3.3 Consolidated Financial Statements

Main consolidated financial data

€ millions, excluding per share data	2013	2012*
Income statement		
Revenue	5,065	4,989
Contribution from operations	917	893
Operating profit	843	831
Profit attributable to Group equity holders	593	584
Earnings (Group share) per ordinary share (in €)	2.82	2.80
Earnings (Group share) per share (in €)	2.78	2.77
Balance sheet		
Share capital	39	39
Group equity	3,756	3,657
Net debt	369	237
Total assets	7,577	6,907
Cash flow statement		
Cash flow from operating activities	843	840
Cash flow from investing activities	(621)	(416)
Cash flow from financing activities	(38)	(252)
Change in net cash	184	172
Cash at year end	749	580

** Adjusted to reflect the restatements arising from the application of IAS 19 (revised), as explained in Note 1.*

3.3.1 Consolidated income statement

€ millions, excluding per share data	Note	2013	2012*
Revenue	3	5,065	4,989
Cost of sales		(2,227)	(2,205)
GROSS PROFIT		**2,838**	**2,784**
Research and development costs		(164)	(162)
Selling and distribution costs		(1,145)	(1,140)
Other operating expenses		(612)	(589)
CONTRIBUTION FROM OPERATIONS		**917**	**893**
Restructuring costs, net	5	(22)	(25)
Impairment of goodwill	11		
Compensation costs on share-based payments	5	(32)	(28)
Other income from operations	5	5	11
Other expenses from operations	5	(24)	(36)
Gains and losses on asset disposals, net	5	(1)	16
OPERATING PROFIT	3	**843**	**831**
Cost of gross debt		(26)	(24)
Income from cash and cash equivalents		18	17
Foreign exchange income	6	(1)	(7)
Other financial income and expenses	7	(11)	(4)
Share of profits of associates	15	22	24
PROFIT BEFORE TAX		**845**	**837**
Income tax expense	8	(199)	(207)
NET PROFIT		**646**	**630**
Attributable to Group equity holders		**593**	**584**
Attributable to minority interests		53	46
Basic earnings attributable to Group equity holders per share (€)		2.82	2.80
Weighted average number of shares (thousands)	9	210,156	208,264
Diluted earnings attributable to Group equity holders per share (€)	10	2.78	2.77
Diluted weighted average number of shares (thousands)	10	213,057	211,015

* *Adjusted to reflect the restatements arising from the application of IAS 19 (revised), as explained in Note 1.*

Statement of consolidated comprehensive income

€ millions	2013 Attributable to Group equity holders	2013 Attributable to minority interests	2013 Total	2012* Attributable to Group equity holders	2012* Attributable to minority interests	2012* Total
NET PROFIT FOR THE PERIOD (A)	**593**	**53**	**646**	**584**	**46**	**630**
Items of comprehensive income that will not be reclassified subsequently to profit or loss						
Actuarial gains and losses on pension obligations	6		6	(31)		(31)
Tax on items that will not be reclassified subsequently	(6)		(6)	6		6
Items of comprehensive income that may be reclassified subsequently to profit or loss						
Cash flow hedges, effective portion	(5)		(5)	(2)		(2)
Hedges of net investment in foreign operations, effective portion				1		1
Increase (decrease) in fair value of long-term financial investments	(1)		(1)	2		2
Translation reserves	(238)	(18)	(256)	(50)	(6)	(56)
Other				(6)		(6)
Tax on items that may be reclassified subsequently	2		2	0		0
TOTAL INCOME (EXPENSE) FOR THE PERIOD RECOGNIZED DIRECTLY IN EQUITY, NET OF TAX (B)	**(242)**	**(18)**	**(260)**	**(80)**	**(6)**	**(86)**
TOTAL RECOGNIZED INCOME AND EXPENSES, NET OF TAX (A) + (B)	**351**	**35**	**386**	**504**	**40**	**544**

* *Adjusted to reflect the restatements arising from the application of IAS 19 (revised), as explained in Note 1.*

3.3.2 Consolidated balance sheet

Assets

€ millions	Note	December 31, 2013	December 31, 2012*
Goodwill	11	2,476	2,087
Other intangible assets	12	732	622
Property, plant and equipment	13	998	1,000
Investments in associates	15	113	110
Non-current financial assets	16	97	119
Deferred tax assets	8	112	117
Long-term receivables		17	25
Other non-current assets	20	1	1
TOTAL NON-CURRENT ASSETS		**4,546**	**4,081**
Inventories	17	869	830
Prepayments to suppliers		16	16
Short-term receivables	18	1,192	1,148
Current income tax-assets		67	56
Other receivables		33	36
Derivative financial instruments	23	17	34
Prepaid expenses		46	39
Marketable securities	22	5	6
Cash and cash equivalents	19	786	661
TOTAL CURRENT ASSETS		**3,031**	**2,826**
TOTAL ASSETS		**7,577**	**6,907**

* *Adjusted to reflect the restatements arising from the application of IAS 19 (revised), as explained in Note 1.*

Equity and liabilities

€ millions	Note	December 31, 2013	December 31, 2012*
Share capital		39	39
Additional paid-in capital		302	311
Consolidated reserves		3,340	2,934
Treasury stock		(304)	(239)
Hedging and revaluation reserves		(83)	(79)
Translation difference		(131)	107
Profit attributable to Group equity holders		593	584
Equity attributable to Group equity holders		**3,756**	**3,657**
Minority interests		285	257
TOTAL CONSOLIDATED EQUITY		**4,041**	**3,914**
Provisions for pensions	20	209	213
Long-term borrowings	22	607	526
Deferred tax liabilities	8	165	147
Other non-current liabilities	24	517	233
NON-CURRENT LIABILITIES		**1,498**	**1,119**
Provisions	21	131	127
Short-term borrowings	22	567	390
Customer prepayments		28	17
Short-term payables	18	1,060	1,015
Taxes payable		63	76
Other current liabilities	24	156	208
Derivative financial instruments	23	17	30
Deferred income		16	11
CURRENT LIABILITIES		**2,038**	**1,874**
TOTAL EQUITY AND LIABILITIES		**7,577**	**6,907**

* *Adjusted to reflect the restatements arising from the application of IAS 19 (revised), as explained in Note 1.*

3.3.3 Statement of changes in equity

Fiscal year 2013

€ millions	Share capital	Additional paid-in capital	Revaluation reserves	Reserves	Translation difference	Treasury stock	Profit attributable to Group equity holders	Equity attributable to Group equity holders	Minority interests	Total equity
EQUITY AT JANUARY 1, 2013*	**39**	**311**	**(79)**	**2,934**	**107**	**(239)**	**584**	**3,657**	**257**	**3,914**
Capital increases										
■ FCP Mutual funds		23						23		23
■ Stock subscription options		45						45		45
■ Capitalization of reserves										
Capital increases subscribed by minority interests									2	2
Cancellation of treasury stock		(77)				77				
Share-based payments				27				27		27
Purchases of treasury stock (net of sales)				(27)		(142)		-169		(169)
Allocation of profit				584			(584)			
Effect of changes in scope of consolidation				8				8	23	31
Dividends paid				(186)				(186)	(32)	(218)
TRANSACTIONS WITH SHAREHOLDERS		**(9)**		**406**		**(65)**	**(584)**	**(252)**	**(7)**	**(259)**
Total income (expense) for the period recognized directly in equity			(4)					(4)		(4)
Net profit for the fiscal year							593	593	53	646
Translation differences and other					(238)			(238)	(18)	(256)
TOTAL RECOGNIZED INCOME AND EXPENSE			**(4)**		**(238)**		**593**	**351**	**35**	**386**
EQUITY AT DECEMBER 31, 2013	**39**	**302**	**-83**	**3,340**	**(131)**	**(304)**	**593**	**3,756**	**285**	**4,041**

* *Adjusted to reflect the restatements arising from the application of IAS 19 (revised), as explained in Note 1.*

Fiscal year 2012

€ millions	Share capital	Additional paid-in capital	Revaluation reserves	Reserves	Translation difference	Treasury stock	Profit attributable to Group equity holders	Group equity	Minority interests	Total equity
EQUITY AT JANUARY 1, 2012 – PUBLISHED	**39**	**307**	**(49)**	**2,629**	**157**	**(264)**	**506**	**3,325**	**133**	**3,458**
Restatement arising from the application of IAS 19 (revised)				(7)				(7)		(7)
EQUITY AT JANUARY 1, 2012 – RESTATED	**39**	**307**	**(49)**	**2,622**	**157**	**(264)**	**506**	**3,318**	**133**	**3,451**
Capital increases										
■ FCP Mutual funds		22						22		22
■ Stock subscription options		95						95		95
■ Capitalization of reserves										
Capital increases subscribed by minority interests										
Cancellation of treasury shares		(113)				113				
Share-based payments				23				23		23
Purchases of treasury stock (net of sales)				(23)		(88)		(111)		(111)
Allocation of profit				506			(506)			
Effect of changes in scope of consolidation				(8)				(8)	109	101
Dividends paid				(177)				(177)	(25)	(202)
TRANSACTIONS WITH SHAREHOLDERS		**4**		**321**		**25**	**(506)**	**(156)**	**84**	**(72)**
Total income (expense) for the period recognized directly in equity			(30)					(30)		(30)
Profit for the period							584	584	46	630
Translation differences and other				(9)	(50)			(59)	(6)	(65)
TOTAL RECOGNIZED INCOME AND EXPENSE			**(30)**	**(9)**	**(50)**		**584**	**495**	**40**	**535**
EQUITY AT DECEMBER 31, 2012*	**39**	**311**	**(79)**	**2,934**	**107**	**(239)**	**584**	**3,657**	**257**	**3,914**

* *Adjusted to reflect the restatements arising from the application of IAS 19 (revised), as explained in Note 1.*

3.3.4 Consolidated cash flow statement

€ millions		December 31, 2013	December 31, 2012*
NET PROFIT [(a)]		**646**	**630**
Share of profits of associates, net of dividends received		42	45
Depreciation, amortization and other non-cash items		247	230
Profit before non-cash items and share of profits of associates, net of dividends received		**935**	**905**
Provision charges (reversals)		(2)	(24)
Gains and losses on asset disposals, net		1	(15)
Cash flow after income tax and finance costs		**934**	**866**
Finance costs, net		8	7
Income tax expense (current and deferred taxes)[(a)]		199	207
Cash flow before income tax and finance costs		**1,141**	**1,080**
Income taxes paid		(222)	(224)
Interest (paid) and received, net		(7)	(6)
Change in working capital		(69)	(10)
NET CASH FROM OPERATING ACTIVITIES		**843**	**840**
Purchases of property, plant and equipment and intangible assets		(297)	(241)
Acquisitions of subsidiaries, net of the cash acquired		(330)	(158)
Purchases of available-for-sale financial assets		(3)	(13)
Change in other non-financial assets		(5)	(16)
Effect of changes in scope of consolidation		2	1
Proceeds from the sale of other non-current assets		12	11
NET CASH USED IN INVESTING ACTIVITIES		**(621)**	**(416)**
Capital increase[(b)]		68	118
Net sale (net buyback) of treasury shares[(b)]		(169)	(112)
Dividends paid:			
■ to equity holders of Essilor[(b)]		(186)	(177)
■ to minority shareholders of the consolidated subsidiaries[(b)]		(32)	(25)
Increase/(Decrease) in borrowings other than finance lease liabilities		281	(55)
Acquisition of marketable securities [(c)]	19	0	2
Repayment of finance lease liabilities		(1)	(2)
Other movements		1	(1)
NET CASH USED IN FINANCING ACTIVITIES		**(38)**	**(252)**
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**184**	**172**
Net cash and cash equivalents at January 1	**19**	**580**	**363**
Effect of changes in the method of consolidation of joint ventures			49
Effect of changes in exchange rates		(15)	(4)
NET CASH AND CASH EQUIVALENTS AT DECEMBER 31		**749**	**580**
Cash and cash equivalents	19	786	661
Bank credit facilities	22	(37)	(81)

* *Adjusted to reflect the restatements arising from the application of IAS 19 (revised), as explained in Note 1.*
(a) *See income statement.*
(b) *See statement of changes in equity.*
(c) *Units in money market UCITS not qualified as cash equivalents under IAS 7.*

3.4 Notes to the consolidated financial statements

NOTE 1. Accounting policies

1.1 General information

Essilor International (Compagnie Générale d'Optique) is a *société anonyme* (public limited company) with a Board of Directors, governed by the laws of France. Its registered office is at 147 rue de Paris – 94220 Charenton-le-Pont. The Company's main business activities consist of the design, manufacture and sale of ophthalmic lenses and ophthalmic optical instruments.

The consolidated financial statements are prepared under the responsibility of the Board of Directors and presented to the Shareholders' Meeting for approval.

The 2013 consolidated financial statements were approved by the Board of Directors on February 26, 2014.

The financial statements are prepared on a going concern basis.

The Group's functional and reporting currency is the euro. All amounts are expressed in millions of euros, unless otherwise specified.

1.2 Basis of preparation of the financial statements

In accordance with European Regulation 1606/2002 of July 19, 2002, the Essilor group has applied, since January 1, 2005, all international accounting standards including IFRS (International Financial Reporting Standards), IAS (International Accounting Standards) as well as their interpretations since January 1, 2005, as approved in the European Union, with mandatory application at December 31, 2013. International accounting standards can be accessed on the European Commission website[1].

1.3 Change of accounting methods and presentation

There were no changes to the Group's accounting policies for the 2013 consolidated financial statements, apart from changes relating to the standards, amendments and interpretations with mandatory application as of January 1, 2013 described below.

1.4 IFRS, amendments to IFRS and interpretations with mandatory application as of January 1, 2013

Amendment to IAS 1 – Presentation of Items of Other Comprehensive Income

This amendment, applicable to annual periods beginning on or after July 1, 2012, involves the presentation of items comprising "items of other comprehensive income" (OCI). Such items are now required to be presented as two separate sub-totals, one for items that may be reclassified subsequently to profit or loss, the other for items that will not be reclassified subsequently to profit or loss. Taxes relating to items of other comprehensive income must be reported separately for each of these two groups.

The impact of the amendment to IAS 1 on the presentation of the Group's financial statements is shown in the "Statement of consolidated comprehensive income."

IAS 19 revised – Employee Benefits

This revised standard, applicable to annual periods beginning on or after January 1, 2013, introduces the following main changes:

- the Group's obligations to employees are recognized, in full, at the end of each fiscal year. The "corridor" option is removed, as well as the option to amortize actuarial gains and losses and past service costs arising from changes to pension plans over the remaining service lives of the employees in question;
- the expected return on plan assets is measured using the same rate as the discount rate used for employee benefits.
- the possible impact of plan changes is recognized immediately in profit or loss.

The removal of the "corridor" option had no impact on the Group which had already opted to apply the SORIE method prior to the entry into force of IAS 19 (revised).

Due to the retrospective nature of the standard, the 2012 financial statements were restated in accordance with IAS 19 (revised):

- actuarial gains and losses and non-provisioned past service costs at December 31, 2011 were recognized in consolidated reserves at their amount, net of tax, at January 1, 2012;

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

- actuarial gains and losses relating to post-employment benefits and arising after January 1, 2012 were recognized under "Items of other comprehensive income". They are reported on the balance sheet, net of tax, under "Hedging and revaluation reserves"; they will not be reclassified subsequently to profit or loss;
- the effects of pension plan changes made as of January 1, 2012, are recognized, in full, in profit or loss for the period in which they arose, under "Other operating expenses".

The impacts of applying IAS 19 (revised) to the Essilor group's 2012 balance sheet and income statement are shown below:

Impact of change of policy introduced by IAS 19 (revised) on the Group's balance sheet

	December 31, 2012		
€ millions	Restated	Impact of IAS 19R	Published
Consolidated reserves	2,934	(7)	2,941
Hedging and revaluation reserves	(79)	0	(79)
Translation difference	107	0	107
Profit attributable to Group equity holders	584	0	584
EQUITY ATTRIBUTABLE TO GROUP EQUITY HOLDERS	**3,657**	**(7)**	**3,664**
Minority interests	257	0	257
TOTAL CONSOLIDATED EQUITY	**3,914**	**(7)**	**3,921**
Provisions for pensions	213	8	205
Deferred tax liabilities	147	(1)	148
NON-CURRENT LIABILITIES	**1,119**	**7**	**1,112**

Profit attributable to equity holders of the parent was reduced by €0.5 million for the full 2012 fiscal year following the entry into force of IAS 19 (revised).

IFRS 13 – Fair Value Measurement

The objective of IFRS 13 is to define the concept of fair value, as well as the disclosures required in the notes to the financial statements, for each individual IFRS. This standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction on the principal market or the most advantageous market at the measurement date, under current market conditions.

The fair value of a non-financial asset corresponds to the economic benefit generated by a market participant using the asset in its highest and best use.

The Group analyzed the impact of the entry into force of this new standard on its consolidated financial statements:

- with regard to financial assets and liabilities: The Group calculated the fair value of its financial instruments, recognized at fair value, by incorporating the credit risk of the various counterparties. The results obtained showed an insignificant impact on the Group, given the quality of the counterparties selected;
- with regard to non-financial assets and liabilities: the Group does not have any non-financial assets or liabilities that have been remeasured at fair value subsequent to their initial recognition.

This standard has not had any significant impact on the Group's consolidated financial statements.

The levels and methods used to measure the fair value of financial assets and liabilities is shown in Note 1.17. The fair value of financial assets and liabilities is shown in Note 23.2.

Amendments to IAS 12 – Income taxes – Deferred tax: recovery of underlying assets.

Amendments to IFRS 7 – Financial instruments: Disclosures – offsetting financial assets and financial liabilities.

Amendments to IFRS 1 – First-time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters.

The Group is not affected by these amendments.

1.5 Published IFRS, IFRS amendments and interpretations with non-mandatory application

The Group has decided not to early-adopt the following standards, amendments and interpretations, applicable from January 1, 2014 or later:

- **IFRS 10 – Consolidated Financial Statements;**
- **IFRS 11 – Joint Arrangements;**
- **IFRS 12 – Disclosure of Interests in Other Entities;**
- **IAS 27 revised – Separate financial statements;**
- **IAS 28 revised – Investments in Associates and Joint Ventures;**
- **Amendments to IAS 32 – Financial Instruments: Disclosures – Offsetting financial assets and financial liabilities.**

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

1.6 Use of estimates

The preparation of financial statements requires Management's use of estimates and assumptions that may affect the reported amounts of assets, liabilities, income and expenses in the financial statements as well as the disclosures in the notes concerning contingent assets and liabilities at the balance sheet date. The most significant estimates and assumption concern, in particular:

- the recoverable amount of goodwill (Notes 1.21 and 11);
- fair values in relation to business combinations and put options granted to minority shareholders (Note 1.21);
- risk assessment to determine the amount of provisions (Notes 1.32 and 1.21);
- measurement of defined benefit obligations (Notes 1.31 and 20).

The final amounts may differ from these estimates.

1.7 Basis of consolidation

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

Jointly-controlled companies are consolidated by the proportionate method.

Associates, defined as companies over which the Group exercises significant influence, are accounted for by the equity method.

The accounting policies and methods applied by associates comply with IFRS and are the same as the Group's accounting policies.

The Transitions group is consolidated by the equity method. Based on an economic analysis of the flows between Essilor and Transitions, between Transitions and Essilor, and of sales of Transitions products by Essilor to third parties:

- revenue from transactions between Essilor and Transitions has been canceled from Essilor consolidated revenue and cost of sales, in accordance with IAS 18;
- the cost of subcontracting services provided by Transitions to Essilor has been reallocated between cost of sales and Transitions brand selling and distribution costs.

The criteria applied to determine the scope of consolidation are described in "Changes in the scope of consolidation" (Note 2.2).

The results of subsidiaries acquired or sold during the year are included in the consolidated income statement as from the date of acquisition or up to the date of disposal. In the case of a change in percent interest during the year, the Group's share of profit is calculated by applying:

- the former percentage to income earned up to the date on which the Group's interest changes; and
- the new percentage to income earned between that date and the year-end.

In the event of a dilution of its ownership interest in a subsidiary, the transaction is treated as a sale and the change in the share of the subsidiary's equity is recorded in equity in accordance with the revised IAS 27 if there has been no loss of control, and in profit if there has been a loss of control.

All intragroup profits and transactions are eliminated in consolidation.

1.8 Information by operating segment

Since the adoption of IFRS 8 with effect from January 1, 2009, the Group's segment information is presented in accordance with the information provided internally to management for the purpose of managing operations, taking decisions and analyzing operational performance.

Such information is prepared in accordance with the IFRS used by the Group in its consolidated financial statements.

The Group has three operating segments: Lenses & Optical Instruments, Equipment, and Readers.

The Lenses & Optical Instruments business segment comprises the Group's Lens business (production, finishing, distribution and trading) and the Instruments business (small equipment used by opticians and relating to the sale of lenses). The end customers for this business are eye care professionals (opticians and optometrists).

The **Lenses & Optical Instruments business** chain is now designed as a complete network with multiple interactions. The segment has a global network of plants, prescription laboratories, edging centers and distribution centers serving eye-care professionals throughout the world. This network is centrally managed, along with Group research & development, marketing, intellectual property and engineering functions.

In view of the streamlining of international flows between the various subsidiaries, their interdependence and the increasing percentage of sales to multinationals, the performance of the Lenses & Optical Instruments business is now managed and monitored by Group Management on an international level. Consequently, the Group decided to harmonize its segment reporting to reflect the way in which its organization has changed.

The **Equipment** business segment comprises the production, distribution and sale of high capacity equipment, such as digital surfacing machines and lens polishing machines, used in manufacturing plants and prescription laboratories for finishing operations on semi-finished lenses. The end customers for this business segment are optical lens manufacturers.

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

1.9 Consolidated cash flow statement

The cash flow statement has been prepared by the indirect method, whereby net profit is adjusted for the effects of non-cash transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

Profit before non-cash items and share of profits of associates, net of dividends received, is defined as profit of fully-consolidated companies before depreciation, amortization and provisions (other than provisions for impairment of current assets) and other non-cash items (mainly the costs of stock option plans, share grants and employee stock ownership plans), plus dividends received from associates.

Working capital comprises inventories, receivables and payables, other receivables and payables, deferred income and prepaid expenses. Changes in working capital are stated before the effect of changes in scope of consolidation.

Cash flows of foreign subsidiaries are translated at the average exchange rate for the period.

The effect of changes in exchange rates on cash and cash equivalents corresponds to the effect of (i) changes in exchange rates between the beginning and end of the period and (ii) differences between the closing exchange rate and the average rate for the period on movements for the period.

The amounts reported for acquisitions (sales) of subsidiaries correspond to the purchase price (sale proceeds) less the cash and cash equivalents of the acquired (sold) subsidiary at the transaction date.

Cash corresponds to cash and marketable securities qualifying as cash equivalents less short-term bank loans and overdrafts.

- Marketable securities, consisting mainly of units in money market UCITS, are qualified as cash equivalents when the investment objectives fulfill the criteria specified in IAS 7.
- Marketable securities that do not fulfill these criteria are not classified as cash equivalents. Purchases and sales of these securities are treated as cash flows from financing activities.

1.10 Foreign currency translation

The financial statements of foreign companies are prepared in the entity's functional currency. The functional currency is defined as the currency of the primary economic environment in which the subsidiary operates.

Financial statement items measured in the functional currency are translated into euros as follows:

- balance sheet items are translated at the closing rate;
- income statement items and cash flows are translated at the average exchange rate for the period.

The difference between equity translated at the closing rate and the historical rate, and that resulting from the translation of net profit at the average rate for the period are recorded in equity, under "Translation difference," and reclassified to profit when the foreign subsidiary is sold or wound up.

1.11 Revenue

Revenue corresponds to revenue from the sale of products and the provision of services. It is stated net of volume discounts, cash discounts, returned goods and certain revenue-based commissions and deferred revenue associated with awards granted under customer loyalty programs.

Revenue from Lens sales and Readers (non-prescription reading glasses) is recognized when the product has been delivered to, and accepted by, the customer and the related receivable is reasonably certain of being collected.

Revenue from laboratory equipment sales is recognized when the risks and rewards of ownership of the equipment have been transferred to the buyer, generally corresponding to the date of physical and technical acceptance by the buyer.

1.12 Cost of sales

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

1.13 Contribution from operations and operating profit

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

Equity-settled share-based payments, restructuring costs, gains and losses on asset disposals, and strategic acquisition costs are not included in contribution from operations but in the Group's operating profit. These items are non-recurring and not considered to contribute to the Group's current operations.

1.14 Share-based payments

Stock subscription options and performance share grants

The fair value of stock options and performance shares is determined as follows:

- performance-based stock subscription options granted since 2006, which are subject to vesting conditions based on the share performance, are measured using the Monte Carlo model;
- performance shares granted since 2006, which are subject to vesting conditions based on the change in the share price compared with the reference price on the grant date, are measured using the Monte Carlo model.

The fair value of stock subscription options on the grant date is recognized as an expense over the option acquisition period, taking into account the probability of the option being exercised early, with a corresponding adjustment to equity.

For performance shares, the acquisition period is considered as being the most probable period over which the performance conditions will be fulfilled, determined using the Monte Carlo model.

For the November 2012 and November 2013 performance share plans, a lock-up discount was applied to the portion of shares that will be granted after the plan's performance conditions have been fulfilled. This portion will be unavailable to grantees for an estimated five years.

The model parameters are determined at the grant date.

- Share price volatility is determined by reference to historical volatilities.
- The risk-free interest rate corresponds to the government bond rate.
- The impact of dividends is taken into account in the model by applying a yield assumption determined by reference to the dividend paid in the previous year.
- The options' expected life is determined based on the vesting period and the exercise period.
- In line with French Accounting Authority (CNC) guidelines dated December 21, 2004, the lock-up discount applied to the November 2012 and November 2013 performance share plans was determined based on the cost for the employee of a two-step strategy consisting of selling the shares forward for delivery at the end of the lock-up period and purchasing the same number of shares for immediate delivery, with the purchase financed by a loan.

At each period-end, the probability of options or performance shares being forfeited is assessed by the Group. The impact of any adjustments to these estimates is recognized in profit, with a corresponding adjustment to equity.

Employee share issues

For employee share issues, the difference between the market price of the shares on the transaction date and the price at which the shares are offered to employees is recognized directly in profit and loss when the shares are issued.

IFRS 2 allows for the effect of any post-vesting transfer restrictions to be taken into account, but does not provide any guidance on measuring the corresponding discount. On December 21, 2004, the French accounting authorities *(Conseil National de la Comptabilité)* issued a press release containing measurement guidelines.

A discount has been taken into account since the second- half 2007. In line with CNC guidelines, the discount was determined based on the cost for the employee of a two-step strategy consisting of selling the shares forward for delivery at the end of the lock-up period and purchasing the same number of shares for immediate delivery, with the purchase financed by a loan.

1.15 Net interest income

Dividend income is recognized when the amount has been approved by the Shareholders' Meeting of the company making the distribution.

Interest receivable or payable is recognized on an accruals basis in the period in which it is earned or due, by the effective interest method.

Cost of gross debt consists of interest on financing, realized gains or accrued interest on interest rate derivatives, and non-utilization fees on credit facilities.

Income from cash and cash equivalents includes interest received and accrued on investments made by Group companies: bank deposits, investments in marketable securities, etc.

1.16 Foreign currency transactions

On initial recognition of foreign currency transactions, the receivable or payable is translated into the entity's functional currency at the exchange rate on the transaction date. At the period-end, they are re-translated at the closing rate. The resulting gains and loss are recognized in "Other financial income and expenses".

Foreign currency income and expenses are measured at the exchange rate on the transaction date. When the foreign currency transaction is part of a hedging relationship qualifying as a cash flow hedge under IAS 39, the income or expense is adjusted for the effective portion of the gain or loss from remeasurement at fair value of the currency hedging instrument at the transaction date.

1.17 Assets and liabilities measured at fair value

In accordance with IAS 39, derivative instruments (including forward purchases and sales of foreign currencies) are initially recognized at cost and subsequently measured at fair value at each period-end.

Changes in fair value of derivative financial instruments are accounted for as follows:

- cash flow hedges: the effective portion of the gain or loss from remeasurement at fair value is recognized directly in equity under "Hedging reserves" until the effective completion of the scheduled transaction. When the scheduled transaction is completed, the amount recognized in equity is reclassified to profit: the income or expense is adjusted for the effective portion of the gain or loss from remeasurement at fair value of the hedging instrument. The ineffective portion of the gain or loss is recognized in "Other financial income and expenses";
- hedge of the net investment in a foreign operation: the effective portion of the gain or loss from remeasurement at fair value is recognized directly in equity under "Hedging reserves" and transferred to the "Translation difference" when the hedging instrument expires. The amount transferred to the "Translation difference" is reclassified to profit when the investment in the foreign operation is sold or the entity is wound up. The ineffective portion of the gain or loss is recognized in "Other financial income and expenses";
- fair value hedges: the gain or loss from remeasurement at fair value is recognized in profit or loss on a symmetrical basis with the gain or loss from remeasurement at fair value of the hedged asset or liability;
- instruments not qualifying for hedge accounting: certain derivatives that in substance represent hedges do not qualify for hedge accounting under IAS 39. Gains and losses from the fair value measurement of these derivative instruments are recognized directly in financial income and expenses, in accordance with the criteria of IAS 39.

In accordance with IFRS 13, financial income and expenses at fair value are classified according to the following hierarchy:

- level 1: inputs for the asset or liability that are quoted prices on an active market;
- level 2: inputs for the asset or liability that are based on observable market data;
- level 3: inputs for the asset or liability that are not based on observable market data.

The fair values of the main financial assets and liabilities recorded in the consolidated balance sheet are determined according to the methods summarized below.

Financial instruments	Consolidated balance sheet valuation principles	Input levels under IFRS 13	Notes to the financial statements	Fair value measurement			
					Market data		
				Valuation model	Exchange rate	Interest rate	Volatility
Available-for-sale financial assets (listed securities)	Fair value	1	16	Share price		N/A	
UCITS units	Fair value	1	22	Market value (net asset value)		N/A	
Forward foreign exchange contracts	Fair value	2	23	Discounted cash flows	ECB rate	Zero Coupon curves	N/A
Currency option	Fair value	2	23	Black and Scholes	Forward curves, ECB rate, Spot rate	Zero Coupon curves	At the money
Interest rate swaps	Fair value	2	23	Discounted cash flows	N/A	Zero Coupon curves	N/A
Cross-currency swaps	Fair value	2	23	Discounted cash flows	ECB rate	Zero Coupon curves	N/A
Liabilities relating to business combinations or minority interests	Fair value	3	23	Under IAS 32, contingent considerations payable to minority interests or within the scope of business combinations constitute financial liabilities. The fair value of these liabilities is measured by reviewing obligations on the reporting date using the method described in Note 1.21.			

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

1.18 Income tax

Deferred taxes are recognized by the liability method for temporary differences between the carrying amount of assets and liabilities in the consolidated balance sheet and their tax base.

They are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Adjustments to deferred taxes resulting from changes in tax rates are recognized in profit or loss. However, when the deferred tax relates to items recognized in equity, the adjustment is also recognized in equity.

A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized.

At each period-end, the Group reviews the recoverable value of deferred tax assets of tax entities holding significant loss carryforwards. This value is based, by tax entity, on the strategy for medium-term recoverability of the tax loss carryforwards.

Deferred taxes are charged or credited directly to equity when the tax relates to items that are recognized directly in equity, such as gains and losses on cash flow hedges and hedges of certain financial assets, and actuarial gains and losses on defined benefit plan obligations.

Deferred tax assets and liabilities are set off when they are levied on the same taxable entity (legal entity or tax group) by the same taxation authority and the entity has a legally enforceable right of set off.

Deferred taxes are recognized for all temporary differences associated with investments in subsidiaries and associates, except to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The Group is subject to taxation on earnings in several countries under various tax regulations. Calculation of taxes on a global scale requires the use of estimates and assumptions developed based on the information available at the balance sheet date.

1.19 Earnings per share

Basic earnings per share

Basic earnings per share correspond to profit attributable to Group equity holders divided by the weighted average number of shares outstanding during the year, excluding treasury stock.

Performance-based bonus share grants are taken into account to the extent that the performance criteria have been met before the balance sheet date.

Diluted earnings per share

Diluted earnings per share are calculated by taking into account dilutive potential shares, as follows:

- Stock subscription options: the dilution arising from stock subscription options is calculated based on the weighted average number of shares plus the number of shares that would be issued or sold if the options were issued at market price instead of at the adjusted exercise price.

  The adjusted exercise price corresponds to the exercise price as adjusted for the cost to be recognized in future periods for options that have not yet vested at the period-end;
- Performance share grants: the number of shares used for the calculation is determined based on the number of shares that would have been granted if the performance criterion had been applied at the balance sheet date.

1.20 Research and development costs

Research costs are recognized as an expense for the period in which they are incurred.

Research and development costs recognized in operating expense include the operating costs of the Group's research centers and engineering costs for the development of new production processes.

Development costs are recognized as an intangible asset if the following can be demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the Group's intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of technical, financial and other resources to complete the intangible asset; and
- the reliable measurement of development expenditures.

Due to the risks and uncertainties concerning market developments and the large number of projects undertaken, the above criteria are considered as not being fulfilled for ophthalmic lens development projects. Consequently, development costs for these projects are recognized as an expense.

Instrument and laboratory equipment development costs are recognized as an intangible asset when the above criteria are fulfilled.

1.21 Goodwill

Recognition of acquisitions made after January 1, 2010

Business combinations recorded after January 1, 2010 are recognized by the acquisition method, in accordance with the revised IFRS 3, Business combinations, applicable to periods starting on or after July 1, 2009.

The revised IFRS 3 defines the method for recognizing business combinations according to the acquisition method, and introduces the possibility of measuring non-controlling interests (minority interests) either at the full fair value (full goodwill method) or at the fair value of the proportion of identifiable net assets of the acquired entity (partial goodwill method). This option applies on an individual transaction basis.

Costs that are directly attributable to the acquisition are recognized as expenses for the period. Costs related to major strategic acquisitions (i.e. that represent highly significant amounts or correspond to a new area of business) are included in operating profit, under "Other expenses from operations." Costs related to lower-value acquisitions are included in "Other operating expenses" as part of "Contribution from operations."

Acquisitions of non-controlling interests or sales without loss of controlling interests are considered to be transactions between shareholders and are recognized directly in equity without impacting goodwill.

For step acquisitions, the difference between the carrying amount of the investment held before the acquisition and its fair value at the acquisition date is recognized in operating profit ("Other expenses from operations" and "Other income from operations"), along with the components of other comprehensive income that may be reclassified subsequently.

Where put options have been granted to minority shareholders of subsidiaries, the amount recognized in liabilities is measured at the present value of the option exercise price. This liability is reclassified from "Minority interests" to "Other non-current liabilities" or "Other current liabilities" in the consolidated balance sheet according to its due date. The balance is allocated to Goodwill (full goodwill method) or equity (partial goodwill method).

Discounting adjustments to reflect the passage of time are recorded in the income statement.

Subsequent changes in the liability's fair value are recognized through Group equity.

Recognition of acquisitions made before January 1, 2010

Business combinations recorded after the IFRS transition date (January 1, 2004), and before January 1, 2010, are recognized by the acquisition method in accordance with IFRS 3, Business combinations.

Goodwill is the excess of:

- the acquisition cost, including any directly attributable costs of the business combination;
- over the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities at the acquisition date.

Under this method, the acquiree's identifiable assets, liabilities and contingent liabilities meeting the recognition criteria of IFRS 3 are recognized at fair value at the acquisition date, with the exception of non-current assets classified as held-for-sale which are measured at fair value less costs to sell. Only identifiable liabilities that meet the criteria for recognition as a liability in the acquiree's accounts are recognized in the business combination. In line with this principle, a liability for terminating or reducing the activities of the acquiree is recognized as part of allocating the cost of the combination only when the acquiree has, at the acquisition date, an existing liability for restructuring.

Where put options have been granted to minority shareholders of subsidiaries, their interest in the equity of the subsidiaries concerned is reclassified from "Minority interests" to "Non-current liabilities" or "Other current liabilities" in the consolidated balance sheet.

The amount recognized in liabilities is measured at the present value of the option exercise price. Discounting adjustments to reflect the accretion of discount are recorded in the income statement.

With regard to the accounting treatment in the consolidated balance sheet of the difference between the present value of the option exercise price and minority interests in the equity of the subsidiaries concerned, Essilor has elected to record this difference in "Goodwill." Future changes in the recognized liability will be reported as an adjustment to goodwill.

In certain cases, the fair values used for the assets and liabilities of acquisitions for the period may be temporary and changed at a later date, after a final expert assessment or additional analyses. Any discrepancies resulting from the final valuation shall be recognized as a retrospective adjustment to goodwill if they take place within twelve months from the acquisition date. Any adjustments made more than twelve months after the acquisition date will be recognized directly in profit and loss, unless they correspond to corrections of errors.

Goodwill arising on acquisition of associates is included in the carrying amount of the investment.

Impairment of goodwill

Goodwill subject to impairment tests is grouped into groups of cash-generating units (CGUs) that correspond to the analytical focus of senior management.

As of January 1, 2013, goodwill formerly allocated to 7 individual CGUs i.e. ASEAN, Japan, Korea, India, China, Oceania, Africa and the Middle East, was grouped into a single CGU "Asia Oceania Middle East Africa".

This grouping reflects the change in the Group's organization, in particular, the centralization of management in the AMERA zone, the dramatic growth of intra-segment trade flows giving rise to significant synergies within the zone, as well as the goodwill management and monitoring procedure introduced in 2013.

Consequently, impairment tests are now conducted on these seven groups of CGUs:

- Lenses Europe;
- Lenses North America;
- Lenses South America;
- Lenses Asia Oceania Middle East Africa;
- Plants;
- Readers;
- Equipment.

The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The value in use is based on forecast cash flows less a pretax discount rate.

Plants that conduct manufacturing operations for several groups of CGUs form a separate group of CGUs whose cash flows are reallocated to the other CGUs of the Group based on unit sales. In line with this principle, the Asian plants are considered as a shared resource allocated to the other groups of CGUs for impairment testing purposes.

Future cash flows are estimated as follows:

- the last fiscal year for the reference year (Y);
- annual budget for the year Y+1;
- cash flows for the years Y+2 to Y+5 are estimated by applying to Y+1 data growth rates that are consistent with the Company's projections and with the budgeted Y+1 growth rate.

These data are approved in advance by Management and take account of past experience.

The discount rate applied in all cases is the Company's weighted average cost of capital (WACC). A risk premium is added to the WACC for some CGUs, to reflect specific country risk exposures and local conditions. Note 11 summarizes the assumptions used.

Impairment tests are routinely performed on each CGU once a year at the time of the interim closing at the end of June. However, all sensitive items are tested again at the year end and any impairment losses are increased if necessary.

CGU testing does not exempt the Group from testing subsidiaries' assets on an individual basis in the event of an indication of impairment. Once these tests are complete, the necessary provisions are recorded.

1.22 Other intangible assets

Other intangible assets consist mainly of trademarks, contractual customer relationships, technologies, concessions, patents and licenses. Trademarks, contractual customer relationships and certain technologies constitute purchase accounting adjustments recognized in connection with business combinations (see Note 1.21).

Other intangible assets are recognized at cost or fair value at the date of the business combination, net of accumulated amortization and impairment losses.

They are amortized on a straight-line basis over the assets' useful lives.

- Software is amortized over periods ranging from 1 to 5 years.
- Patents are amortized over the period of legal protection.
- Trademarks with a finite life are amortized over periods ranging from 10 to 20 years.
- Contractual customer relationships are amortized over periods ranging from 5 to 20 years.
- Technology is amortized over periods ranging from 5 to 15 years.

Trademarks with an indefinite life are not amortized. They are considered as having an indefinite life when:

- it can be demonstrated, based on an analysis of the life of the underlying products, the market and the competition, that there is no foreseeable limit to the period over which the products sold under the trademark are expected to generate net cash inflows;
- the Group has the intention and ability to support the trademark.

Intangible assets with a finite life are tested for impairment when the occurrence of an event or a change of circumstances indicates that their recoverable amount may be less than their carrying amount.

Trademarks with an indefinite life are tested for impairment annually, along with goodwill (see Note 1.21).

When the test shows that an asset's recoverable amount is less than its carrying amount, a provision for impairment is recorded. Recoverable amount is defined as the higher of fair value less costs to sell and value in use.

The directly attributable costs of producing identifiable and separable intangible assets are recognized as an intangible asset when they are controlled by the Group and it is probable that they will generate future economic benefits in excess of their cost over a period of more than one year. They are reported under "Intangible assets in progress" until the asset is completed.

1.23 Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Finance leases, defined as leases that transfer to the Group substantially all of the risks and rewards of ownership of the asset, are recognized in assets at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The leased assets are depreciated by the methods described below. The finance lease liability is included in debt.

Lease payments under operating leases, defined as leases where substantially all of the risks and rewards of ownership of the asset are retained by the lessor, are recognized as an expense on a straight-line basis over the lease term.

The directly attributable costs of producing identifiable and separable items of property, plant and equipment are recognized as property, plant and equipment when they are controlled by the Group and it is probable that they will generate future economic benefits in excess of their cost over a period of more than one year.

Depreciation

Depreciation is calculated on a straight-line basis so as to write off the cost of the assets less any residual value over the assets' useful life.

The main useful lives are as follows:

Buildings	20 to 33 years
Building improvements	7 to 10 years
Machinery, equipment and tooling	3 to 10 years
Other	3 to 10 years

Where an item of property, plant and equipment comprises several parts with different useful lives, each part is recognized as a separate item and depreciated over its useful life.

Useful life and residual value of property, plant and equipment are reviewed at each period-end. As necessary, the occurrence of changes to the useful life or residual value is recognized prospectively as a change in accounting estimates.

Where there are any internal or external indications that the value of an item of property, plant and equipment may be impaired, the recoverable amount of the group of CGUs to which it belongs is calculated. If the recoverable amount is less than the carrying amount of the group of CGUs, a provision for impairment is recorded. A review is carried out at each period-end to determine whether any such indications exist.

1.24 Other long-term financial investments

Available-for-sale financial assets

In accordance with IAS 39, investments in non-consolidated companies and other long-term financial investments qualifying as "available-for-sale financial assets" under IAS 39 are measured at fair value, with changes in fair value recognized directly in equity.

The change in fair value of such assets is recognized in equity. The amount recorded in equity is restated when the asset is disposed of or liquidated, or if there exists objective evidence of lasting impairment of such asset.

Whenever unrecognized losses are deemed to be significant or lasting, they are recognized directly in income.

The fair value of financial assets traded in an active market corresponds to their market price. The fair value of assets not traded in an active market is determined by reference to the market value of similar securities or the prices of recent arm's length transactions, or by the discounted cash flows method.

Other assets measured using the cost model

Loans and receivables are measured at amortized cost.

A provision is recorded for any other-than-temporary impairment in value or any collection risk.

1.25 Non-current assets held for sale

Non-current assets held for sale are assets that the Group has undertaken to sell. When they are being classified, non-current assets held for sale are measured at the lower of carrying amount and fair value net of selling costs, with an impairment charge recorded as necessary. Assets classified as held-for-sale are not amortized.

1.26 Inventories

Inventories are measured at the lower of weighted average cost and net realizable value.

Net realizable value takes into account market prices, the probability of the items being sold and the risk of obsolescence, assessed by reference to objective inventory levels.

1.27 Trade receivables

Trade receivables due within one year are classified as current assets. Trade receivables due beyond one year are classified as non-current assets.

Provisions are recorded to cover any collection risk. Risk of recovery is determined based on the various types of Group clients, most often on a statistical basis but also by taking into account specific situations if necessary.

1.28 Cash and cash equivalents

Cash and cash equivalents correspond to cash and marketable securities qualified as cash equivalents under IAS 7.

Marketable securities held by the Group that do not qualify as cash equivalents under IAS 7 are reported under "Other marketable securities" and are taken into account by the Group for the calculation of net debt (see Note 22, "Net Debt and Borrowings" appended to these financial statements").

In accordance with IAS 39, investment securities are recognized at market value at the balance sheet date. Changes in market value are recorded as financial profit or losses.

1.29 Equity

Additional paid-in capital

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

Treasury stock

Treasury stock is deducted from equity at cost, including directly attributable transaction expenses.

Capital gains and losses on sales of treasury stock are recorded directly in equity, for their amount net of tax.

Hedging and revaluation reserves

Hedging and revaluation reserves comprise:

- the effective portion of the gain or loss arising from remeasurement at fair value of financial instruments acquired as cash flow hedges or hedges of the net investment in foreign operations, net of deferred tax;
- the difference between the cost of available-for-sale financial assets and their fair value, which is recognized directly in equity in accordance with IAS 39, net of deferred tax;
- actuarial gains and losses on defined benefit pension plans, net of deferred tax.

Dividends

Dividends are deducted from equity when they are approved by the Shareholders' Meeting.

Negative equity

Where a consolidated company has negative equity, minority interests are treated as being attributable to the Group unless the minority shareholders are liable for their share of the losses and are capable of fulfilling this obligation.

Minority interests

Minority interests represent the portion of the net assets and net profit of a consolidated entity that is not attributable to the Group, directly or indirectly.

Where minority shareholders of consolidated companies acquired before or after January 1, 2010 have been granted put options, their amount is valued at the fair value of the put option. That amount is reclassified in the consolidated balance sheet from "Minority interests" to "Other non-current liabilities" or "Other current liabilities" based on their expiration date.

1.30 Borrowings

Borrowings are initially recognized at an amount corresponding to the issue proceeds net of directly attributable transaction costs. Any difference between this amount and the redemption price is recognized in profit and loss over the life of the debt by the effective interest method.

1.31 Pension and other post-employment benefit obligations

The Essilor group companies may have obligations for the payment of pensions, early-retirement benefits, length-of-service awards, jubilees and other post-employment benefits under the laws and practices applicable in their host country.

Where these benefits are payable under defined contribution plans, the contributions are expensed as incurred.

In the case of defined benefit plans, provisions are booked to cover the unfunded projected benefit obligation as determined by independent actuaries, as follows:

- the projected benefit obligation, corresponding to the vested rights of active and retired employees, is determined by the projected unit credit method, based on estimated final salaries. The actuarial assumptions used differ depending on the country (discount rate, inflation rate) and the Company (staff turnover rates, rate of future salary increases);
- the discount rate corresponds to the prime interest rate in the country concerned for periods corresponding to the estimated average duration of the benefit obligation. Discounting adjustments are recognized in operating expense.
- in cases where all or part of the obligation is funded under an external plan, a provision is recorded for the difference between the projected benefit obligation and the fair value of the plan assets;
- actuarial gains and losses resulting from changes in assumptions and experience-based adjustments are recognized in equity, under "Hedging and revaluation reserves";
- if a company introduces a defined benefit plan or changes the benefit formula under an existing defined benefit plan, the related change in the Company's obligation ("past service cost") is recognized in profit or loss;
- provisions recorded in the balance sheet correspond to the projected benefit obligation less the market value of any plan assets.

1.32 Provisions

A provision is recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Contingent liabilities are not recognized in the balance sheet – except in connection with business combinations (see Note 1.21) – but are disclosed in the notes to the financial statements unless the probability of an outflow of resources embodying economic benefits is very remote.

Provisions are determined based on facts and circumstances, historical risk data and the information available at the balance sheet date.

Restructuring provisions are recognized when the Group has a detailed formal plan for the restructuring and has announced its main features to those affected by it.

No provision is recognized for future operating losses.

Provisions for warranty costs are recognized when the products are sold. The corresponding charge is recognized in cost of sales.

1.33 Other current and non-current liabilities

When put options have been granted to minority shareholders of subsidiaries, their interest in the equity of the subsidiaries concerned is reclassified from "Minority interests" to other liabilities in the consolidated balance sheet. Depending on maturity, the liabilities are divided between "Other current liabilities" and "Other non-current liabilities".

The amount recognized in liabilities is measured at the present value of the option exercise price. Discounting adjustments to reflect the accretion of discount are recorded in the income statement.

The accounting treatment in the consolidated balance sheet of the difference between the present value of the option exercise price and minority interests in the equity of the subsidiaries concerned is presented in "Goodwill". Future changes in the recognized liability are reported in goodwill for companies acquired before January 1, 2010.

Following application of IFRS 3 (revised), future changes in the recognized liability are reported in equity for companies acquired after January 1, 2010.

Contingent consideration must be recognized at its acquisition-date fair value as part of the consideration transferred in exchange for the acquiree, whether or not its payment is considered probable. For companies acquired before January 1, 2010, future changes in the additional price are recognized in goodwill. Following application of IFRS 3 (revised), future changes in the additional price are recognized in other income and expenses from operations for companies acquired after January 1, 2010.

NOTE 2. Exchange rates and scope of consolidation

2.1 Exchange rates of the main functional currencies

	Closing rate		Average rate	
For €1	**2013**	**2012**	**2013**	**2012**
CAD	1.47	1.31	1.37	1.28
GBP	0.83	0.82	0.85	0.81
CNY	8.35	8.22	8.16	8.11
JPY	144.72	113.61	129.66	102.49
INR	85.37	72.56	77.93	68.60
BRL	3.26	2.70	2.87	2.51
USD	1.38	1.32	1.33	1.28

2.2 Changes in the scope of consolidation

The consolidated financial statements include the financial statements of holding companies, asset management companies and entities meeting one of the following two criteria:

- annual revenue in excess of €1 million;
- or property, plant and equipment in excess of €9 million.

Entities that do not fulfill these criteria may also be consolidated, if their consolidation has a material impact on the Company's financial statements.

Moreover, companies acquired at the very end of the year that do not have the resources to produce financial statements according to Group standards within the time allotted shall be entered into the scope of consolidation the following January 1, if the impact of their consolidation is not material for the Group.

Newly consolidated companies

The following companies were consolidated for the first time in 2013:

Name	Country	Consolidated from	Consolidation method	% interest	% consolidated
Leicester[(a)]	United Kingdom	January 1, 2013	Full	80	100
Easy Vision Pty Ltd[(a)]	South Africa	January 1, 2013	Full	100	100
Evolution Optical[(a)]	South Africa	January 1, 2013	Full	51	100
Essilor Israel Laboraties Ltd (Optiplas)	Israel	January 1, 2013	Full	50	100
Chemilens Vietnam[(a)]	Vietnam	January 1, 2013	Full	50	100
Optics India Equipement[(a)]	India	January 1, 2013	Full	50	100
Essilor Lens & Spec[(a)]	India	January 1, 2013	Full	60	100
Entreprise ophtalmics Pvt Ltd[(a)]	India	January 1, 2013	Full	50	100
Global Lens Lanka[(a)]	Sri Lanka	January 1, 2013	Full	50	100
Shanghai NVG Optical[(a)]	China	January 1, 2013	Full	100	100
Essilor Laos[(a)]	Laos	January 1, 2013	Full	100	100
Shamir Canada	Canada	January 1, 2013	Full	50	100
MOC BBGR	Russia	March 1, 2013	Full	51	100
Megalux	Chile	March 1, 2013	Full	51	100
Servioptica	Colombia	April 18, 2013	Full	51	100
Impasoles	Luxembourg	April 18, 2013	Full	100	100
Ivortest	Colombia	April 18, 2013	Full	100	100
Optiminas	Brazil	May 1, 2013	Full	70	100
Isbir	Turkey	May 1, 2013	Full	73	100
Prodigy	United States	May 1, 2013	Full	100	100
Shih Heng Optical Taiwan Branch	Taiwan	May 1, 2013	Full	70	100
Deepak Lens Pvt Ltd	India	May 13, 2013	Full	60	100
Onbitt	Korea	May 14, 2013	Full	51	100
India New Vision Generation	India	May 17, 2013	Full	100	100
E.magine	United States	June 1, 2013	Full	80	100
PSA Nilo	Brazil	June 10, 2013	Full	51	100
Classic Optical	United States	July 1, 2013	Full	95	100
VIP Optical	United States	July 1, 2013	Full	100	100
PT Polyvisi Rama Optik	Indonesia	July 1, 2013	Full	49	100
PT Supravisi Rama Optik Manufacturing	Indonesia	July 1, 2013	Full	49	100
Polycore Optical (Malaysia) Sdn Bhd	Malaysia	July 1, 2013	Full	50	100
B.V. Nederlandse Optische Industrie	Netherlands	July 1, 2013	Full	50	100
Polycore Optical (HK) Limited	Hong-Kong	July 1, 2013	Full	50	100
Polyvision Inc.	United States	July 1, 2013	Full	50	100
Polycore Optical (Pte) Ltd	Singapore	July 1, 2013	Full	50	100
Brazil 2.5 New vision Generation	Brazil	July 22, 2013	Full	100	100
Shamir Optical Co Ltd	China	July 30, 2013	Full	50	100
Riverside	Canada	August 31, 2013	Full	61	100
Active Vision	Canada	August 31, 2013	Full	61	100
Clearlen	Canada	August 31, 2013	Full	61	100
SuperLab	Canada	August 31, 2013	Full	61	100

(a) Companies acquired or set up in prior years, consolidated for the first time in 2013.

3

Name	Country	Consolidated from	Consolidation method	% interest	% consolidated
UTMC	Canada	August 31, 2013	Full	61	100
AN Optical	Canada	August 31, 2013	Full	31	100
Benson Edwards	Canada	August 31, 2013	Full	50	100
Laboratoire d'Optique de Hull	Canada	August 31, 2013	Full	100	100
CPS 360 Optical	Canada	August 31, 2013	Full	50	100
Technologies Humanware Inc.	Canada	September 1, 2013	Full	63	100
Humanware Europe Ltd	United Kingdom	September 1, 2013	Full	63	100
Humanware USA Inc	United States	September 1, 2013	Full	63	100
Humanware Australia Pty Ltd.	Australia	September 1, 2013	Full	63	100
Katz & Klein	United States	September 4, 2013	Full	100	100
Essilor Management North & West Africa	Morocco	September 3, 2013	Full	100	100
Essilor Management Turkey	Turkey	October 10, 2013	Full	100	100
Xiamen Yarui Optical Co. Ltd	China	October 31, 2013	Full	50	100
Artgri Group International Pte Ltd	Singapore	October 31, 2013	Full	50	100
Xiamen Artgri Optical Co. Ltd.	China	October 31, 2013	Full	50	100
Cordless Network Service (Frame Displays)	United States	November 1, 2013	Full	80	100
Suntech Optics Inc.	Canada	November 25, 2013	Full	100	100
Bugaboos Eyewear Corporation	Canada	November 25, 2013	Full	100	100
Bugaboos Eyewear Inc.	United States	November 25, 2013	Full	100	100
Naked Eye Enterprises Inc.	Canada	November 25, 2013	Full	100	100
PureLab DLP Inc	Canada	December 2, 2013	Full	26	100
Comprol	Brazil	December 2, 2013	Full	51	100
R&D Cherry	United States	December 2, 2013	Full	80	100

The 2012 income statement also includes the contribution over the full year of the following companies that were consolidated for the first time in 2011:

Name	Country	Consolidated from	Consolidation method	% interest	% consolidated
Incheon Optics	South Korea	February 22, 2012	Full	40	100
Blue Optics	United States	February 29, 2012	Full	80	100
Cristal y Plastico S.A. de CV	Mexico	March 12, 2012	Full	51	100
Central Optical	United States	April 2, 2012	Full	60	100
Essilor Optica International Holding S.L	Spain	June 1, 2012	Full	100	100
Yeda Tora	Turkey	June 1, 2012	Full	70	100
Ipek	Turkey	June 1, 2012	Full	70	100
Optovision S.A.	Argentina	July 2, 2012	Full	51	100
Opak	Turkey	August 1, 2012	Full	51	100
Shamir Brasil Comercial Ltda.	Brazil	August 1, 2012	Full	50	100
Riachuelo	Brazil	August 10, 2012	Full	70	100
Balester Optical	United States	September 1, 2012	Full	100	100
Carskadden Optical	United States	October 1, 2012	Full	100	100
Hirsch Optical	United States	October 1, 2012	Full	100	100
Shamir Russia LLC	Russia	October 1, 2012	Full	50	100
Essiholding	France	November 1, 2012	Full	100	100
Essilor – Sivo	Tunisia	November 1, 2012	Full	55	100
Sicom	Tunisia	November 1, 2012	Full	55	100
Essilor Distribution Thailand Co. Ltd.	Thailand	November 1, 2012	Full	100	100
Sivo Togo	Togolese Republic	November 1, 2012	Full	28	100
Laboratoires Sivo Abidjan	Ivory Coast	November 1, 2012	Full	50	100
Codi – Sivo	Cameroon	November 1, 2012	Full	28	100
Sivom	Morocco	November 1, 2012	Full	28	100
Eye Buy Direct US	United States	November 1, 2012	Full	61	100
Eye Buy Direct HK	Hong Kong	November 1, 2012	Full	61	100
Eye Buy Direct China	China	November 1, 2012	Full	61	100
Eyewear LLC	United States	November 1, 2012	Full	61	100
Tian Hong	China	November 28, 2012	Full	50	100
X-Cell	United States	December 7, 2012	Full	80	100
Interactif Visual System	France	December 21, 2012	Full	68	100
IVS Technical Center	France	December 21, 2012	Full	68	100
Activ Screen	France	December 21, 2012	Full	68	100
Lenstech Optical Lab	United States	December 31, 2012	Full	80	100

Other movements

The Group's holding in the following companies has changed as a result of put options exercised by partners:

- GBO, from 51% to 74% on January 22, 2013;
- Unilab, from 71% to 75% on March 5, 2013;
- Spherical Optics from 25.5% to 100% on May 1, 2013;
- Focus Optical Labs from 90% to 100% on May 3, 2013;
- O'Max, from 85% to 100% on June 14, 2013;
- Optiben, from 65% to 80% on June 28, 2013;
- VST Lab, from 65% to 80% on June 28, 2013;
- Horizon Optical Company from 95% to 100% on June 28, 2013;
- Precision Optics from 60% to 100% on July 8, 2013;
- Frames and Lenses from 80% to 90% on July 12, 2013;
- Shamir Polska from 43% to 50% on August 1, 2013;

- Advance Optical Sales Co. from 90% to 95% on December 23, 2013;
- Pech Optical Corp. from 90% to 100% on December 23, 2013;
- Optics East from 80% to 100% on December 27, 2013;
- Future Optical from 80% to 100% on December 27, 2013;
- Opti Matrix from 80% to 100% on December 27, 2013.

2.3 Impact of changes in scope of consolidation and exchange rates

Balance sheet

The impact of changes in the scope of consolidation on the consolidated balance sheet is analyzed below:

€ millions	Newly consolidated companies 2013
Intangible assets	103
Property, plant and equipment	58
Investments in associates	0
Investments and other non-current assets	(5)
Other non-current assets	3
Current assets	96
Cash	34
TOTAL ASSETS ACQUIRED AT FAIR VALUE	**289**
Minority interests in equity	34
Long-term borrowings	31
Other long-term liabilities	21
Short-term borrowings	12
Other current liabilities	64
TOTAL LIABILITIES ASSUMED AT FAIR VALUE	**162**
NET ASSETS ACQUIRED[(a)]	**127**
Acquisition cost	639
Fair value of net assets acquired[(a)]	127
Post-acquisition retained earnings	0
Recognized goodwill	**512**

(a) Or consolidated during the period.

The amount recognized as goodwill is supported by projected synergistic benefits and the growth outlook of the acquired companies within the Group.

The fair value used for the assets and liabilities of acquisitions for the period is temporary and may be changed at a later date, after a final expert assessment or additional analyses. Any discrepancies resulting from the final valuation shall be recognized as a retrospective adjustment to goodwill if they take place within twelve months from the acquisition date.

Income statement

The methods for determining the impact of changes in scope of consolidation and exchange rates on the income statement are explained below.

Changes in performance indicators (revenues, contribution from operations, and operating profit) are apparent when broken down by their impact on the Group's acquisitions (scope of consolidation impact), on currency changes (foreign exchange impact) and on intrinsic operations, or growth on a like-for-like basis.

Impact of changes in consolidation scope:

- impact of changes in the scope of consolidation arising from acquisitions during the year is recorded in the subsidiaries' income statements, from their consolidation date, until December 31 of the current fiscal year;
- impact of changes in scope for companies acquired during the previous year consist of the subsidiaries' income statements for the year, since January 1 of the current fiscal year until the anniversary date of their consolidation;
- divested companies do not impact the change in scope of consolidation since no subsidiaries consolidated in full consolidation or proportionate consolidation were sold by the Group;
- major strategic acquisitions, i.e., those that represent highly significant amounts or correspond to a new area of business, are distinguished from "organic" acquisitions related to lower-value acquisitions within the Group's core businesses (prescription laboratories or factories).

Impact of foreign exchange changes:

- this is determined on a per-subsidiary basis by applying the average conversion rate from the previous year to the income statement for the current year for non-euro subsidiaries, restated for scope of consolidation impacts as above, and by calculating the change in this value relative to the income statement of the previous year for each subsidiary;
- as a result, the effects on the financial statements of subsidiaries stem from the currency conversion, rather than the currency itself.

Like-for-like growth is determined as the residual difference in apparent growth, less the impact of changes in the scope of consolidation and changes in exchange rates. Organic growth is growth on a like-for-like consolidation and exchange rate basis.

The overall effect of changes in scope of consolidation and exchange rates on revenue, contribution from operations and operating profit was as follows:

			Changes in scope of consolidation		
As a %	Like-for-like growth	o/w foreign exchange impact	o/w organic acquisitions	o/w strategic acquisitions(a)	Reported growth
Revenue	1.5	(3.9)	3.2	0.1	2.1
Contribution from operations	2.6	(4.0)	2.1	0.2	4.3
Operating profit	1.5	(4.0)	2.2	0.2	3.1

(a) Change in consolidation method for "Essilor Korea".

If the companies consolidated during the year (see Note 2.2 – Newly consolidated companies) were consolidated at January 1, 2013, the Group's 2013 revenue and profit attributable to Group equity holders could be estimated to have been as follows:

€ millions	2013 pro forma
Revenue	5,288
Profit attributable to Group equity holders	597

NOTE 3. Segment information

3.1 Information by business segment

2013 € millions	Lenses and Optical Instruments	Equipment	Readers	Eliminations	Group total
External revenue	4,505	205	355		5,065
Intra-segment revenue	4	60		(64)	
TOTAL REVENUE	**4,509**	**265**	**355**	**(64)**	**5,065**
Operating profit	764	33	46		843
Non-cash income and expenses	(32)				(32)
Interest income	18				18
Interest expense	(25)	(1)			(26)
Income tax expense	(177)	(10)	(12)		(199)
Share of profit of associates	22				22
Amortization, depreciation and impairment of property, plant and equipment and intangible assets	(204)	(10)	(39)		(253)
Acquisitions of property, plant and equipment & intangible assets	240	4	55		299
Non-current assets	2,947	331	928		4,206
Total assets	5,971	471	1,135		7,577
Provisions & retirement funds	306	20	14		340
Borrowings and payables	2,931	67	198		3,196

2012 € millions	Lenses and Optical Instruments	Equipment	Readers	Eliminations	Group total*
External revenue	4,446	199	344		4,989
Intra-segment revenue	4	61		(65)	
TOTAL REVENUE	**4,450**	**260**	**344**	**(65)**	**4,989**
Operating profit	753	36	42		831
Non-cash income and expenses	(28)				(28)
Interest income	17				17
Interest expense	(23)	(1)			(24)
Income tax expense	(185)	(11)	(11)		(207)
Share of profit of associates	24				24
Amortization, depreciation and impairment of property, plant and equipment and intangible assets	(204)	(10)	(35)		(249)
Acquisitions of property, plant and equipment & intangible assets	194	8	39		241
Non-current assets	2,700	346	663		3,709
Total assets	5,629	480	798		6,907
Provisions & retirement funds	309	24	7		340
Borrowings and payables	2,429	65	159		2,653

* *Adjusted to reflect the restatements arising from the application of IAS 19 (revised), as explained in Note 1.*

3.2 Information by geographical area

Revenue is shown by origin (billing country).

€ millions	Revenue		Non-current assets[a]	
	Year 2013	Year 2012	December 2013	December 2012
North America	2,197	2,203	859	814
Europe	1,651	1,644	450	465
Asia Oceania Middle East Africa	850	808	566	517
Latin America	367	334	83	81
TOTAL	**5,065**	**4,989**	**1,958**	**1,877**

(a) Non-current assets comprise property, plant and equipment and intangible assets, investments in associates, long-term financial investments, long-term receivables and other non-current assets.

The Group's top 20 customers accounted for 20.6% of revenue in 2013, and 21.1% in 2012.

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

NOTE 4. Personnel costs, depreciation and amortization

Personnel costs totaled €1,597 million in 2013 compared with €1,550 million in 2012 (see also **Note 29** – Number of employees and personnel costs).

Depreciation and amortization expenses amounted to €253 million in 2013 compared with €244 million in 2012.

NOTE 5. Other income and expenses

5.1 Restructuring costs and other income and expenses from operations

Net restructuring costs totaled €22 million in 2013 (€25 million in 2012). As in 2012, these costs resulted from the streamlining of plants in the United States and in Europe, and correspond to provisions, impairment losses or scrapping of non-current assets.

In 2013, other net operating income and expenses totaled €19 million (€25 million in 2012). These included fees related to disputes amounting to €5 million (€20 million in 2012) and strategic acquisition costs of €11 million (€2 million in 2012).

In 2013, income from assets disposals showed a loss of €1 million.

For 2012, income from disposals of assets showed a gain of €16 million, primarily consisting of the capital gain produced when the "Nikon-Essilor" and "Essilor Korea" joint ventures were fully consolidated, having previously been proportionately consolidated.

5.2 Share-based payments

Compensation costs on share-based payments are measured by the method described in Note 1.14.

€ millions	2013	2012
Stock subscription options	1	3
Performance shares[a]	31	24
Employee share issues		1
COMPENSATION COSTS ON SHARE-BASED PAYMENTS	**32**	**28**

(a) Including the employer contribution.

Stock subscription options

The exercise price of stock subscription options corresponds to the average of the share prices quoted over the 20 trading days preceding the date of the Board Meeting at which the grants are decided.

Gains on options granted since 2004 (corresponding to the difference between the average share price during the three calendar months prior to the month of exercise of the option and the exercise price) are capped at 100% of the exercise price.

Stock subscription options granted in 2006, 2007 and January 2008 are subject to vesting conditions based on the share performance over a period of 2 to 4 years, as well as to the 100% cap on gains.

Stock subscription options granted between November 2008 and November 2013 are subject to vesting conditions based on the share performance over a period of 2 to 6 years, as well as to the 100% cap on gains.

The main assumptions used to measure compensation costs on stock options granted in 2013 are as follows:

- share volatility: 18.40% (2012 grants: 17.61%);
- risk-free interest rate: 1.03% (2012 grants: 2.14%);
- yield: 1.44% (2012 grants: 1.55%).

Based on these assumptions, the fair value of options granted in 2013 amounted to €10.13 (€11.32 in 2012).

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

	Quantity	Weighted average exercise price (€)
STOCK SUBSCRIPTION OPTIONS AT JANUARY 1, 2013	**2,774,285**	**42.15**
Options exercised	(1,098,051)	40.98
Options canceled and expired	(60,679)	42.16
Options granted	87,880	77.29
STOCK SUBSCRIPTION OPTIONS AT DECEMBER 31, 2013	**1,703,435**	**44.72**
Stock subscription options at January 1, 2012	**5,473,086**	**38.41**
Options exercised	(2,700,390)	35.51
Options canceled and expired	(80,171)	40.42
Options granted	81,760	71.35
Stock subscription options at December 31, 2012	**2,774,285**	**42.15**

The average remaining life of outstanding options at December 31, 2013 was 3.1 years (2012: years): 3.9 years).

The weighted average price of Essilor shares in 2013 was €80.6 (2012: €68.9).

Performance shares

Since 2006, the Essilor group has launched performance share grants.

The number of shares vested at the end of a period of 2 to 6 years based on the grant date ranges from 0% to 100% of the number of shares originally granted, depending on the performance of the Essilor share compared with the reference price on the grant date (corresponding to the average of the prices quoted over the 20 trading days preceding the Board Meeting at which the grant is decided).

The maximum number of performance shares that would vest assuming that the vesting conditions were met is as follows:

- 2013 grants: 1,376,340 shares;
- 2012 grants: 1,274,980 shares.

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

	Quantity
PERFORMANCE SHARES AT JANUARY 1, 2013	**2,848,274**
Performance shares vested	(625,369)
Performance shares cancelled	(68,660)
Grants for the fiscal year	1,376,340
PERFORMANCE SHARES AT DECEMBER 31, 2013	**3,530,585**
Performance shares at January 1, 2012	**2,203,447**
Performance shares vested	(578,008)
Performance shares cancelled	(52,145)
Grants for the fiscal year	1,274,980
Performance shares at December 31, 2012	**2,848,274**

Plans dated November and December 2011 were finally granted during 2013 after performance conditions were met.

The main assumptions used to measure compensation costs on performance shares granted in 2013 are as follows:

- share volatility: 18.40% (2012 grants: 17.61%);
- risk-free interest rate: 1.09% (2012 grants: 2.14%);
- yield: 1.44% (2012 grants: 1.55%).

Based on these assumptions, the fair value of the shares granted in 2013 was €33.80 for non-residents of France (€36.33 in 2012) and €25.26 for French residents (€26.95 in 2012).

Employee share issues

The main parameters used to measure the cost of employee share issues recognized in 2013 are as follows:

Plan date	December 2013	December 2012
Share subscription price (€)	61.83	57.08
Total discount (€)	15.46	14.27
Number of shares subscribed	377,407	385,354
Discount on the share cash price on grant date represented by the lock-up clause	16.6%	22.1%
Share cash price on grant date (€)	74.30	75.66
Risk-free interest rate on the grant date	1.2%	0.6%
Refinancing cost	5.0%	6.0%
Cost recognized in profit or loss (€ thousands)	56	709

Based on these assumptions, the fair value of the shares subscribed in 2013 was €61.98 (€58.92 in 2012).

NOTE 6. Foreign exchange gains and losses

€ millions	2013	2012
Foreign exchange gains	84	85
Foreign exchange losses	(86)	(93)
Change in fair value of exchange rate instruments	1	1
FOREIGN EXCHANGE GAINS AND LOSSES	**(1)**	**(7)**

NOTE 7. Other financial income and expenses

€ millions	2013	2012
By nature		
Change in fair value of financial instruments	1	
Provisions for impairment of available-for-sale financial assets	(3)	
Dividends from available-for-sale financial assets		1
Other financial income and expenses	(9)	(5)
OTHER FINANCIAL INCOME AND EXPENSES	**(11)**	**(4)**

Other financial income and expenses mainly include discounting adjustments to financial expenses related to put options granted to minority shareholders, which amounted to €10 million in 2013 (*versus* €5 million in 2012).

NOTE 8. Income tax

8.1 Income tax gain (loss) for the period

€ millions	2013	2012[(a)]
Current tax	(200)	(221)
Deferred taxes	1	14
TOTAL	**(199)**	**(207)**

(a) Adjusted to reflect the restatements arising from the application of IAS 19 (revised), as explained in Note 1.

8.2 Income tax expense analysis

As a % of pre-tax profit	2013	2012
Standard French income tax rate	34.4	34.4
Differences in foreign tax rate impact	(6.5)	(8.0)
Impact of reduced rates and permanent differences between book and taxable profit	(3.2)	0.1
Other non-deductible/non-taxable items under local tax rules	(0.5)	(1.0)
EFFECTIVE INCOME TAX RATE	**24.2**	**25.5**

Since most of the deferred tax bases for French companies were for a term of over two years, the tax rate was not changed with regard to the exceptional contribution defined by the 2013 Supplementary Budget Act.

8.3 Change in deferred taxes recognized in the balance sheet

The change in net deferred taxes (assets – liabilities) recognized in the balance sheet can be analyzed as follows:

€ millions	2013	2012[(a)]
AT JANUARY 1	**(30)**	**(47)**
Deferred taxes recognized in equity	(4)	
Deferred tax income (expense) for the period, net	1	14
Effect of changes in scope of consolidation, exchange rate impacts and other movements	(20)	3
AT DECEMBER 31	**(53)**	**(30)**

(a) Adjusted to reflect the restatements arising from the application of IAS 19 (revised), as explained in Note 1.

8.4 Unrecognized deferred tax assets

€ millions	2013	2012
Tax loss carryforwards	49	54
Other unrecognized deferred tax assets	25	19
UNRECOGNIZED DEFERRED TAX ASSETS	**74**	**73**

8.5 Deferred taxes by type (net position)

€ millions	2013	2012
Elimination of intercompany profits	40	38
Differences in depreciation periods	(6)	(6)
Temporarily non-deductible provisions	9	25
Actuarial gains and losses	14	10
Assets and liabilities recognized on an acquisition	(147)	(126)
Assets and liabilities recognized on tax loss carryforwards	38	37
Other	(1)	(8)
TOTAL	**(53)**	**(30)**

Deferred taxes on share-based payments

On July 17, 2008, the French auditing authorities (*Compagnie Nationale des Commissaires aux Comptes* – CNCC) issued guidance requiring companies to recognize in income any tax savings realized on share-based payment plans, whether cash or equity-settled.

The deferred tax asset recognized as from 2008 is limited to the tax saving that the Company expects to realize on current share grant plans.

Tax consolidation

In France, Essilor International files a consolidated tax return with ESSILOR, TIKAI Vision (ex-Barbara), BBGR, BNL, DELAMARE, ESSIDEV, INVOPTIC, NOVISIA, OMI, OPTIM, FGX Holding France, Essiholding, OSE (not consolidated), and VARILUX UNIVERSITY (not consolidated) and pays the corporate income tax due by the tax group. In 2013, the subsidiaries in the tax group generated a tax benefit of €3 million (2012: €4 million).

Provision for tax risks

Following various tax audits and proceedings underway within the Group, provisions totaling €21 million were recognized at December 31, 2012. These provisions were adjusted to €17 million at December 31, 2013.

NOTE 9. Change in number of shares

The shares have a par value of €0.18.

9.1 Change in real number of shares, excluding treasury stock

	2013	2012
NUMBER OF SHARES ATJANUARY 1	**210,336,563**	**208,675,170**
Exercise of stock subscription options	1,098,051	2,700,390
Subscription of the Essilor group FCP mutual fund	377,407	385,354
Sales of treasury shares held for performance share grants	625,369	578,008
(Purchases) and sales of treasury stock	(2,192,298)	(2,002,359)
NUMBER OF SHARES AT DECEMBER 31, 2013	**210,245,092**	**210,336,563**
Number of treasury shares eliminated	4,454,406	4,387,477

9.2 Change in weighted average number of shares, excluding treasury stock

	2013	2012
NUMBER OF SHARES AT JANUARY 1	**210,336,563**	**208,675,170**
Exercise of stock subscription options	612,602	1,210,098
Subscription of the Essilor group FCP mutual fund	11,374	10,529
Sales of treasury shares held for performance share grants	49,441	44,362
(Purchases) and sales of treasury stock	(854,430)	(1,676,004)
WEIGHTED AVERAGE NUMBER OF SHARES FOR THE FISCAL YEAR	**210,155,550**	**208,264,155**

In 2013, 1,500,000 treasury shares were canceled, compared with 2,400,000 in 2012.

NOTE 10. Diluted earnings per share

Profit used for the calculation of diluted earnings per share is €593 million (€584 million in 2012).

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

	2013	2012
Weighted average number of shares	**210,155,550**	**208,264,155**
Dilutive effect of stock subscription options	747,179	1,056,070
Dilutive effect of performance share grants	2,154,245	1,695,218
DILUTED WEIGHTED AVERAGE NUMBER OF SHARES	**213,056,974**	**211,015,443**

NOTE 11. Goodwill

€ millions	Opening value	Newly consolidated	Other changes in scope and other movements	Translation difference	Provisions for impairment losses	Closing value
2013						
Gross amount	2,101	512	34	(158)		2,489
Provisions	14			(1)		13
NET AMOUNT	**2,087**	**512**	**34**	**(157)**		**2,476**
2012						
Gross amount	1,897	198	40	(34)		2,101
Impairment losses	14					14
NET AMOUNT	**1,883**	**198**	**40**	**(34)**		**2,087**

The main increases in goodwill resulted from:

- in 2013, acquisitions of Xiamen Yarui Optical, Humanware and Polycore, and of lens distribution companies and various laboratories, in particular, in Colombia, Turkey, the United States, Brazil, South Africa and Taiwan;
- in 2012, acquisitions of several laboratories in Latin America, the United States and Asia, distribution companies in China and instrument companies in France.

Goodwill for companies acquired during the year is based on the provisional accounting for the business combination and may be adjusted during the 12-month period from the acquisition date.

Since January 1, 2010, the Essilor group has for the most part applied the so-called "full goodwill" method for acquisitions for which there was a commitment to redeem minority interests. The fair value of the minority interests is determined by estimating the future price to be paid for said minority interests.

When there is an acquisition with no option to redeem minority interests, the Group usually applies the so-called "partial goodwill" method.

The carrying amount of goodwill breaks down as follows by group of CGUs:

€ millions	2013	2012
Lenses – Europe	282	280
Lenses – North America	769	707
Lenses – South America	193	138
Lenses – Asia Oceania Middle East Africa	431	353
Equipment	267	273
Readers	534	336
TOTAL	**2,476**	**2,087**

N.B.: the assets of the CGU plants are reallocated to other groups of CGUs for testing purposes.

Goodwill impairment tests were conducted on June 30, 2013, and reviewed on December 31, 2013 in line with the principles and methods defined in Note 1.21.

The Company's weighted average cost of capital for 2013 was 7% (2012: 7%). As shown in Note 1.21, the Group had seven groups of CGUs in 2013. Given the risk premiums calculated, the actual discount rates applied to the groups of CGUs of the Group were as follows:

As a %	2013	2012
Lenses – Europe	8	8
Lenses – North America	7	7
Lenses – South America[(a)]	14	16
Lenses – Asia, Oceania, Middle East, Africa	10	N.A.[(b)]
ASEAN	N.A.	7
Japan	N.A.	7
Korea	N.A.	9
India	N.A.	14
China	N.A.	9
Australia and New Zealand	N.A.	9
Africa and the Middle East	N.A.	11
Laboratory equipment	7	7
Readers	7	7
Plants[(c)]	8	8

(a) Primarily Brazil.
(b) Not applicable.
(c) Group of CGUs reallocated to various other groups of CGUs depending on sales volumes.

The perpetuity growth rate was estimated at 0% to 2% (2012: 0% to 2%), with the highest rates applied to emerging markets.

No impairment losses were recognized on goodwill in 2012 and 2013.

Changes that must be made to parameters of revenue growth and the Group's weighted average cost of capital (WACC) in order to compare the assets' recoverable amount with their carrying amount do not correspond to the definition of reasonable change within the meaning of IAS 36.

A 0.5% increase in the benchmark discount rate would not generate any impairment loss on the net carrying amount of goodwill as of 31 December 2013.

A 0.5% decrease in the growth rate at infinity would not generate any impairment loss on in the carrying amount of goodwill as of 31 December 2013.

NOTE 12. Other intangible assets

€ millions	At the Beginning of the fiscal year	Changes in scope of consolidation movements	Acquisitions	Disposals and retirement	Translation difference	Amortization depreciation and and impairment losses	At the end of the fiscal year
2013							
Trademarks	232	53	27		(11)		301
Concessions, patents and licenses	306	1	38	2	(12)		331
Contractual customer relationships	285	51	6		(14)		328
Other intangible assets	132	11	36		(8)		171
GROSS AMOUNT	**955**	**116**	**107**	**2**	**(45)**		**1,131**
Accumulated depreciation	333	7		1	(15)	75	399
NET AMOUNT	**622**	**109**	**107**	**1**	**(30)**	**(75)**	**732**
2012							
Trademarks	236				(4)		232
Concessions, patents and licenses	265	34	14	2	(5)		306
Contractual customer relationships	227	63		1	(4)		285
Other intangible assets	119	(10)	28	3	(2)		132
GROSS AMOUNT	**847**	**87**	**42**	**6**	**(15)**		**955**
Accumulated depreciation	265	9		5	(5)	69	333
NET AMOUNT	**582**	**78**	**42**	**1**	**(10)**	**(69)**	**622**

Intangible assets in progress amounted to €8 million at December 31, 2013 (€9 million in 2012).

Trademarks with an indefinite useful life are mainly:

- the Lens business segment in North America for a net carrying amount of €38 million at December 31, 2013 (2012: €35 million);
- the Lens business segment in Asia – Oceania – Middle East – Africa for a net carrying amount of €15 million at December 31, 2013 (2012: €15 million);
- the Equipment business segment for a net carrying amount of €8 million at December 31, 2013 (2012: €8 million);
- the Readers business segment for a net carrying amount of €155 million at December 31, 2013 (2012: €162 million).

Trademarks with an indefinite useful life are not amortized. They are tested for impairment at least once a year or whenever an adverse event occurs.

The discounted cash flow method is used, generally with a royalty-based approach. This method involves estimating the value of the trademark by applying a royalty rate to forecast revenue that is consistent with the rates usually demanded for the use of similar trademarks. The discount rate and long-term growth rates employed are determined based on the economic environment in which the trademark operates.

Brand evaluation tests during the year did not cause a depreciation of assets.

NOTE 13. Property, plant and equipment

€ millions	At the beginning of the fiscal year	Changes in scope and other movements	Acquisitions	Disposals and reti-rement	Translation difference	Provisions amortization and impairment losses	At the end of the fiscal year
2013							
Land	49	4		1	(4)		48
Buildings	606	41	31	9	(35)		634
Plant and equipment	1,592	62	76	44	(97)		1,589
Other	457	(13)	85	30	(25)		474
GROSS AMOUNT	**2,704**	**94**	**192**	**84**	**(161)**		**2,745**
Accumulated depreciation	1,704	34		69	(100)	178	1,747
CARRYING AMOUNT	**1,000**	**60**	**192**	**15**	**(61)**	**(178)**	**998**
2012							
Land	42	8			(1)		49
Buildings	549	55	23	11	(10)		606
Plant and equipment	1,497	96	79	67	(13)		1,592
Other	420	(27)	99	29	(6)		457
GROSS AMOUNT	**2,508**	**132**	**201**	**107**	**(30)**		**2,704**
Accumulated depreciation	1,553	84		94	(19)	180	1,704
NET AMOUNT	**955**	**48**	**201**	**13**	**(11)**	**(180)**	**1,000**

The carrying amount of property, plant and equipment – including assets under finance leases – held by consolidated companies was €998 million at the end of 2013 (€1,000 million at the end of 2012). These assets consist mainly of buildings and production plant and equipment:

- buildings consist mainly of plants, prescription laboratories and administrative offices. Their locations reflect the Group's broad international presence. The main plants, laboratories and administrative offices are located in France and the United States, while other plants are located primarily in Ireland, Thailand and the Philippines;
- production plant and equipment include machines and equipment for producing semi-finished and finished lenses in plants located mainly in Asia (Thailand, China, and the Philippines) and in the United States.

The prescription laboratories also have machines and equipment for surfacing, coating, edging and mounting lenses. Their locations are extremely diverse. The largest sites are in France and in the United States.

Assets under construction amounted to €60 million at December 31, 2013 (€80 million at the end of 2012).

NOTE 14. Property, plant and equipment: finance leases

€ millions	At the beginning of the fiscal year	Changes in scope and other movements	Acquisitions	Disposals and reti-rement	Translation difference	Provisions amortization and impairment losses	At the end of the fiscal year
2013							
Land	1	1					2
Buildings	14	(1)					13
Other	23		2	1			24
GROSS AMOUNT	**38**		**2**	**1**			**39**
Accumulated depreciation	26			1		3	28
NET AMOUNT	**12**		**2**			**(3)**	**11**
2012							
Land	1						1
Buildings	14						14
Other	21	2	1	1			23
GROSS AMOUNT	**36**	**2**	**1**	**1**			**38**
Accumulated depreciation	24	1		1		2	26
CARRYING AMOUNT	**12**	**1**	**1**			**(2)**	**12**

NOTE 15. Investments in associates

Investments in associates are as follows:

		2013		2012	
Company	**Country**	**% Interest**	**% Control**	**% Interest**	**% Control**
Transitions group	[(a)]	49	49	49	49
Shamir Optispeed	South Africa	25	25	13	25
Shamir Emerald	South Africa	0	0	14	28
VisionWeb	United States	44	44	44	44

(a) See Note 34 for more details.

The accounting policies and methods applied by associates comply with IFRS and are the same as the Group's accounting policies.

Essilor's share of these companies' equity – corresponding to the carrying amount of its investment – and of their after-tax profits is as follows (the amounts shown correspond to the ownership interest held):

€ millions	2013 Share of equity	2013 Share of net profit	2012 Share of equity	2012 Share of net profit
Transitions group	124	22	121	24
Shamir Optispeed & Shamir Emerald	0	0	0	0
VisionWeb[a]	(11)	0	(11)	0
TOTAL	**113**	**22**	**110**	**24**

(a) In addition to its original investment, the Company holds long-term interests that form an integral part of its net investment in VisionWeb.

In accordance with IAS 28.29 and IAS 28.30, if the Company's share of losses of an associate equals or exceeds its interest in the associate, it discontinues recognizing its share of further losses. If the associate subsequently reports profits, the Company resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

Essilor International's share of associates' combined balance sheets

€ millions	December 2013	December 2012
Intangible assets and property, plant and equipment, net	47	48
Other non-current assets	10	27
Current assets	145	114
Non-current liabilities	3	8
Current liabilities	86	73

NOTE 16. Other non-current financial assets

Long-term financial investments fulfill the criteria for classification as "available-for-sale financial assets" under IAS 39 (see Note 1.24).

€ millions	At the beginning of fiscal year	Changes in scope of and other movements	Acquisitions, new loans	Disposals, repay-ments	Transla-tion diffe-rence	Reeval.	Net allocation to provisions	At the end of the fiscal year
2013								
Investments and other non-current assets at fair value	**39**	**(22)**	**3**			**(1)**	**(2)**	**17**
Non-consolidated interests	37	(22)	3			(1)	(2)	15
Other available-for-sale financial assets	2							2
Investments and other non-current assets at amortized cost	**80**	**(3)**	**10**	**4**	**(3)**			**80**
Loans, including accrued interest	81	(2)	10	4	(3)			82
Provisions	1	1	0	0	0			2
Other long-term financial assets	**119**	**(25)**	**13**	**4**	**(3)**	**(1)**	**(2)**	**97**
2012								
Investments and other non-current assets at fair value	**32**	**(7)**	**13**	**1**		**2**		**39**
Non-consolidated interests	29	(7)	13			2		37
Other available-for-sale financial assets	3			1				2
Investments and other non-current assets at amortized cost	**61**	**4**	**18**	**2**	**(1)**			**80**
Loans, including accrued interest	61	5	18	2	(1)			81
Provisions		1						1
Other long-term financial assets	**93**	**(3)**	**31**	**3**	**(1)**	**2**		**119**

NOTE 17. Inventories

€ millions	2013	2012
Raw materials and other supplies	327	339
Goods for resale	194	172
Finished and semi-finished products and work in progress	496	463
GROSS AMOUNT	**1,017**	**974**
Valuation allowance	(148)	(144)
NET AMOUNT	**869**	**830**

NOTE 18. Short-term receivables and payables

Short-term receivables break down as follows:

€ millions	2013	2012
Trade receivables		
Gross amount	1,152	1,112
Valuation allowance	(65)	(57)
Net amount of trade receivables	**1,087**	**1,055**
Other short-term receivables		
Gross amount	106	93
Valuation allowance	(1)	
Net amount of other operating receivables	**105**	**93**
TOTAL SHORT-TERM RECEIVABLES, NET	**1,192**	**1,148**

Short-term payables break down as follows:

€ millions	2013	2012
Trade payables	502	489
Accrued taxes and personnel expense	276	267
Other short-term payables	282	259
TOTAL SHORT-TERM PAYABLES	**1,060**	**1,015**

NOTE 19. Cash and cash equivalents

Cash and cash equivalents break down as follows:

€ millions	2013	2012
Cash	396	381
Money market funds	304	135
Bank deposits	70	100
Other cash equivalents	16	45
TOTAL	**786**	**661**

NOTE 20. Pension and other post-retirement benefit obligations

Due to the retrospective nature of the entry into force of the revised IAS 19 (Employee benefits), the 2012 financial data appearing in this note have been restated in accordance with the standard (see Note 1.4).

The Group's pension and other post-retirement benefit obligations mainly include:

- supplementary pension plans in France, Germany, the United Kingdom and the United States;
- retirement benefits granted to employees in France and other European countries;
- other long-term benefits, consisting mainly of length-of-service awards granted in France and other countries.

Provisions for pensions

€ millions	2013	2012
Non-current assets (plan surpluses)	1	1
Provisions for pensions in liabilities	209	213

Analysis of changes in net recognized benefit obligations

€ millions	Obligation	Fair value of funds	Other	Net recognized benefit obligations
AT DECEMBER 31, 2012	**326**	**(114)**		**212**
Cost of services rendered in the period	11			11
Interest expense on discounting	9			9
Interest income for the period		(3)		(3)
Cost of past services	(1)			(1)
Employee contributions	1	(1)		0
Contributions to plan assets		(12)		(12)
Benefits paid	(18)	18		0
Actuarial gains and losses	(5)	(1)		(6)
Plan reduction and liquidation	(2)	2		0
Other movements	0			0
Changes in scope of consolidation	2			2
Translation difference	(10)	6		(4)
AT DECEMBER 31, 2013	**313**	**(105)**		**208**
of which Obligations funded in whole or in part by a fund	160			160
of which Obligations not funded by a plan assets	153			153

€ millions	Obligation	Fair value of funds	Other	Net recognized benefit obligations
AT JANUARY 1, 2012	**268**	**(83)**		**185**
Cost of services rendered in the period	10			10
Interest expense on discounting	11			11
Interest income for the period		(3)		(3)
Cost of past services	0			0
Employee contributions	1	(1)		0
Contributions to plan assets		(27)		(27)
Benefits paid	(17)	17		0
Actuarial gains and losses	38	(8)		30
Plan reduction and liquidation	(1)			(1)
Other movements	3	(2)		1
Changes in scope of consolidation	16	(8)		8
Translation difference	(3)	1		(2)
AT DECEMBER 31, 2012	**326**	**(114)**		**212**
of which Obligations funded in whole or in part by a fund	168			168
of which Obligations not funded by a plan assets	158			158

Analysis of change in actuarial gains and losses recognized in equity

€ millions	2013	2012
Actuarial gains (losses) recognized in equity at opening	**98**	**68**
Gains (losses) recognized over the period	(6)	30
Translation difference	(2)	0
Actuarial gains (losses) recognized in equity at closing	**90**	**98**

Analysis of rights

€ millions	Obligation	Funds	Net obligation 2013
Pensions (supplementary and guaranteed income plans)	231	(97)	134
Retirement benefits	57	(7)	50
Other benefits	25	(1)	24
TOTAL	**313**	**(105)**	**208**

€ millions	Obligation	Funds	Net obligation 2012
Pensions (supplementary and guaranteed income plans)	244	(106)	138
Retirement benefits	57	(8)	49
Other benefits	25	0	25
TOTAL	**326**	**(114)**	**212**

Actuarial assumptions used to estimate commitments in the main countries concerned

A major assumption taken into account in the valuation of pensions and similar obligations is the discount rate. In accordance with IAS 19, the rates were determined by monetary zone by referring to the return on premium private bonds with a maturity equal to the term of the plans, or the return on government bonds when the private market has insufficient liquidity.

The return on plan assets is determined based on the allocation of the assets and the discount rates used.

The main rates used by the Group are on follows:

As a %	2013			2012		
	Euro zone	United States	United Kingdom	Euro zone	United States	United Kingdom
Discount rate	3.3	5.0	4.4	3.2	3.8	4.1
Inflation rate	2.0	3.5	3.5	2.0	3.5	3.0
Weighted average rate of return on plan assets		3.7			4.2	
Weighted average rate of salary increases		2.0			1.9	

The discount rate used for length-of-service awards in France was 3.3% in 2013 (3.2% in 2012).

Additionally, had the discount rate been 25 basis points lower than the rate actually applied, the total obligation of the Group at December 31, 2013 would have been €11 million higher. If the discount rate had been 25 basis points higher than the rate actually applied, the total obligation of the Group at December 31, 2013 would have been €13 million lower.

Additionally, had salaries been 25 basis points lower than the salaries actually applied, the total obligation of the Group at December 31, 2013 would have been €3 million lower. If salaries had been 25 basis points higher than the salaries actually applied, the total obligation of the Group at December 31, 2013 would have been €4 million higher.

The recognized actuarial gains or losses correspond to experience adjustments (differences between assumptions used and actual data) and changes in financial and demographic assumptions.

In 2013, actuarial gains or losses in terms of projected benefit obligations at closing were -€1 million as a result of experience adjustments, -€6 million as a result of changes in financial assumptions and +€1 million as a result of changes in demographic assumptions.

Composition by type of plan assets

As a %	2013	2012
Shares	18	18
Bonds	33	32
General insurance funds	49	50

Actual returns on plan assets were €4 million in 2013 (2012: €11 million).

At December 31, 2013, plan assets did not include any Group shares.

Assets associated with funded obligations are invested in pension funds or insurance companies. Investments comply with local regulations in the countries in question.

Invested assets are managed directly by pension fund managers or insurance companies. They determine appropriate investment strategies and funding allocations.

Expenses for the year

Income (expenses) € millions	**2013**	**2012**
Cost of services rendered in the period	(11)	(11)
Interest expense on discounting and interest income	(6)	(7)
Actuarial gains and losses on short-term benefits	0	0
Plan reduction and liquidation		1
Expenses for the year	**(17)**	**(17)**
Contributions to plan assets	4	20
Benefits paid	8	7
TOTAL INCREASE (DECREASE) IN PROVISIONS	**(5)**	**10**

NOTE 21. Provisions

€ millions	At the beginning of the fiscal year	Provisions for the fiscal year	Utilizations for the fiscal year	Reversals not applicable	Translation difference	Scope	Other movements	At the end of the fiscal year
2013								
Provisions for losses in subsidiaries and affiliates	1							1
Restructuring provisions	8	5	(5)		(1)			7
Warranty provisions	25	3	(3)		(1)	1		25
Other	93	12	(5)	(13)	(1)	12		98
TOTAL	**127**	**20**	**(13)**	**(13)**	**(3)**	**13**		**131**
2012								
Provisions for losses in subsidiaries and affiliates						1		1
Restructuring provisions	9	7	(9)	(1)		1	1	8
Warranty provisions	24	3	(1)	(1)	(1)	1		25
Other	108	27	(19)	(20)		(1)	(2)	93
TOTAL	**141**	**37**	**(29)**	**(22)**	**(1)**	**2**	**(1)**	**127**

Provisions for other risks at December 31, 2013 include in particular provisions for tax audits and litigation affecting income tax and other taxes for a total amount of €17 million (€21 million at December 31, 2012), and the provision of €51 million created for potential violations of the cartel laws in Germany (€51 million at December 31, 2012, see Note 28 – Litigation). Other provisions recognized in this item are individually not significant.

NOTE 22. Net debt and borrowings

22.1. Net debt

The Group's net debt can be analyzed as follows:

€ millions[a]	2013	2012
Long-term borrowings	607	526
Short-term borrowings	525	306
Short-term bank loans and overdrafts	37	81
Accrued interest	5	3
TOTAL LIABILITIES	**1,174**	**916**
Cash and cash equivalents	(786)	(661)
Marketable securities[b]	(5)	(6)
TOTAL ASSETS	**(791)**	**(667)**
CROSS CURRENCY SWAP [c]	**(14)**	**(12)**
NET DEBT	**369**	**237**

(a) Sign convention: + debt/- excess cash or securities.
(b) Marketable securities are included by the Group in net debt (Note 1.28).
(c) The Cross Currency Swap is valued at fair market value at December 31 of every year (see Note 23.2).

Long-term borrowings

At December 31, 2013, the Group's long-term financing structure was as follows:

€ millions	2013	2012	Issue date	Maturity
Bank loan		250	2007	2014
US private placement (2 tranches)	217	227	2012	2017/2019
US private placement (7 tranches)	363		2013	2017/2023
Other	27	49		
LONG-TERM BORROWINGS	**607**	**526**		

Private placements are subject to a financial covenant, which was met on December 31, 2013.

Short-term borrowings

At December 31, 2013, the Group's short-term financing structure was as follows:

€ millions	2013	2012	Issue date	Maturity
Bank loan	250		2007	2014
Commercial paper (program)	215	130	2013	2014
Syndicated credit facility		148	2007	2013
Bank overdraft	37	81		
Other	65	31		
SHORT-TERM BORROWINGS	**567**	**390**		

22.2 Borrowings

Financial debt by maturity

Borrowings can be analyzed as follows by maturity:

€ millions	2013	2012
Due within one year	567	390
Due in 1 to 5 years	316	450
Due beyond 5 years	291	76
TOTAL	**1,174**	**916**

Financial debt by currency

Borrowings break down as follows by currency:

€ millions	2013	2012
US dollar	877	643
Euro	234	172
Other currencies	63	101
TOTAL	**1,174**	**916**

Fair value of debt

The fair value of borrowings is as follows:

€ millions	2013	2012
Long-term borrowings	626	514
Short-term borrowings	543	305
Short-term bank loans, overdrafts and accrued interest	42	85
TOTAL	**1,211**	**904**

Finance lease liabilities

	2013		2012	
€ millions	Principal	Interest	Principal	Interest
Due within one year	0	0	2	0
Due in 1 to 5 years	4	0	4	0
Due beyond 5 years				
TOTAL FINANCE LEASE LIABILITIES	**4**	**0**	**6**	**0**

NOTE 23. Financial instruments

23.1 Financial instruments recognized in the balance sheet

Financial instruments carried in the consolidated balance sheet at December 31, 2013 and 2012 fall into the following categories:

		Category of instruments				
2013 € millions	Balance sheet value	Fair value recognized in profit or loss	Fair value recognized in equity(a)	Loans, receivables	Debts at amortized cost	Derivative instruments
Non-current financial assets	97		17	80		
Long-term receivables	17			17		
Prepayments to suppliers	16			16		
Short-term receivables	1,192			1,192		
Tax receivables	67			67		
Other receivables	33			33		
Derivative financial assets	17					17
Marketable securities	5		5			
Cash and cash equivalents	786	786				
FINANCIAL ASSETS	**2,230**	**786**	**22**	**1,405**		**17**
Long-term borrowings	607				607	
Other long-term liabilities	517		331		186	
Short-term borrowings	567				567	
Customer prepayments	28				28	
Short-term payables	1,060				1,060	
Tax payables	63				63	
Other current liabilities	156		64		92	
Derivative financial liabilities	17					17
FINANCIAL LIABILITIES	**3,015**		**395**		**2,603**	**17**

(a) Assets available for sale as defined by IAS 39, liabilities revalued in accordance with the accounting policies described in Note 1.33.

2012 € millions	Balance sheet value	Category of instruments Fair value recognized in profit or loss	Fair value recognized in equity[(a)]	Loans, receivables	Debts at amortized cost	Derivatives
Non-current financial assets	119		40	79		
Long-term receivables	25			25		
Prepayments to suppliers	16			16		
Short-term receivables	1,148			1,148		
Tax receivables	56			56		
Other receivables	36			36		
Derivative financial assets	34					34
Marketable securities	6		6			
Cash and cash equivalents	661	661				
FINANCIAL ASSETS	**2,101**	**661**	**46**	**1,360**		**34**
Long-term borrowings	526				526	
Other long-term liabilities	233		229		4	
Short-term borrowings	390				390	
Customer prepayments	17				17	
Short-term payables	1,015				1,015	
Tax payables	76				76	
Other current liabilities	208		65		143	
Derivative financial liabilities	30					30
FINANCIAL LIABILITIES	**2,495**		**294**		**2,171**	**30**

(a) Assets available for sale as defined by IAS 39, liabilities revalued in accordance with the accounting policies described in Note 1.33.

Financial assets and liabilities (including operating receivables and payables) at December 31, 2013 break down as follows by contractual maturity:

€ millions	Less than one year	1 to 5 years	Beyond 5 years	Total Treasury
Financial liabilities other than financial instruments	(1,875)	(756)	(367)	(2,998)
Financial assets other than financial instruments	2,141	57	15	2,213
Net fair value of financial instruments	5	(5)	0	0
NET POSITION	**271**	**(704)**	**(352)**	**(785)**

23.2 Market value of derivative instruments

Certain derivatives and certain types of transactions that in substance represent hedges do not qualify for hedge accounting under IAS 39. Gains and losses from the fair value measurement of these derivative instruments are recognized directly in financial income and expenses, in accordance with the criteria of IAS 39.

The market value of Group derivatives is presented below:

Market value by instrument type

€ millions	2013 Nominal	2013 Fair value	2012 Nominal	2012 Fair value
Forward Currency transactions	1,182	(9)	550	(1)
Currency options	68	0	1	0
Cross currency swap EUR/USD	250	14	250	12
Interest rate swaps USD	109	(5)	114	(7)
Interest rate options (caps)	86	0	88	0
TOTAL DERIVATIVE INSTRUMENTS	**1,695**	**0**	**1,003**	**4**

Market value by hedge type

€ millions	2013	2012
Cash flow hedges:		
■ Forward exchange contracts	(7)	
■ *Interest* rate swaps	(5)	(7)
Fair value hedges:		
■ Forward exchange contracts	0	0
■ *Cross currency swaps*	14	12
Instruments not qualifying for hedge accounting:		
■ Forward exchange contracts	(2)	(1)
■ Currency options	0	
■ Interest rate options (caps)	0	
MARKET VALUE OF DERIVATIVE INSTRUMENTS	**0**	**4**
Derivative financial instruments recognized in assets	17	34
Derivative financial instruments recognized in liabilities	(17)	(30)

In 2007, Essilor of America set up a fixed-rate borrowing of €250 million with maturity in 2014. This transaction is hedged via a cross-currency swap, which converted the initial borrowing into US dollars at a variable rate. This transaction is classified as a fair value hedge.

Forward foreign exchange transaction details at December 31, 2013 (nominal amount)

	Currency purchased													
€ millions	EUR	USD	THB	GBP	JPY	MXN	PHP	PLN	SGD	INR	AUD	CHF	Other	TOTAL
Currency sold														
EUR		483	22	58	21			18	1		4	2	2	611
USD	37		58		14	25	12		14	8				168
GBP	156	18												174
CAD	73	9												82
AUD	21	25												46
BRL		29												29
INR		13												13
SEK	11													11
SGD	9													9
THB					8									8
CHF	7													7
KRW		4												4
MXN	4													4
NZD	1										2			3
ZAR	3													3
TRY	3													3
Other	7	0												7
TOTAL	**332**	**581**	**80**	**58**	**43**	**25**	**12**	**18**	**15**	**8**	**6**	**2**	**2**	**1,182**

23.3 Profit (loss) on settling cash flow hedges

The effects on the gross margin of settling cash flow hedges set up at the end of the prior year are as follows: -€1 million for 2013, compared with +€2 million for 2012.

NOTE 24. Other current and non-current liabilities

€ millions	2013	2012
Liabilities related to long-term put options granted to minority shareholders	331	229
Trade payables and liabilities on long-term financial investments	186	4
TOTAL OTHER NON-CURRENT LIABILITIES	**517**	**233**
Liabilities to suppliers related to tangible and intangible fixed assets	6	5
Liabilities related to long-term financial investments	57	110
Liabilities related to short-term put options granted to minority shareholders	64	65
Other	29	28
TOTAL OTHER CURRENT LIABILITIES	**156**	**208**

NOTE 25. Off-balance sheet commitments

€ millions	2013	2012
Commitments given		
Guarantees and endorsements	89	95
Debt secured by collateral:		
■ Liabilities	0	0
■ Carrying amount of collateral	3	2
Commitments received		
Guarantees, endorsements and sureties received	2	6
Commitments under operating leases and for royalties		
Within one year	26	23
In 1 to 5 years	64	69
Beyond 5 years	6	14
TOTAL OPERATING LEASING COMMITMENTS	**96**	**106**

NOTE 26. Market risks

Market risks are managed by the Group Treasury Department. The head of this Department reports to the Chief Financial Officer, who is a member of the Executive Committee.

26.1 Liquidity risk

The Company's financing strategy is based on security: security over time through long-term financing, security in terms of the amounts available, and security in the diversity of its financing sources.

Generally speaking, the parent company negotiates with its banking partners for the lines necessary for the proper functioning of Group business activity and refinances the great majority of its subsidiaries in the short and medium term through cash pooling and inter-company loans.

The Group has the following confirmed credit facilities or bank loans with leading banks.

€ millions	Amount 2013	Issue date	Maturity
Syndicated credit facility	850	2013	2018[(a)]
Bilateral bank facilities	703	2012/2013	2015/2017
Acquisition loan	326	2013	2016

(a) With the option to extend for another 2 years.

Drawing down on these lines is not subject to any particular covenant.

At December 31, 2013, none of these lines had been drawned.

The distribution of the Group's net financial debt and available credit lines by contractual maturity at December 31, 2013 was as follows:

(Please also refer to Note 22 to the consolidated financial statements, Net debt and net borrowings)

€ millions	2014	2015	2016	2017	2018	2019	2020	>2020	Total
Commercial paper[a]					215				215
Bank loans[b]	295	9	3	9					316
US private placements				199	91	170	98	22	580
Bank overdraft									37
Other liabilities	6	5				1			12
GROSS DEBT	**338**	**14**	**3**	**208**	**306**	**171**	**98**	**22**	**1,160**
Cash	(786)								(786)
Marketable securities			(4)					(1)	(5)
NET DEBT[c]	**(448)**	**14**	**(1)**	**208**	**306**	**171**	**98**	**21**	**369**
Available committed credit facilities		235	476	318	850 [d]				1,879

(a) Commercial paper is set to mature in 2018 (maturity of credit facilities).
(b) Including cross currency swaps.
(c) > to 0: net debt; < to 0: net cash surplus.
(d) With the option to extend for another 2 years

26.2 Currency risk

In view of the fact that the Group operates in numerous countries, it is exposed to currency fluctuations. Exposures to currency risk are routinely hedged by the appropriate market instruments: forward currency purchases and sales or currency options. Foreign exchange market transactions are entered into solely to hedge risks arising on business operations. The Company does not carry out any currency trading transactions without any underlying commercial transaction.

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

All foreign exchange transactions are processed within predetermined management limits with the purpose of optimizing exchange rate risk hedging.

Commercial transactions, the payment of dividends, royalties and management fees from the subsidiaries are hedged within a range of 80 to 100% of the identified risk position.

Currency risks on financial transactions, such as business acquisitions and disposals and capital increases, are managed on a case-by-case basis according to the probability that the transaction will take place, using the most appropriate financial instruments.

The Group applies hedge accounting to currency transactions. Sometimes, even though the transactions are justified economically, they do not meet the conditions for being recorded as hedge accounting. In this case, the revaluation of currency transactions impacts the income statement.

The Group's total net currency exposure at December 31, 2013 represented an amount equivalent to some €108 million.

Consolidated exposure to currency risk on assets and liabilities at December 31, 2013

(assets and liabilities denominated in a currency other than the functional currency of the entity concerned)

€ millions	Balance sheet amount before hedging[a]	Hedges on balance sheet items[b]	Net exposure after hedging[c]	Cash flow hedges[d]
Exposed currency				
USD	78	18	96	60
EUR	(16)	0	(16)	2
JPY	(6)	8	2	42
GBP	11	(2)	9	(45)
CAD	3	0	3	(7)
Other	6	8	14	22
TOTAL	**76**	**32**	**108**	**74**

(a) > to 0: Assets to be hedged; < to 0: liabilities to be hedged.
(b) > to 0: Net currency purchases; < to 0: net currency sales.
(c) > to 0: Unhedged assets; < to 0: unhedged liabilities.
(d) > to 0: Currency purchase hedges; < to 0: currency sale hedges.

Sensitivity of equity and profit to changes in the fair value of derivatives at December 31, 2013

Sensitivity is calculated solely on the valuation of derivatives at the end of the year.

The impact of a change in fair value of the derivatives following a rise or fall in the euro *versus* all other currencies is presented below:

Impact of change (€ millions)

On equity		On Profit before tax	
+5% increase	**-5% increase**	**+5% increase**	**-5% increase**
0.0	(1.2)	0.1	0.7

The impact of the change in equity would be generated by foreign exchange and interest rate instruments eligible to be recorded as cash flow hedges.

The impact of the change in financial income is generated by foreign exchange instruments not eligible to be recorded as hedges and by the change in the ineffective portion of the cash flow hedges.

26.3 Interest rate risk

The objective of the interest rate risk management policy is to minimize financing costs while protecting the Group from an adverse change in interest rates.

Since the great majority of Group financing is concentrated on the parent company, interest rate risk management is also centralized there.

The interest rate position before and after hedging is as follows:

€ millions	Before hedging		Hedges[a]			After hedging[a]		
	Fixed rate	Variable rate	Fixed rate	Variable rate	Cap	Fixed rate	Variable rate	Capped variable rate
Gross debt	824	350	(141)	41	86	683	391	86
Cash and similar	(5)	(786)				(5)	(786)	
SUB-TOTAL	**819**	**(436)**	**(141)**	**41**	**86**	**678**	**(395)**	**86**
NET DEBT		**383**			**(14)**			**369**

(a) Including fair value of cross currency swap.

The interest rate position, by currency, before and after hedging is as follows:

€ millions	Before hedging		Hedges[a]			After hedging[a]		
	Fixed rate	Variable rate	Fixed rate	Variable rate	Cap	Fixed rate	Variable rate	Capped variable rate
EUR	255	(171)	(250)	(10)	50	5	(181)	50
USD	547	(41)	109	(53)	36	656	(94)	36
Other	17	(224)		104		17	(120)	
SUB-TOTAL	**819**	**(436)**	**(141)**	**41**	**86**	**678**	**(395)**	**86**
NET DEBT		**383**			**(14)**			**369**

(a) Including fair value of cross currency swap.

As of December 31, 2013, 58% of gross debt after hedging was at fixed rate (*versus* 41% in 2012).

The actual average weighted interest rate was 2.10% at the end of 2013 (1.68% at the end of 2012).

A parallel shift by 1% of the interest rate curves at December 31, 2013 applied to the components of net debt would have the following impact:

€ millions	Cash effect on income statement
1% increase	3
1% decrease	(3)

The distribution of the net financial debt by currency is as follows :

€ millions	Gross debt	Cash and similar	Hedges[a]	Net debt after hedging[a]
EUR	484	(400)	(210)	(126)
USD	627	(121)	92	598
BRL	2	(20)		(18)
KRW		(28)		(28)
JPY		(31)		(31)
GBP		(7)	45	38
CNY	2	(26)	0	(24)
CAD	0	(25)	63	38
SGD	2	(27)	9	(16)
Other	57	(106)	(13)	(62)
SUB-TOTAL	**1,174**	**(791)**	**(14)**	**369**
NET DEBT		**383**	**(14)**	**369**

(a) Including market value of cross currency swap.

26.4 Counterparty risk

Available cash is invested in accordance with the two overarching principles of security and liquidity.

The Group sets limits on investment periods and vehicles, as well as on concentrations of counterparty risks.

At December 31, 2013, counterparties for investment and capital markets transactions carried out by the Group Treasury Department were all rated at least A-2 (short-term) and A- (long-term) by Standard & Poor's. At that date, 71% of investments made by Group subsidiaries had a minimum Standard & Poor's long-term rating of A-.

At December 31, 2013, all the banks providing Essilor International with credit facilities had a minimum Standard & Poor's long-term rating of A-.

26.5 Credit risk

Non-provisioned outstanding customer accounts receivable due totaled €169 million at December 31, 2013 (€122 million at December 31, 2012). This was comprised mostly of receivables due in less than 3 months (88.8% in 2013; 85.9% in 2012) that were slightly past due.

€ millions	2013	2012
Trade receivables due within one year, net	1,087	1,055
Trade receivables due beyond one year, net	17	25
TRADE RECEIVABLES, NET	**1,104**	**1,080**
Trade receivables not yet due	897	917
Past-due trade receivables, net	207	163
Guarantees received, recoverable VAT	(38)	(41)
Past-due trade receivables, net of provisions and guarantees	169	122

Information relating to the twenty largest Group clients is presented in Note 3, Segment Information.

NOTE 27. Environmental risks

The Company is not exposed to any material environmental risks.

NOTE 28. Litigation

The accounting principals applied to provisions for contingencies is presented in Note 1.32 of the accounting principles in the notes to the consolidated financial statements. Moreover, Note 5.1 to these consolidated financial statements as at 31 December 2013 presents the details of the other operating income and expenses and Note 21 presents activity in provisions.

The main disputes facing the Company are:

Germany

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

Following this investigation, on June 10, 2010, the BKA sent formal notification of fines to the major ophthalmic optic companies in Germany. Accordingly, our two subsidiaries were officially notified of violations representing an aggregate amount of around €50 million.

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

Following the receipt of the notices from the BKA, the Group booked provisions of €51 million in its December 31, 2010 consolidated financial statements.

Since that date, there have been no further developments in proceedings, other than the appointment of a new prosecutor in charge of the case. The provisions initially created were maintained in the accounts at December 31, 2013.

United States and Canada

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

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

Other disputes

To the knowledge of the Company, there is no other dispute, governmental or legal proceedings, or arbitration that may have or recently had significant impacts on the financial position, earnings, profitability, business activity, and assets of the Company or the Group.

NOTE 29. Number of employees and personnel costs

Number of employees	2013	2012
Managerial personnel	6,541	6,262
Supervisors and administrative	16,721	14,061
Production	29,700	29,889
TOTAL AVERAGE NUMBER OF EMPLOYEES FOR THE PERIOD	**52,962**	**50,212**

€ millions	2013	2012
PERSONNEL COSTS	**1,597**	**1,550**
(Salaries, payroll taxes and compensation costs on share-based payments)		

Number of employees	2013	2012
NUMBER OF EMPLOYEES AT THE END OF THE PERIOD	**55,129**	**50,668**
including employees of proportionately consolidated companies (on a 100%-basis)	18	14

NOTE 30. Related party transactions

Senior management compensation

€ millions	2013	2012
Total compensation and benefits paid to the Executive Committee[(a)]	14	13
Directors' fees paid to the Executive Committee		
TOTAL SENIOR MANAGEMENT COMPENSATION	**14**	**13**

(a) Gross amount before payroll and other taxes paid to current members of the Executive Committee at December 31.

The Executive Committee had 24 members at December 31, 2013 compared with 23 at December 31, 2012.

Post-employment benefits for Executive Committee members

- Defined-benefit obligations: €34.8 million at December 31, 2013 (€29.6 million at December 31, 2012).
- Length-of-service awards: €1.6 million at December 31, 2013 (€1.7 million at December 31, 2012).

These obligations are payable under Group plans set up by Essilor International for all employees or for certain employee categories. The obligations are funded under insured plans, with any unfunded portion covered by provisions. In addition, these obligations are fully funded by retirement provisions recorded in the Group financial statements.

Stock options and performance shares granted to Executive Committee members

The cost of these plans shown below reflects the recognition over the acquisition period of the fair value of stock options and performance shares at the grant date (see Note 1.14 for more details).

The costs recognized in 2013 for stock options and performance shares granted to Executive Committee members are as follows:

- €0 (2012: €1.1 million) for stock subscription options.
- €7.5 million (2012: €5.6 million) for performance shares.

Related party transactions

Related parties are companies accounted for by the equity method:

- Vision Web, 44%-owned by Essilor.

  Essilor of America laboratories use the Vision Web ordering system in the United States;

- Groupe Transitions, 49%-owned by Essilor.

  Essilor sells stock lenses to the Transitions group, for transformation into variable-tint lenses. Essilor also distributes Transitions products across its networks.

Balances and related party transactions

€ millions	2013	2012
Product sales	110	102
Product purchases	(424)	(398)
Trade receivables	25	15
Trade payables	62	59

Other related party transactions

There were no non-current transactions with members of Senior management.

NOTE 31. Subsequent events

Material changes in Essilor's financial or trading position

No material change in Essilor's financial or trading position has occurred since December 31, 2013.

New acquisitions

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

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

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

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

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

Transitions Optical Inc.

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

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

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

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

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

NOTE 32. List of fully-consolidated companies

Company	Country	% control	% interest
FRANCE			
Activ Screen	France	68	68
BBGR	France	100	100
BNL Eurolens	France	100	100
BNL Polyofta	France	100	100
Dac Vision SAS	France	60	60
Delamare Sovra	France	100	100
Domlens	France	65	65
Essidev	France	100	100
Essiholding	France	100	100
Essor	France	65	65
FGX Holding SASU	France	100	100
Fred Management (Holding)	France	100	100
Invoptic	France	100	100
Interactif Visual System	France	68	68
IVS Technical Center	France	68	68
Mega Optic Design	France	75	75
Mont-Royal	France	64	64
Novacel Ophtalmique	France	75	75
Novisia	France	100	100
Omi	France	100	100
Optim	France	100	100
Satisloh SAS	France	100	100
Shamir France SARL	France	100	50
Tikai Vision (formerly Barbara)	France	100	100
EUROPE			
BBGR GmbH	Germany	100	100
Essilor GmbH	Germany	100	100
Infield Safety GmbH	Germany	100	100
Neckarsee GmbH	Germany	100	100
Nika Optics	Germany	100	100
Rupp & Hubrach Optik GmbH	Germany	100	100
Satisloh GmbH	Germany	100	100
Shamir Optic GmbH	Germany	100	50

Company	Country	% control	% interest
Signet Armorlite Germany Holding GmbH	Germany	100	100
Signet Armorlite Optic	Germany	100	100
Essilor Austria GmbH	Austria	100	100
De Ceynunck & Co. NV	Belgium	100	100
Essilor Belgium S.A.	Belgium	100	100
Essilor Optika doo	Croatia	100	100
Essilor Danmark A.S.	Denmark	100	100
BBGR Lens Iberia S.A.	Spain	100	100
Essilor Espana S.A.	Spain	100	100
Essilor Optica International Holding S.L	Spain	100	100
Satisloh Iberica	Spain	100	100
Shamir Optical Espana, SL	Spain	100	50
Signet Armorlite Iberica	Spain	100	100
Essilor OY	Finland	100	100
BBGR United Kingdom	United Kingdom	100	100
Crossbows Optical Ltd	United Kingdom	100	100
Essilor European Shared Service Centre Ltd.	United Kingdom	100	100
Essilor Ltd	United Kingdom	100	100
FGX Europe Limited	United Kingdom	100	100
Horizon Optical Company Ltd.	United Kingdom	100	100
Humanware Europe	United Kingdom	63	63
Infield Safety UK, Ltd.	United Kingdom	100	100
Leicester	United Kingdom	80	80
Nikon Optical UK	United Kingdom	50	50
Shamir UK Limited	United Kingdom	100	50

Company	Country	% control	% interest
Sight Station Ltd	United Kingdom	100	100
Signet Armorlite Europe Ltd	United Kingdom	100	100
Sinclair Optical Laboratories	United Kingdom	100	100
United Optical Laboratories	United Kingdom	100	100
Wholesale Lens Corporation Limited	United Kingdom	100	100
Essilor Optika Kft	Hungary	100	100
Athlone	Ireland	100	100
Essilor Ireland (Sales) Ltd	Ireland	100	100
Organic Lens Manufacturing (branch)	Ireland	100	100
Essilor Italia S.p.A.	Italy	100	100
Infield Safety Italia, SRL	Italy	100	100
LTL S.p.A.	Italy	100	100
Oftalmika Galileo Spa	Italy	100	100
Optilens Italia s.r.l.	Italy	100	100
Polinelli SRL	Italy	100	100
Satisloh Italy Spa	Italy	100	100
Shamir RX Italia SRL	Italy	100	50
Impasoles	Luxembourg	100	100
Essilor Norge A.S.	Norway	100	100
Sentralslip	Norway	100	100
Essilor Nederland BV	Netherlands	100	100
Essilor Nederland Holding BV	Netherlands	100	100
Holland Optical Corp. BV	Netherlands	100	100
Holland Optical Instruments BV	Netherlands	100	100
B.V. Nederlandse Optische Industrie E.N.O.T.	Netherlands	50	50
O'Max BV	Netherlands	100	100
Shamir Nederland B.V	Netherlands	100	50
Signet Armorlite (Holland) BV	Netherlands	100	100
Essilor Optical laboratory Polska Sp. Z.o.o.	Poland	100	100
Essilor Polonia	Poland	100	100
JZO	Poland	98	98
Shamir Polska Sp. zo.o	Poland	100	50
Essilor Portugal	Portugal	100	100
Shamir Portugal, LDA	Portugal	100	50
Signet Armorlite Portugal – Unipessoal, LDA	Portugal	100	100
Essilor Optika Spol s.r.o.	Czech Republic	100	100
Omega Optix S.R.O. (Czechia)	Czech Republic	100	100
Essilor Romania SRL	Romania	100	100
Essilor Optika OOO	Russia	100	100
Luis Optica	Russia	80	80

Company	Country	% control	% interest
Moc BBGR	Russia	51	51
Shamir Russia LLC	Russia	100	50
Essilor Slovakia	Slovakia	100	100
Omega Optix S.R.O. (Slovakia)	Slovakia	100	100
Essilor D.O.O Slovenia	Slovenia	100	100
BBGR Skandinaviska	Sweden	100	100
Essilor AB	Sweden	100	100
Essilor (Switzerland) S.A.	Switzerland	100	100
Reize	Switzerland	65	65
Satisloh AG	Switzerland	100	100
Satisloh Holding AG	Switzerland	100	100
Satisloh Photonics AG	Switzerland	100	100
Vaco Holding S.A.	Switzerland	100	100
NORTH AND CENTRAL AMERICA			
Active Vision	Canada	100	61
AN Optical	Canada	51	31
Aries Optical Ltd.	Canada	100	100
Benson Edwards Optica	Canada	50	50
BBGR Optique Canada Inc.	Canada	100	100
Bugaboos Eyewear Corporation	Canada	100	100
Canoptec Inc.	Canada	100	100
Cascade Optical Ltd	Canada	60	60
Clearlen	Canada	100	61
CPS 360 Optical	Canada	50	50
Custom Surface Ltd.	Canada	100	100
Eastern Optical Laboratories Ltd.	Canada	100	100
Econo Optics	Canada	60	60
Essilor Canada Ltd.	Canada	100	100
FGX Canada Corp	Canada	100	100
Fundy Vision	Canada	80	80
Groupe Vision Optique	Canada	100	100
K & W Optical Ltd.	Canada	100	100
Imperial Laboratories Inc	Canada	60	60
Laboratoire d'Optique de Hull Inc	Canada	100	100
Laboratoire d'Optique SDL	Canada	97	97
Metro Optical Ltd.	Canada	100	100
Morrison Optical	Canada	100	100
Naked Eye Enterprises Inc.	Canada	100	100
Nikon Optical Canada Inc.	Canada	50	50
OMICS Software Inc	Canada	100	100
OPSG Ltd.	Canada	100	100
Optique Cristal	Canada	70	70
Optique de l'Estrie Inc.	Canada	100	100

Company	Country	% control	% interest
Perspectics	Canada	100	100
Pioneer Optical Inc.	Canada	100	100
Pro Optic Canada Inc.	Canada	100	100
Purelab DLP INC	Canada	50	25
R & R Optical Laboratory Ltd.	Canada	100	100
Riverside Opticalab & Subidiaries	Canada	61	61
SDL	Canada	90	90
Shamir Canada	Canada	100	50
Signet Armorlite Canada, Inc	Canada	100	100
Stylemark Canada	Canada	100	100
Suntech	Canada	100	100
Superlab	Canada	100	61
Technologies Humanware	Canada	63	63
UTMC	Canada	100	61
Westlab	Canada	100	100
21st Century Optics Inc.	United States	100	100
Accu Rx Inc	United States	95	95
Advance Optical	United States	95	95
AG Opticals Inc	United States	100	100
Apex Optical Company Inc.	United States	100	100
Balester Optical	United States	100	100
Barnett & Ramel Optical Co. of Nebr.	United States	80	80
Bazell	United States	70	70
Beitler Mc Kee Company	United States	90	90
Blue Optics	United States	80	80
BSA Industries	United States	100	100
Bugaboos Eyewear Inc.	United States	100	100
Carskadden Optical	United States	100	100
Central Optical	United States	60	60
Classic Optical	United States	95	95
Collard Rose	United States	95	95
Cordless Network Service (Frame Displays)	United States	80	80
Custom Optical	United States	100	100
Dac Vision Inc	United States	60	60
Deschutes	United States	80	80
Dibok Aspen Optical	United States	100	100
Dioptics Medical Products	United States	100	100
Eye Buy Direct US	United States	61	61
ELOA California Acquisition Corp.	United States	100	100
E-Magine Optical	United States	80	80
Empire	United States	85	85
Encore LLC	United States	50	50
Epics Labs Inc	United States	80	80

Company	Country	% control	% interest
Essilor Laboratories of America Corporation	United States	100	100
Essilor Laboratories of America Holding Co Inc.	United States	100	100
Essilor Laboratories of America, Inc (including US laboratories)	United States	100	100
Essilor Laboratories of America, LP (including Avisia, Omega, Duffens)	United States	100	100
Essilor Latin America & Caribbean Inc.	United States	100	100
Essilor of America Holding Co Inc.	United States	100	100
Essilor of America Inc.	United States	100	100
Eye Care Express Lab Inc	United States	95	95
Eyewear LLC	United States	61	61
FGX Direct LLC	United States	100	100
FGX International Holdings Limited	United States	100	100
FGX International II Limited	United States	100	100
FGX International, Inc	United States	100	100
Focus Optical Labs, Inc	United States	90	90
Frames For America	United States	70	43
Future Optics FL Inc	United States	92	92
Future Optics TE Inc	United States	100	100
Gentex Optics Inc.	United States	100	100
Gulfstates Optical Laboratories Inc.	United States	80	80
Hawkins Optical Laboratories Inc	United States	100	100
Hirsch Optical	United States	100	100
Homer Optical	United States	100	100
Humanware USA	United States	63	63
Interstate Optical	United States	80	80
Jorgenson Optical Supply Cy.	United States	95	95
Katz & Klein	United States	100	100
Lenstech Optical Lab Inc.	United States	80	80
Mc Leod Optical Company Inc.	United States	80	52
MGM	United States	85	85
MOC Acquisition Corporation	United States	84	84
Nassau Lens Co Inc.	United States	100	100
NEA Optical LLC	United States	80	80
Next generation	United States	100	100
Nikon Optical US	United States	50	50
NOA	United States	100	100
OOGP	United States	100	100
Optical One	United States	80	80
Optical Suppliers Inc. (Hawaii)	United States	85	85
Optical Venture Inc	United States	80	80

Company	Country	% control	% interest
Optics East	United States	100	100
Optimatrix	United States	100	100
Optisource International Inc.	United States	90	90
Opt. Lab. Software Solutions	United States	100	100
Ozarks Optical Laboratories	United States	80	80
Pasch Optical Laboratory Inc.	United States	50	40
Pech Optical	United States	100	100
Peninsula Optical Lab.	United States	80	80
Perferx Optical Co Inc	United States	94	94
Personnal Eyes	United States	100	100
Polyvision INC	United States	50	50
Precision Optical Co. (Connecticut)	United States	80	80
Precision Optical Lab. (Tennessee)	United States	95	95
Premier Optics Corp	United States	90	90
Prodigy	United States	100	100
Professional Opthalmic Lab	United States	80	80
RD Cherry	United States	80	80
Satisloh North America	United States	100	100
Shamir Insight, Inc.	United States	100	50
Shamir USA	United States	100	50
Signet Armorlite Inc	United States	100	100
Signet Armorlite USA	United States	100	100
Skaggs and Gruber, Ltd d.b.a Trucker Meadows	United States	80	80
Southwest lens	United States	65	65
Speciality Lens Corp.	United States	100	100
Stereo Optical Co. Inc.	United States	100	100
Stylemark	United States	100	100
SunStar Inc.	United States	80	80
Sutherlin Optical Company	United States	100	100
Tri Supreme Optical LLC	United States	100	100
Ultimate Optical Lab	United States	100	100
VIP Optical	United States	100	100
Vision-Craft Inc.	United States	100	100
Winchester Optical Company	United States	80	80
X-Cell	United States	80	80
Rainbow Optical	Puerto Rico	100	100
OTHER			
Easy Vision Pty Ltd	South Africa	100	100
Essilor South Africa (Pty) Ltd.	South Africa	100	100
Evolution Optical	South Africa	51	51
Spherical Optics (Pty) Ltd.	South Africa	100	100
Vision & Value	South Africa	80	80

Company	Country	% control	% interest
AR Coating S.A.	Argentina	96	96
Essilor Argentine S.A.	Argentina	100	100
Optovision S.A.	Argentina	51	51
City Optical Pty Ltd.	Australia	100	100
Essilor Australia Pty Ltd.	Australia	100	100
Essilor Laboratory South Australia Pty Ltd.	Australia	100	100
Essilor Lens Australia Pty Ltd.	Australia	100	100
Eyebiz	Australia	70	70
Humanware Australia	Australia	63	63
Precision Optics Pty Ltd.	Australia	100	100
Prescription Safety Glasses Pty Ltd	Australia	51	51
Shamir Australia (Pty) Ltd.	Australia	66	33
Sunix Computer Consultants Pty Ltd	Australia	50	50
Tasmanian Optical Cy Pty LTD	Australia	100	100
Wallace Everett Lens Technology	Australia	66	66
Brazil 2.5 New Vision Generation	Brazil	100	100
Brasilor Participacoes Sc Ltda.	Brazil	100	100
Canto e Mello	Brazil	70	70
Ceditop	Brazil	76	76
Comopticos	Brazil	70	70
Comprol	Brazil	51	51
Embrapol Sul	Brazil	73	73
Essilor Da Amazonia Industria e Commercio Ltda.	Brazil	100	100
Farol	Brazil	70	70
GBO	Brazil	74	74
Grown	Brazil	51	51
Mult Block	Brazil	51	51
Mult Laboptical	Brazil	51	51
Multi Optica Distribuidora Ltda.	Brazil	100	100
Optiminas	Brazil	70	70
Orgalent	Brazil	51	51
PSA Nilo	Brazil	51	51
Riachuelo	Brazil	70	70
Repro	Brazil	70	70
Satisloh do Brasil	Brazil	100	100
Shamir Brasil Commercial LTDA	Brazil	100	50
Styll	Brazil	51	51
Sudop Industria Optica Ltda.	Brazil	100	100

Company	Country	% control	% interest
Technopark Comercio de Artigos Opticos S.A	Brazil	51	51
Tecnolens	Brazil	71	71
Unilab	Brazil	75	75
YTT Holding	Brazil	51	51
Essilor Cambodia	Cambodia	51	51
Codi Sivo	Cameroon	55	28
Megalux	Chile	51	51
Chemilens Co. Ltd	China	50	50
Danyang	China	80	80
Eye Buy Direct China	China	61	61
Essilor China Holding Co Ltd	China	100	100
FGX International Limited China	China	100	100
Nikon Beijing Co. Ltd	China	50	50
Satisloh Trading Shenzen	China	100	100
Satisloh Zhongshan	China	100	100
Seeworld Optical Co.	China	51	51
Shamir Optical (Shanghai Co. Ltd)	China	100	50
Shanghaï Essilor Optical Co. Ltd.	China	100	100
Shanghaï NVG Optical	China	100	100
Tian Hong	China	50	50
Wanxin	China	50	50
Xiamen Artgri Optical Company Ltd	China	50	50
Xiamen Yarui Optical Company Ltd	China	50	50
Youli Optics Co Ltd.	China	51	51
Essilor Colombia	Colombia	100	100
Ivortest	Colombia	100	100
Servioptica	Colombia	51	51
Signet Armorlite Columbia SA	Colombia	96	96
Chemiglas	South Korea	50	50
Dekovision	South Korea	50	50
Essilor Korea	South Korea	50	50
Incheon Optics	South Korea	80	40
Onbitt	South Korea	51	51
Laboratoires Sivo Abidjan	Ivory Coast	90	50
Essilor Amico LLC	United Arab Emirates	50	50
Essilor Amico Middle East FZCO	United Arab Emirates	50	50
Essilor Middle East Limited	United Arab Emirates	100	100
Osme	United Arab Emirates	100	100
Ghanada	United Arab Emirates	80	40

Company	Country	% control	% interest
GKB Emirates	United Arab Emirates	50	50
Eye Buy Direct HK	Hong Kong	61	61
Essilor Hong Kong	Hong Kong	100	100
Foster Grant Hong Kong Limited	Hong Kong	100	100
Polycore Optical (HK) Ltd	Hong Kong	50	50
Polylite Hong Kong	Hong Kong	51	51
Satisloh Asia and Trading Ltd	Hong Kong	100	100
20 20 Optics	India	70	70
Beauty Glass Pvt Ltd.	India	88	88
Deepak Lens Pvt Ltd	India	60	60
Delta CNC	India	76	39
Delta Lens Pvt Ltd	India	51	51
Enterprise Ophtalmics Pvt Ltd	India	50	50
Essilor India Pvt Ltd (ex-Esssilor SRF Optics Ltd)	India	100	100
Essilor Lens & Specs	India	60	60
Essilor Manufacturing India Pvt Ltd (ex- Indian Ophtalmic Lenses Manuf.)	India	100	100
GKB Hi Tech	India	50	50
GKB Optic Tech Private Ltd	India	51	51
GKB Rx Lens Private Ltd.	India	76	76
India New Vision Generation Pvt Ltd	India	100	100
Optics India Equipment Pvt Ltd	India	50	50
OSD Optics	India	100	100
Sankar	India	70	70
Vijay Vision Pvt Ltd.	India	88	88
P.T Optical Support of Indonesia	Indonesia	70	70
P.T. Essilor Indonesia	Indonesia	100	100
P.T. Polyvisi Rama Optik	Indonesia	50	49
P.T. Supravisi Rama Optik Manufacturing	Indonesia	50	49
Essilor Israel Holding	Israel	100	100
Essilor Israel Laboratories Ltd (Optiplas)	Israel	100	50
Shamir Holding Optical	Israel	50	50
Shamir Optical Industry	Israel	50	50
Shamir Special Optical Products Ltd.	Israel	100	50
Shamir Eyal Ltd.	Israel	100	50
Shamir Israel Optical Marketing Ltd.	Israel	100	50
Shamir Or Ltd.	Israel	100	50
Inray Ltd.	Israel	100	50
Aichi Nikon Co. Ltd.	Japan	50	50
Nasu Nikon Co. Ltd.	Japan	50	50
Nikon – Essilor Co. Ltd	Japan	50	50
Essilor Amico Kuwait	Kuwait	100	50

Company	Country	% control	% interest
Essilor Lao Co Ltd	Laos	100	100
Essilor Malaysia Sdn Bhd	Malaysia	100	100
Frames and Lenses	Malaysia	90	90
ILT Malaysia	Malaysia	81	81
Polycore Optical (Malaysia) Sdn Bhd	Malaysia	50	50
Essilor Management North and West Africa	Morocco	100	100
L'N Optics	Morocco	51	51
Optiben	Morocco	80	80
Sivom	Morocco	51	28
VST Lab	Morocco	80	80
Aai Joske's S de RL de CV	Mexico	100	100
Centro Integral Optico S.A de C.V	Mexico	51	26
Cristal y Plastico S.A. de CV	Mexico	51	51
Essilor Mexico	Mexico	100	100
Shalens S.A C.V	Mexico	51	26
Signet Armorlite de Mexico, SA et CV	Mexico	99	99
Sofi de Chihuahua	Mexico	100	100
Essilor Laboratories New Zealand Ltd. (formerly OHL Lenses Ltd)	New Zealand	100	100
Essilor New Zealand Ltd.	New Zealand	100	100
Optical Laboratories	New Zealand	100	100
Prolab	New Zealand	100	100
Epodi	Philippines	51	51
Essilor Manufacturing Philippines Inc.	Philippines	100	100
Optodev	Philippines	100	100
Amico Qatar	Qatar	98	49
Opti Express	Dominican Republic	51	51
Sivo Togo	Togolese Republic	51	28
Artgri Group International Pte Ltd	Singapore	50	50
Essilor Amera Pte Ltd.	Singapore	100	100
Essilor Philippines Holding	Singapore	51	51
ETC South East Asia Pte Ltd.	Singapore	70	70
ILT To Latin america	Singapore	51	51

Company	Country	% control	% interest
Integrated Lens Technology	Singapore	100	100
Kaleido Vision Pte Ltd (ex Unique Ophtalmic)	Singapore	100	100
OSA Investments Holdings Pte Ltd	Singapore	100	100
Polycore Optical (SG) Pte Ltd	Singapore	50	50
Polilyte Asia Pacific Pte Ltd	Singapore	51	51
Seeworld Holding Pte Ltd	Singapore	51	51
Signet Armorlite Asia (ex Visitech)	Singapore	100	100
SMJ Holding Pte Ltd	Singapore	70	70
Trend Optical Singapore	Singapore	70	70
Global Lens Lanka	Sri Lanka	50	50
SHIH Heng Optical Taïwan Branch	Taiwan	70	70
Trend Optical Taiwan Branch	Taiwan	70	70
Polylite Taiwan Optilab	Taiwan	51	51
SMJ Holding Pte Ltd Taiwan Branch	Taiwan	70	70
Essilor Distribution Thailand Co. Ltd.	Thailand	100	100
Essilor Manufacturing (Thaïland) Co Ltd.	Thailand	100	100
Essilor Optical Laboratory Thailande	Thailand	100	100
Eyebiz Laboratory Co Ltd	Thailand	70	70
K-T Optic Co., Ltd.	Thailand	98	24
ShamirLens Thailand Co., Ltd.	Thailand	49	24
Essilor Sivo	Tunisia	55	55
Sicom	Tunisia	100	55
Altra Optik Sanayi ve Ticaret A.S	Turkey	100	50
Essilor Management Turkey	Turkey	100	100
Ipek	Turkey	70	70
Isbir	Turkey	73	73
Opak	Turkey	51	51
Yeda Tora	Turkey	70	70
Chemilens Vietnam	Vietnam	50	50

NOTE 33. List of proportionately-consolidated companies

Company	Country	% control	% interest
Nikon and Essilor International Joint Research Center Co. Ltd	Japan	50	50

This proportionately-consolidated company's contribution to the Group's consolidated financial statement was immaterial.

NOTE 34. List of associates

Company	Country	% control	% interest
Transitions group			
■ Transitions Optical Pty Ltd.	Australia	49	49
■ Transitions Optical Do Brazil Limitada	Brazil	49	49
■ Transitions Optical Inc.	United States	49	49
■ Transitions Optical India	India	49	49
■ Transitions Optical Limited	Ireland	49	49
■ Transitions Optical Japan	Japan	49	49
■ Transitions Optical Holdings BV	Netherlands	49	49
■ Transitions Optical Philippines Inc.	Philippines	49	49
■ Transitions Optical Singapore	Singapore	49	49
■ Transitions Optical Thailande	Thailand	49	49
Shamir Optispeed	South Africa	25	25
Vision Web	United States	44	44

NOTE 35. List of non-consolidated companies

Combined financial data for non-consolidated companies

Combined financial data for the main non-consolidated companies held by consolidated companies are as follows (based on a theoretical 100% holding):

				Carrying amount of the shares	
€ millions	Equity	Revenue	Net profit	Gross	Net
Total non-consolidated companies	23	99	1	22	14

N.B.: As allowed under Article 24(11) of French Decree 83.1020 of November 29, 1983, detailed information by subsidiary is not provided as its disclosure would be prejudicial to the Company's interests.

List of non-consolidated companies

Company	Country	% control
FRANCE		
Distrilens	France	100
Optical Supply of Europe	France	100
Essilor Academy Europe	France	100
EUROPE		
Essilor Logistik GmbH	Germany	100
Essilor Bulgaria	Bulgaria	100
AVS	Spain	25
ANFAO (association)	Spain	14
OHO	Estonia	100
Itallenti	Italy	5
UAB JZP Optika Lituania	Lithuania	100
Mec & Ciesse Optical	Italy	70
Rhein Vision BV	Netherlands	33
Optika JZO Zoo	Poland	100
Optikos SP Zoo	Poland	100
Neolens SP Zoo	Poland	100
Essilor Optics d.o.o	Serbia	100
JZO Optika Ukraina	Ukraine	100
AFRICA		
Simex	Côte d'Ivoire	73
Essilor Maroc Management	Morocco	100
Movisia	Morocco	51
NORTH AMERICA		
Superior Optical Lab.	United States	45
e-vision LLC	United States	17
AOS	United States	4
Shamir Eyesware Service Inc.	United States	50
REST OF THE WORLD		
Tianjing vx Technical School	China	100
Polylite Shanghai	China	15
Shandong Xin Yi Trading Ltd. Co	China	30
Shangai Global Optical Lens Distribution	China	100
Zheng Zhou Fang Yuan	China	51
ILT Costa Rica	Costa Rica	100
Dac Vision	Hong Kong	100
CP Services PVT Ltd.	India	100
Essilor Australia Advance Optical	Australia	35
Top Con Vision Care Japan	Japan	10
Nikon Optical Shop Co.	Japan	50
Xtra Vision	India	51
Nemkul	Nepal	51
Essilab Philippines Inc	Philippines	40
Eyeland	Philippines	39
Optoland	Philippines	40
Essilor South Thailand	Thailand	49
Lab. South Thailand	Thailand	87
Polylite Taiwan Co Ltd.	Taiwan	11
OSA Ltd. Liability Co.	Vietnam	33