-eight partnerships forged worldwide in 2013

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

INCOME STATEMENT

In € millions	**2013**	2012[3]	Change
Revenue	**5,065**	4,989	+1.5%
Gross profit *% of revenue*	**2,838** ***56.0***	2,784 *55.8*	+2.0% ---
Contribution from operations[1] *% of revenue*	**917** ***18.1***	893 *17.9*	+2.6% ---
Other income (expenses), net	**(73)**	(62)	+17.2%
Operating profit	**843**	831	+1.5%
Cost of gross debt and other financial income and expenses, net	**(21)**	(18)	+17.3%
Income tax expense *Effective tax rate (%)*	**(199)** ***24.2***	(207) *25.5*	-4.0% ---
Share of profit of associates	**22**	24	- 6.2%
Attributable to minority interests	**(53)**	(46)	+15.0%
Profit attributable to equity holders *% of revenue*	**593** ***11.7***	584 *11.7*	+1.6%
Earnings per share (in €)	**2.82**	2.80	+0.6%
Adjusted earnings per share[2] (in €)	**2.82**	2.72	+3.5%

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

[2]The 2012 earnings per share figure has been revised downwards to reflect the non-recurring €16-million gain arising from the change in corporate governance at Nikon Essilor and Essilor Korea.

[3]Adjusted to reflect the restatements arising from the retrospective application of IAS 19 (revised).

Gross profit up by €55.8 million to represent 56% of revenue

In 2013, gross margin (revenue less cost of sales as a percentage of revenue) rose by 20 basis points to 56%. The increase reflected an improved product mix due to the success of new products on the one hand, and manufacturing productivity gains on the other.

Operating expenses

Operating expenses totaled €1,921 million in 2013 and were stable as a percentage of revenue, at 37.9%. Sales force investments, marketing spend and expenditure to strengthen the Company's structures in fast-growing markets, were offset by tight control of distribution costs. Research and development spending increased by €2 million to €164 million, and continued to represent 3.2% of revenue.

In all, the contribution from operations amounted to €917 million, up 2.6% on 2012. The increase translated into a 20 bps improvement in contribution margin, to 18.1%. Excluding the non-cash impacts of applying acquisition accounting (mainly purchase price allocations) and, in particular, the application of IFRS 3 (revised), the contribution from operations stood at 18.8% of revenue.

Other income and expenses from operations

This item represented net income of €73 million. The total includes:

- €32 million in compensation costs for share-based payment plans (versus €28 million in 2012), of which €27 million for stock option and performance share plans and €4 million in employer payroll tax contributions, with the balance corresponding to the cost of the discount offered to employees participating in the Employee Stock Ownership Plan.
- €22 million in restructuring costs, mainly related to the rationalization of the prescription laboratory network. These costs were lower than in 2012.
- €11 million in acquisitions-related consultancy fees, the bulk of which concerned the Transitions Optical acquisition.

Adjusted for the 2012 gain on asset disposals arising from the change in consolidation method used for joint ventures Nikon-Essilor and Essilor Korea, “Other income and expenses from operations” improved by €6 million.

Operating profit

In 2013, operating profit (corresponding to contribution from operations plus or minus other income and expenses from operations and gains and losses on asset disposals) totaled €843 million. Operating margin represented 16.6% of revenue, unchanged from 2012.

Cost of gross debt and other financial income and expenses

Cost of gross debt and other financial income and expenses represented a net expense of €21 million, versus €18 million in 2012. The increase resulted from the higher interest payments following the increase in average net debt and the preparation of financing for the acquisition of Transitions Optical.

Income tax expense

Income tax expense amounted to €199 million, reflecting a reduction in the effective tax rate to 24.2% of pre-tax profit due to the favorable change in the geographic mix of results generated by the different subsidiaries, as well as to the recovery of provisions.

Share of profits of associates

This item mainly corresponds to Essilor’s share of the profit derived from sales by Transitions Optical (which was still 49% owned by Essilor in 2013) to third-party lens casters. The 6.2% decline to €22 million in 2013 resulted from the slight contraction in Transitions sales to these external customers, as well as from the negative impact of the US dollar’s decline against the euro.

Profit attributable to equity holders of the parent and earnings per share

Minority interests in profit rose by 15.0% to €53 million, mainly reflecting growth in the profits of existing partnerships, notably as a result of the implementation of programs to unleash synergies.

Profit attributable to equity holders of the parent climbed 1.6% to €593 million, holding net margin at the same 11.7% reported in 2012.

As a result of a small increase in the average number of outstanding shares, earnings per share grew at a slower rate, rising 0.6% to €2.82, and by 3.5% after adjusting 2012 earnings per share for the non-recurring gain arising from the change of consolidation method applied to joint ventures Nikon-Essilor and Essilor Korea.

BALANCE SHEET AND CASH FLOW

Goodwill and other intangible assets

Goodwill increased by €389 million to €2,476 million at December 31, 2013, mainly reflecting the acquisitions made during the year. Intangible assets represented €110 million more than a year earlier, primarily due to the increase in value of brands held in the portfolio.

Inventories

Inventories amounted to €869 million at December 31, 2013, an increase of €39 million over the year-earlier figure that was also mainly due to acquisitions for the year. On a like-for-like basis, inventories increased slightly faster than sales, due to the launch of a new generation of Transitions products.

Investments

Capital expenditure in 2013 was shaped by the implementation of a certain number of large-scale projects, including the ongoing construction and delivery of the Créteil Innovation and Technology Center in France, the opening of a new polycarbonate lens plant in Laos, and the addition of a new manufacturing facility in Vietnam that expanded Essilor Korea's production capacity. In addition, a number of intangible assets were acquired during the year, most notably a 16-year license to manufacture and distribute Kodak brand corrective lenses acquired for the equivalent of €27 million.

Total investments net of disposals represented €285 million or 5.6% of revenue, attesting to Essilor’s confidence in its market’s growth prospects.

Free cash flow *(Net cash from operating activities less change in working capital requirements and less net capital expenditure)*

Essilor’s business model continued to demonstrate its ability to generate strong cash flow in 2013. Net cash from operating activities (before change in working capital requirements) amounted to €912 million, up 7.5% compared with 2012.

Working capital requirements increased by €69 million but remained stable as a percentage of revenue, at around 20%. After taking into account the non-recurring cash outflows from the capital expenditure program (including acquisitions of intangible assets), free cash flow *(net cash from operating activities less change in working capital requirements and less net capital expenditure)* came to €546 million. This amount helped to finance:

- Sharply higher net financial investments[(b)], at €375 million.
- An increase in dividends paid to Essilor shareholders and the Company's minority partners in joint ventures to €218 million.
- Purchases of treasury stock totaling €169 million, representing 2.2 million shares, carried out as part of the policy to limit potential share dilution.

Change in Net Debt

in € millions

Operating cash flow (before WCR[a])	**912**	Capital expenditure	**297**
Proceeds from share issues	**68**	Change in WCR	**69**
Increase in net debt	**132**	Dividends	**218**
Other	**16**	Financial investments[b]	**375**
		Purchases of treasury stock	**169**

[(a)] *Working capital requirements*

[(b)] *Financial investments net of cash acquired, plus debt of newly acquired companies.*

Equity

Consolidated equity amounted to €4,041 million at end-2013, up 3.2% from the year-earlier figure. Net debt increased by €132 million to €369 million, representing gearing of less than 10%.

SUBSEQUENT EVENTS

Costa Inc.

Essilor finalized the acquisition of all outstanding shares of **Costa Inc.**, a US leader in high-performance sunglasses.

The transaction, announced on November 8, 2013, was approved by Costa Inc. shareholders in the special meeting of shareholders held on January 30, 2014. It has also received all required regulatory approvals. Costa Inc. shares have ceased to be publicly traded on Nasdaq.

Based in Lincoln, Rhode Island (USA), Costa Inc. designs, assembles and markets sunglasses under the Costa and Native brands. Costa has become the fastest growing performance sunglass brand in the United States. The company generated revenue of nearly US$100 million in 2013.

Costa Inc. has been included in Essilor's scope of consolidation since February 1, 2014. Based on current estimates and excluding the impact of the one-time transaction-related costs, the acquisition will be accretive to Essilor's earnings per share in 2014.

Other acquisitions

In the United States, Essilor acquired a majority stake in the Arkansas-based prescription laboratory **Plunkett Optical**, which generates annual revenue of US$3.3 million.

Financing

To optimize management of its short-term financing, Essilor International has obtained the following solicited credit ratings from Moody's Investors Service and Standard & Poor's for its commercial paper programs:

	Short term
Standard & Poor's	**A-1**
Moody's	**P-1**

These ratings were issued with a "stable" outlook, attesting to the robustness of Essilor's growth model and its financial strength. They will enable the Company to optimize its borrowing costs while diversifying its sources of financing, by broadening its investor base, in particular to the US commercial paper market.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2013

Financial Statements

CONSOLIDATED INCOME STATEMENT

€ millions, except per share data	**2013**	**2012***
Revenue	5,065	4,989
Cost of sales	(2,227)	(2,205)
GROSS PROFIT	**2,838**	**2,784**
Research and development costs	(164)	(162)
Selling and distribution costs	(1,145)	(1,140)
Other operating expenses	(612)	(589)
CONTRIBUTION FROM OPERATIONS	**917**	**893**
Restructuring costs, net	(22)	(25)
Goodwill impairment losses		
Compensation costs on share-based payments	(32)	(28)
Other income from operations, net	5	11
Other expenses from operations, net	(24)	(36)
Gains and losses on asset disposals, net	(1)	16
OPERATING PROFIT	**843**	**831**
Finance costs	(26)	(24)
Income from cash and cash equivalents	18	17
Net exchange losses	(1)	(7)
Other financial income and expenses, net	(11)	(4)
Share of profit of associates	22	24
PROFIT BEFORE TAX	**845**	**837**
Income tax expense	(199)	(207)
NET PROFIT	**646**	**630**
Attributable to equity holders of Essilor International	**593**	**584**
Attributable to minority interests	53	46
Basic earnings per common share (€)	2.82	2.80
Weighted average number of common shares (thousands)	210,156	208,264
Diluted earnings per common share (€)	2.78	2.77
Diluted weighted average number of common shares (thousands)	213,057	211,015

** Figures have been adjusted in accordance with IAS 19 revised.*

CONSOLIDATED BALANCE SHEET

ASSET

€ millions	December 31, 2013	December 31, 2012*
Goodwill	2,476	2,087
Other intangible assets	732	622
Property, plant and equipment	998	1,000
Investments in associates	113	110
Non-current financial investments	97	119
Deferred tax assets	112	117
Long-term receivables	17	25
Other non-current assets	1	1
TOTAL NON-CURRENT ASSETS, NET	**4,546**	**4,081**
Inventories	869	830
Prepayments to suppliers	16	16
Short-term receivables	1,192	1,148
Current income tax assets	67	56
Other receivables	33	36
Derivative financial instruments	17	34
Prepaid expenses	46	39
Marketable securities	5	6
Cash and cash equivalents	786	661
CURRENT ASSETS	**3,031**	**2,826**
TOTAL ASSETS	**7,577**	**6,907**

** Figures have been adjusted in accordance with IAS 19 revised.*

CONSOLIDATED BALANCE SHEET

EQUITY AND LIABILITIES

€ millions	December 31, 2013	December 31, 2012*
Share capital	39	39
Additional paid-in capital	302	311
Retained earnings	3,340	2,934
Treasury stock	(304)	(239)
Revaluation and other reserves	(83)	(79)
Translation difference	(131)	107
Profit attributable to equity holders of Essilor International	593	584
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF ESSILOR INTERNATIONAL	**3,756**	**3,657**
Minority interests	285	257
TOTAL EQUITY	**4,041**	**3,914**
Provisions for pensions and other post-employment benefit obligations	209	213
Long-term borrowings	607	526
Deferred tax liabilities	165	147
Other non-current liabilities	517	233
NON-CURRENT LIABILITIES	**1,498**	**1,119**
Provisions	131	127
Short-term borrowings	567	390
Customer prepayments	28	17
Short-term payables	1,060	1,015
Taxes payable	63	76
Other current liabilities	156	208
Derivative financial instruments	17	30
Deferred income	16	11
CURRENT LIABILITIES	**2,038**	**1,874**
TOTAL EQUITY AND LIABILITIES	**7,577**	**6,907**

** Figures have been adjusted in accordance with IAS 19 revised.*

CONSOLIDATED CASH FLOW STATEMENT

€ millions		December 31, 2013	December 31, 2012*
NET PROFIT	**(a)**	**646**	**630**
Share of profit of associates, net of dividends received		42	45
Depreciation, amortization and other non-cash items		247	230
Profit before non-cash items and share of profit of associates, net of dividends received		**935**	**905**
Provision charges (reversals)		(2)	(24)
(Gains) losses on asset disposals, net		1	(15)
Cash flow after income tax expense and finance costs, net		**934**	**866**
Finance costs, net		8	7
Income tax expense (current and deferred taxes)	**(a)**	199	207
Cash flow before income tax expense and finance costs, net		**1, 141**	**1 080**
Income taxes paid		(222)	(224)
Interest (paid) and received, net		(7)	(6)
Change in working capital		(69)	(10)
NET CASH FROM OPERATING ACTIVITIES		**843**	**840**
Purchases of property, plant and equipment and intangible assets		(297)	(241)
Acquisitions of subsidiaries, net of the cash acquired		(330)	(158)
Purchases of available-for-sale financial assets		(3)	(13)
Change of other non -financial investments		(5)	(16)
Effect of changes in scope of consolidation		2	1
Proceeds from the sale of other non-current assets		12	11
NET CASH USED IN INVESTING ACTIVITIES		**(621)**	**(416)**
Proceeds from the issue of share capital	**(b)**	68	118
(Purchases) sales of treasury stock, net	**(b)**	(169)	(112)
Dividends paid to:			
- Equity holders of Essilor International	**(b)**	(186)	(177)
- Minority shareholders of subsidiaries	**(b)**	(32)	(25)
Increase (decrease) in borrowings other than finance lease liabilities		281	(55)
Purchases of marketable securities [c]		0	2
Repayment of finance lease liabilities		(1)	(2)
Other movements		1	(1)
NET CASH USED IN FINANCING ACTIVITIES		**(38)**	**(252)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**184**	**172**
Cash and cash equivalents at January 1		580	363
Impact of the change of consolidation method applied to the joint ventures			49
Effect of changes in exchange rates		(15)	(4)
NET CASH AND CASH EQUIVALENTS AT PERIOD-END		**749**	**580**
Cash and cash equivalents reported in the balance sheet		786	661
Short-term bank loans and overdrafts		(37)	(81)

** Figures have been adjusted in accordance with IAS 19 revised.*
[a] Please refer to the consolidated income statement
[b] Please refer to the statement of changes in equity
[c] Money market funds not qualified as cash equivalents under IAS 7