Sharply Higher Growth and Margins
Strong Momentum in the United States,
and in the Sunwear and Online Businesses

- Revenue up 13.4% excluding the currency effect
- Adjusted[1] contribution from operations[2] up 15%
- Major progress in fast-growing countries
- Transformational acquisitions in a number of growth activities
- Successful integration of Transitions Optical
- Powerful innovations and stepped-up consumer marketing
- Free cash flow[3] up 47% to €800 million
- Dividend up 8.5%, reflecting strong confidence in the future

Charenton-le-Pont, France (February 19, 2015 – 6:30 am) – The Board of Directors of Essilor International met yesterday to approve the 2014 financial statements. The financial statements have been audited and the auditors are currently in the process of issuing their report.

Financial Highlights

€ millions	**2014 adjusted[1]**	**2013 adjusted[1]**	**% change**
Revenue	**5,670**	5,065	+12.0%
Contribution from operations[2] *(% of revenue)*	**1,057** ***18.6%***	920 *18.2%*	+15.0%
Operating profit	**989**	857	+15.4%
Profit attributable to equity holders	**642**	603	+6.5%
Earnings per share (in €)	**3.05**	2.87	+6.3%

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[1] 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.

[2] Operating profit before compensation costs for share-based payments, restructuring costs, other income and expenses, and goodwill impairment.

[3] Net cash from operating activities less the change in working capital requirement and purchases of property, plant and equipment and intangible assets, according to the IFRS consolidated cash flow statement.

Hubert Sagnières, Chairman and Chief Executive Officer of Essilor, said: "*The quickening pace of growth throughout the year culminated in an excellent performance in the fourth quarter. Our mission of improving lives by improving sight has expanded the Company's playing field and led in 2014 to transformational acquisitions in the Photochromic, Sunwear and Online businesses. While remaining focused on its core ophthalmic optics business, Essilor is increasingly capitalizing on the interconnections between all its activities and moving closer to the consumer in the marketing of its brands and solutions. In a structurally expanding ophthalmic optics market and with a more favorable currency environment, 2015 promises to be another year of strong growth in revenue and contribution from operations. Our teams are fully engaged and energized about maintaining this momentum over the medium term.*"

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 drove an increase in the Company's presence in corrective lenses and in the percentage of revenue coming from North America, to 45%, and from the 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 offering 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 & 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[2] from operations, 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.

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[1] 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.

[2] Operating profit before compensation costs for share-based payments, restructuring costs, other income and expenses, and goodwill impairment.

Dividend

In light of its confidence in the Company's outlook, the Board of Directors recommend that shareholders at the Annual Meeting on May 5, 2015 approve the payment of a dividend of €1.02 per share, an increase of 8.5% compared with the 2013 dividend. The pay-out ratio is increasing and now stands at 33.7%. The dividend will be paid as from May 21, 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[1] contribution from operations[2] 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.

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

Practical information

A meeting with analysts will be held in Paris today, February 19, at 10:30 am.

The meeting webcast may be viewed live or as a recording at:

http://hosting.3sens.com/Essilor/20150219-37C37D44/en/

The presentation may be viewed at:

http://www.essilor.com/en/Investors/Pages/PublicationsDownloads.aspx

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Forthcoming investor events

April 21, 2015: First-quarter 2015 revenue

May 5, 2015: Annual Shareholders' Meeting at 10:30 am at the Palais des Congrès Paris Convention Center

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 mission is to improve lives by improving sight. 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. Its flagship brands are Varilux®, Crizal®, Transitions®, Definity®, Xperio®, Optifog™, Foster Grant®, Bolon® and Costa®. It also develops and markets equipment, instruments and services for eyecare professionals.

Essilor reported consolidated revenue of nearly €5.7 billion in 2014 and employs 58,000 people. It markets its products in more than 100 countries and has 33 plants, 490 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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ESSILOR

SEEING THE WORLD BETTER

EXCERPTS FROM THE MANAGEMENT REPORT BY THE BOARD OF DIRECTORS – FEBRUARY 18, 2015

Consolidated revenue

€ millions	**2014**	**2013**	**% Change (reported)**	**% Change (like-for-like)**	**Change in the scope of consolidation**	**Currency effect**
Lenses & Optical Instruments	**4,970.0**	4,505.0	+ 10.3%	+ 4.3%	+ 7.6%	- 1.6%
North America	***2,038.2***	*1,770.4*	*+ 15.1%*	*+ 5.0%*	*+ 10.9%*	- 0.8%
Europe	***1,653.0***	*1,571.5*	*+ 5.2%*	*+ 0.1%*	*+ 5.1%*	*+ 0.1%*
Asia/Pacific/Middle East/Africa	***898.0***	*812.2*	*+ 10.6%*	*+ 8.2 %*	*+ 5.7%*	*- 3.4%*
Latin America	***380.8***	*350.8*	*+ 8.6%*	*+ 10.8%*	*+ 6.7%*	*- 8.9%*
Equipment	**197.3**	204.9	- 3.7%	- 1.8%	- 1.5%	- 0.4%
Sunglasses & Readers	**503.0**	354.8	+ 41.7%	- 1.0%	+ 42.9%	- 0.2%
TOTAL	**5,670.3**	**5,064.7**	**+ 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 (i) organic acquisitions[1] (4.9%) and (ii) 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.

LENSES & OPTICAL INSTRUMENTS

The Lenses & 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 eyecare professionals alike, firm markets in the fast-growing economies and the deployment of major consumer advertising campaigns.

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[1] Local acquisitions and partnerships.

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 the Varilux S Series), photochromic lenses (Transitions) and polarized lenses (Xperio). The contact lens distribution business also enjoyed robust growth, driven by online sales and market share gains among independent optometrists. 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 eyecare 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, 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 and other progressive lens, Kodak's 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 and gain new market share.

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 market launch of Varilux S series, 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 market, supported by a solid improvement in the product mix and growth in edging system sales volumes. Business in Europe was buoyed by the successful market 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 Triplex, 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.

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.

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.

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Consolidated revenue – fourth quarter 2014

€ millions	**2014**	**2013**	**% Change (reported)**	**% Change (like-for-like)**	**Change in the scope of consolidation**	**Currency effect**
Lenses & Optical Instruments	**1,276.7**	1,094.2	+ 16.7%	+ 4.7%	+ 8.3%	+ 3.7%
North America	***526.8***	*416.1*	*+ 26.6%*	*+ 4.7%*	*+ 13.5%*	+ 8.5%
Europe	***418.2***	*393.1*	*+ 6.4%*	*+ 1.0%*	*+ 5.5%*	*- 0.1%*
Asia/Pacific/Middle East/Africa	***230.9***	*196.8*	*+ 17.3%*	*+ 8.0%*	*+ 4.7%*	*+ 4.6 %*
Latin America	***100.8***	*88.2*	*+ 14.3%*	*+ 13.7%*	*+ 4.5%*	*- 3.9%*
Equipment	**66.2**	60.2	+ 10.0%	+ 7.2%	- 1.2%	+ 4.0%
Sunglasses & Readers	**132.0**	97.3	+ 35.6%	+ 6.7%	+ 22.8%	+ 6.2%
TOTAL	**1,474.9**	**1,251.7**	**+ 17.8%**	**+ 5.0%**	**+ 9.0%**	**+ 3.9%**

Revenue rose by 17.8% as reported in the fourth quarter, with a further sequential increase in like-for-like growth to 5%; led by sustained strong lens sales and a significant rebound in the Sunglasses & Readers and Equipment divisions. The 9% positive impact from changes in the scope of consolidation primarily reflected the 6.2% contribution from Transitions Optical and Coastal.com.
Reported growth was also lifted by the 3.9% positive currency effect, primarily from the appreciation of the dollar against the euro.

By region and division, the period saw:

- Sustained strong demand in the United State and Canada.
- A good performance in certain European countries (Spain, United Kingdom and Eastern Europe) in a challenging economic environment.
- Robust sales in the fast-growing countries in the Asia-Pacific/Middle East/Africa region and Latin America.
- A rebound in the Sunglasses & Readers division, led by Bolon.
- The Equipment division's successful market introduction of the new blocking technology.

ACQUISITIONS AND PARTNERSHIPS

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

These included Transitions Optical in photochromic lenses, Coastal.com in optical products e-tailing, Costa in high-performance sunglasses, and the owner of Chinese sunglasses brand, Prosun.

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.

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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, making it the largest global strategic giving program dedicated to eliminating 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.

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] *(% of revenue)*	1,057 *18.6%*	(15)	1,043 *18.4%*	917 *18.1%*
Other income (expense), net	(68)	247	179	(73)
Operating profit	989	232	1,222	843
Net profit Attributable to equity holders of Essilor InternationalI *(% of revenue)*	702 642 *11.3%*	284 288 --	986 929 *16.4%*	646 593 *11.7%*
Earnings per share (in €)	3.05	1.37	4.41	2.82

(a) *Operating profit before compensation costs for share-based payment plans, restructuring costs, other income and expenses, and goodwill impairment. Adjusted for €15 million, of which €13 million step-up on inventories stemming from major acquisitions (Transitions Optical, Costa and Xiamen Yarui Optical)*

(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™ programme.*

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 (in €)	3.05	2.87	+ 6.3%

(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. 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.

ADJUSTED CONTRIBUTION FROM OPERATIONS: 18.6% OF REVENUE

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.

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.

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.

Adjusted operating profit up 15.4 % to €989 million or 17.4% of revenue

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.

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.

FREE CASH FLOW[2]: UP 47%

Operating cash flow[3] 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 of shares under share-based payment plans.

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.

Free cash flow[1]

In the end, capital expenditure discipline helped to increase free cash flow[2] 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.

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[2] Net cash from operating activities less purchases of property, plant and equipment and intangible assets, according to the IFRS consolidated cash flow statement.
[3] Net cash from operating activities before working capital requirement

Acquisitions during the year were primarily financed by the €800-million issue of seven and ten-year bonds and by a $450-million bank loan.

CASH FLOW STATEMENT

€ millions

Net cash from operations (before change in WCR)	1,022	Capital expenditure	232
Change in WCR	10	Dividends	228
Proceeds from share issues	67	Acquisition of investments, net of disposals*	1,851
Reported change in net debt	1,424	Purchases of treasury stock	36
		Other**	176

**Financial investments net of cash acquired, plus debt of newly acquired companies*
***Other items include the positive €167-million currency effect.*

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Appendix: Consolidated Revenue by Quarter (€ millions)

	2014	2013
First Quarter		
Lenses & Optical Instruments	1,160	1,149
➤ *North America*	*467*	*463*
➤ *Europe*	*400*	*402*
➤ *Asia/Pacific/Middle East/Africa*	*211*	*205*
➤ *Latin America*	*82*	*79*
Equipment	39	42
Sunglasses & Readers	124	85
TOTAL First Quarter	**1,323**	**1,276**
Second Quarter		
Lenses & Optical Instruments	1,259	1,148
➤ *North America*	*518*	*452*
➤ *Europe*	*426*	*400*
➤ *Asia/Pacific/Middle East/Africa*	*222*	*203*
➤ *Latin America*	*94*	*93*
Equipment	46	50
Sunglasses & Readers	152	102
TOTAL Second Quarter	**1,457**	**1,300**
Third Quarter		
Lenses & Optical Instruments	1,274	1,114
➤ *North America*	*527*	*439*
➤ *Europe*	*409*	*376*
➤ *Asia/Pacific/Middle East/Africa*	*234*	*208*
➤ *Latin America*	*104*	*91*
Equipment	46	52
Sunglasses & Readers	95	71
TOTAL Third Quarter	**1,415**	**1,237**
Fourth Quarter		
Lenses & Optical Instruments	1,277	1,095
➤ *North America*	*527*	*416*
➤ *Europe*	*418*	*394*
➤ *Asia/Pacific/Middle East/Africa*	*231*	*197*
➤ *Latin America*	*101*	*88*
Equipment	66	60
Sunglasses & Readers	132	97
TOTAL Fourth Quarter	**1,475**	**1,252**

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2014 CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

€ millions, except per share data	**2014**	**2013**
Revenue	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 (*)	**1,043**	**917**
Other income from operations, net	546	5
Other expenses from operations, net	(367)	(79)
OPERATING PROFIT	**1,222**	**843**
Cost of net debt	(31)	(8)
Other financial income	297	87
Other financial expenses	(312)	(99)
Share of profit of associates	3	22
PROFIT BEFORE TAX	**1,179**	**845**
Income tax expense	(193)	(199)
PROFIT FOR THE PERIOD	**986**	**646**
Attributable to equity holders of Essilor International	**929**	**593**
Attributable to minority interests	57	53
Basic earnings per share (€)	4.41	2.82
Weighted average number of shares (thousands)	210,511	210,156
Diluted earnings per share (€)	4.32	2.78
Diluted weighted average number of shares (thousands)	214,820	213,057

(*) Revenue less cost of sales and operating expenses (research and development costs, selling and distribution costs, other operating expenses).

CONSOLIDATED BALANCE SHEET (ASSET)

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

CONSOLIDATED BALANCE SHEET (EQUITY AND LIABILITIES)

€ millions	**December 31, 2014**	**December 31, 2013**
Share capital	39	39
Additional paid-in capital	360	302
Retained earnings	3,758	3,340
Treasury stock	(286)	(304)
Revaluation and other reserves	(121)	(83)
Translation difference	236	(131)
Profit attributable to equity holders of Essilor International	929	593
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF ESSILOR INTERNATIONAL	**4,915**	**3,756**
Equity attributable to non-controlling interests	345	285
TOTAL CONSOLIDATED EQUITY	**5,260**	**4,041**
Provisions for pensions and other post-employment benefit obligations	281	209
Long-term borrowings	1,521	607
Deferred tax liabilities	383	165
Other non-current liabilities	394	517
NON-CURRENT LIABILITIES	**2,579**	**1,498**
Provisions	274	131
Short-term borrowings	926	567
Customer prepayments	31	28
Short-term payables	1,215	1,060
Taxes payable	58	63
Other current liabilities	421	156
Derivative financial instruments	17	17
Deferred income	8	16
CURRENT LIABILITIES	**2,950**	**2,038**
TOTAL EQUITY AND LIABILITIES	**10,789**	**7,577**

CONSOLIDATED CASH FLOW STATEMENT

€ millions		**2014**	**2013**
NET PROFIT	**(a)**	**986**	**646**
Share of profit 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 profit of associates, net of dividends received		**1,462**	**935**
Provision charges (reversals)		99	(2)
(Gains) losses on asset disposals, net		(513)	1
Cash flow after income tax expense and finance costs, net		**1,048**	**934**
Finance costs, net		31	8
Income tax expense (current and deferred taxes)	**(a)**	193	199
Cash flow before income tax expense and finance costs, net		**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)
Impact 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)**
Proceeds from the issue of share capital	**(b)**	67	68
(Purchases) sales of treasury stock, net	**(b)**	(36)	(169)
Dividends paid to:			
- Equity holders of Essilor International	**(b)**	(198)	(186)
- Minority shareholders of subsidiaries	**(b)**	(30)	(32)
Proceeds from bond issues		800	-
Increase (decrease) in borrowings other than finance lease liabilities		434	281
Purchases 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 INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(4)**	**184**
Cash and cash equivalents at January 1st		749	580
Effect of changes in exchange rates		(147)	(15)
NET CASH AND CASH EQUIVALENTS AT PERIOD-END		**598**	**749**
Cash and cash equivalents reported in the balance sheet		626	786
Short-term bank loans and overdrafts		(28)	(37)

[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