3.7 Annual financial statements of Essilor International

The 2013 annual financial statements comprise the income statement, balance sheet, cash flow statement and notes, presented below.

The Auditors Report on the 2013 annual financial statements is presented in Section 3.9 of this Registration Document.

3.7.1 Key financial data at December 31, 2013

€ thousands, except per share data which is in €	2013	2012
Income statement		
Revenue	800,847	737,543
Operating profit	103,583	17,233
Profit before non-operating items and tax	339,269	383,657
Net profit	326,184	407,376
Balance sheet		
Share capital	38,646	38,650
Equity	2,366,655	2,232,155
Net debt	456,519	275,815
Non-current assets, net	2,837,898	2,632,632
TOTAL ASSETS	**3,857,618**	**3,363,034**
Net dividend per ordinary share, in €	0.94[a]	0.88

(a) Subject to the decision of the Shareholders' Meeting of May 7, 2014.

Essilor International's revenue excluding the Puerto Rico branch was up 9.2% on 2012. Sales of lenses were up by 10% in France and by 14.6% in the export market. Sales of instruments remained stable in France and were up 14.2% in the export market. After a 35.7% rise in 2012, the Logistics business was down by 10.4%, particularly in the export market. Finally, the Puerto Rico branch recorded a slowdown in business reflected by a drop in revenue of 7.9%.

Operating income was up €86.3 million compared to 2012. In addition to the sales-related rise in operating income, the Company reviewed its service provision and chargeback practices in respect of Group entities. This work resulted in various adjustments to chargeback amounts based on recommendations from external consultants. This generated additional revenue for Essilor International. Certain operational changes in Essilor International's supply chain also made a positive contribution to operating income.

After a 54.4% increase in financial income in 2012, there was a 35.7% decrease in 2013. This change in financial income was largely the result of significant dividend payments in 2012 which were not repeated in 2013 (in particular, by the Essilor of America and Essilor AMERA Ltd subsidiaries).

Essilor International was the subject of a tax audit for 2009 to 2011 inclusive. The Company received a notification which will be examined. Without prejudging the final position of the French tax authorities, a provision for tax risk was recorded in the 2013 financial statements. As a result, extraordinary income amounted to -€12 million and included, in addition to the provision for the 2009 to 2011 tax audit, the impact of excess tax depreciation.

The tax liability recognized in the financial statements for fiscal year 2013 amounted to €1 million. This amount reflects a number of factors:

- the impact of a reduced tax rate on taxable income;
- tax income corresponding to the tax credits applicable (especially the research tax credit), and to the tax savings from fiscal consolidation (the Company posting negative taxable income on its earnings taxable at the ordinary rate);
- tax income corresponding to an additional tax loss carryback claim resulting from the 2006 to 2008 tax audit.

Net profit totaled €326.2 million, down 19.9% compared to the previous fiscal year.

3.7.2 Income statement at December 31, 2013

€ thousands	Note	2013	2012
Revenue	2	800,847	737,543
Production transferred to inventory		(5,127)	565
Production of assets for own use		5,348	5,953
Reversals of depreciation, amortization and provisions	13	69,753	68,597
Other income	3	255,727	203,537
TOTAL OPERATING PROFIT		**1,126,547**	**1,016,195**
Purchases of materials and change in inventories		391,745	363,930
Other external purchases and expenses	4	205,307	210,935
Taxes other than income tax		27,800	25,706
Personnel expense	16	336,223	330,858
Depreciation, amortization and provisions, net		56,369	61,441
Other expenses	13	5,519	6,092
TOTAL OPERATING EXPENSES		**1,022,964**	**998,962**
OPERATING PROFIT		**103,583**	**17,233**
Net financial income	5	235,685	366,424
PROFIT BEFORE NON-OPERATING ITEMS AND TAX		**339,269**	**383,656**
Net non-operating income (expenses)	6	(12,019)	35,013
Income tax expense	7	1,066	11,294
NET PROFIT		**326,184**	**407,376**

3.7.3 Balance sheet at December 31, 2013

Assets

€ thousands	Note	2013 Gross amount	2013 Depreciation, amortization, provisions	2013 Net amount	2012 Net amount
Intangible assets	8	140,802	91,189	49,613	47,926
Property, plant and equipment	9	363,341	240,079	123,262	115,056
Investments and other non-current assets	10	2,722,614	57,591	2,665,023	2,469,650
NON-CURRENT ASSETS, NET		**3,226,757**	**388,860**	**2,837,898**	**2,632,632**
Inventories	11.1	70,286	17,673	52,613	60,464
Suppliers prepayments	11.2	2,074	8	2,066	1,411
Trade receivables	11.2	286,702	3,886	282,815	224,556
Other receivables	11.2	285,095	10,833	274,263	161,112
Marketable securities	11.3	374,888		374,888	247,219
Cash		10,905		10,905	18,677
CURRENT ASSETS		**1,029,949**	**32,400**	**997,549**	**713,439**
Prepaid expenses	11.4	16,174		16,174	16,720
Conversion losses		5,998		5,998	244
TOTAL ASSETS		**4,278,878**	**421,260**	**3,857,618**	**3,363,034**

Equity and liabilities

€ thousands	Note	2013	2012
Share capital	12.1	38,646	38,650
Additional paid-in capital		302,160	311,622
Legal reserve		3,879	3,879
Other reserves		1,646,408	1,428,408
Retained earnings		15,601	11,558
Net profit		326,184	407,376
Government grants		95	236
Untaxed provisions		36,042	32,138
Translation reserve	1.12	(2,361)	(1,713)
EQUITY	**12.2**	**2,366,655**	**2,232,155**
PROVISIONS	**13.1**	**114,220**	**81,460**
Convertible bond issue		0	0
Other bonds	14.1	583,294	229,260
Bank borrowings and current account advances from subsidiaries	14.1	229,081	306,593
Total borrowings	14.1	29,937	5,858
BORROWINGS	**14**	**842,312**	**541,711**
Trade payables	14.1	136,007	127,239
Accrued taxes and personnel expense	14.1	96,422	89,333
Other liabilities	14.1	301,033	290,458
TOTAL PAYABLES AND ACCRUALS		**533,461**	**507,031**
Deferred income		129	506
Conversion gains		841	171
TOTAL EQUITY AND LIABILITIES		**3,857,618**	**3,363,034**

3.7.4 Cash flow statement at December 31, 2013

€ thousands	2013	2012
Net profit for the fiscal year	326,184	407,376
Elimination of non-cash items	68,780	21,242
Cash flow	394,964	428,618
Change in working capital[(a)]	(142,025)	(11,699)
NET CASH FROM OPERATING ACTIVITIES	**252,939**	**416,918**
Purchases of property, plant and equipment	(37,761)	(33,845)
Acquisition of shares in subsidiaries and affiliates and other investments	(131,610)	(54,125)
New loans extended	(939,604)	(863,714)
Proceeds from disposals of fixed assets	(12,692)	461
Repayment of long-term loans and advances	871,407	853,276
NET CASH USED IN INVESTING ACTIVITIES	**(250,260)**	**(97,947)**
Issue of share capital	67,291	4,191
Purchases and sales of treasury stock	(64,480)	25,066
Dividends paid	(185,339)	(176,619)
Increase/(Decrease) in borrowings	314,289	(57,622)
NET CASH FROM FINANCING ACTIVITIES	**131,761**	**(204,984)**
Change in cash and cash equivalents	134,440	113,987
Cash and cash equivalents at the beginning of the period	236,740	122,753
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**371,180**	**236,740**

(a) Changes in working capital are as follows:

€ thousands	2013	2012	Change
Prepayments to suppliers	2,066	1,411	(655)
Inventories	52,613	60,464	7,851
Operating receivables	305,118	245,367	(59,751)
Other receivables	251,381	139,558	(111,823)
Accrued interest on loans and dividends receivable	1,962	1,901	(61)
Advances and deposits from customers	0	0	0
Operating liabilities	(322,355)	(302,941)	19,414
Other liabilities	(210,528)	(203,451)	7,077
Accrued interest	(2,405)	(1,566)	839
Deferred income, prepaid expenses and conversion gains and losses	21,202	16,287	(4,915)
WORKING CAPITAL	**99,054**	**(42,971)**	**(142,025)**

Cash and cash equivalents correspond to cash and short-term deposits, less short-term bank loans and overdrafts.

3.8 Notes to the 2013 Annual Financial Statements

The following notes provide additional information about items reported in the balance sheet at December 31, 2013, which shows total assets of €3,857,618 thousand, and the income statement, which shows a net profit of €326,184 thousand.

The financial statements cover a 12-month period from January1 to December 31, 2013.

The parent company is Essilor International, hereinafter referred to as "Essilor."

All amounts are presented in thousands of euros, unless otherwise specified.

Significant events of the year

Commercial revenue

Essilor International's revenue excluding the Puerto Rico branch was up 9.2% on 2012. Sales of lenses were up by 10% in France and by 14.6% in the export market. Sales of instruments remained stable in France and were up 14.2% in the export market. After a 35.7% rise in 2012, the Logistics business was down by 10.4%, particularly in the export market. Finally, the Puerto Rico branch recorded a slowdown in business reflected by a drop in revenue of 7.9%.

Financial transactions

■ Treasury stock transactions

In 2013, Essilor bought back 2,192,298 treasury shares. This transaction took place as part of the share buyback policy conducted by Essilor since 2003, the goal of which is to limit the dilutive effects related to the granting of stock subscription options and performance shares. By decision of the Board of Directors of January 24, 2013 and November 25, 2013, Essilor conducted a share capital increase of €265,582.44, representing the issuance of 1,475,458 new shares and the cancellation of 1,500,000 shares, resulting in a share capital reduction of €270,000.

Finally, 625,369 shares were delivered from the pool of treasury shares due to the exercise of stock purchase options and following the completion of the performance of the performance share plans of 11/24/2011 and 12/21/2011.

At December 31, 2013, there were 4,454,406 treasury shares.

Acquisitions

As part of its acquisitions policy, Essilor International continues to strengthen its presence in high-growth countries.

- In South Korea, Essilor acquired a majority stake in Onbitt, a manufacturer of polarizing films for ophthalmic lenses.
- In Morocco, Essilor acquired Movisia, a Nikon® and Kodak®distributor.

New financing

In November 2013, Essilor International concluded a USD500 million private placement (7 tranches maturing in a range of between 3.5 and 10 years). This enabled the Company to strengthen its financial structure by extending the average maturity of its debt.

The Company also renewed its €850 million syndicated bank credit facility for another 5 years and agreed on additional option to extend for a further 2 years. At the same time, several bilateral credit facilities were agreed for periods of between 3 and 5 years.

Human resources

On November 25, 2013, the Board of Directors decided to grant 1,376,340 performance shares. These shares will vest only if the annualized growth rate of the share is greater than or equal to 2% of the reference price of €77.29 after the legal acquisition periods (which may last from 2 to 6 years). These new grants caused a provision to be created.

In addition, all of the commitments of the Company with respect to its employees are recorded in the financial statements (which correspond for the most part to retirement bonuses, retirement pension supplements, and length-of-service awards).

Income tax

The tax liability recognized in the financial statements for fiscal year 2013 amounted to €1.1 million. This amount reflects a number of factors:

- the impact of a reduced tax rate on taxable income;
- tax income corresponding to the tax credits applicable (especially the research tax credit), and to the tax savings from fiscal consolidation (the Company posting negative taxable income on its earnings taxable at the ordinary rate).

Essilor International was also the subject of a tax audit for 2009 to 2011 inclusive. The Company received notifications for the 2009 to 2011 fiscal years which will be examined by Essilor International. Without prejudging the final position of the French tax authorities, a provision for tax risk was recorded in the 2013 financial statements.

NOTE 1. Accounting principles

1.1 General

The annual financial statements have been prepared in accordance with the French 1999 General Accounting Plan and generally accepted accounting principles.

1.2 Intangible assets

Intangible assets correspond primarily to purchased goodwill, concessions, patents, licenses and software. Intangible assets are measured at acquisition or production cost and are amortized:

- by work unit;
- or on a straight-line basis over the following estimated useful lives:

Software	1 to 10 years
Patents	Period of legal protection

Qualifying software development costs are capitalized only when it is probable that they will generate future economic benefits. Qualifying costs include the costs of organic analyses, programming, tests and test decks, documentation, parameterization and the preparation of the software for its intended use, that are evidenced by invoices (external developers) or time sheets (internal developers).

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

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

The initial cost of the asset includes related transaction costs. Conversely, the Company has not used the option to record borrowing expenses in the initial cost of the intangible assets.

1.3 Research and development costs

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

Development costs are capitalized if, and only if the following are demonstrated:

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

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

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

1.4 Property, plant and equipment

Property, plant and equipment are stated at acquisition or production cost.

Depreciation of property, plant and equipment is calculated on a straight-line basis over the following estimated useful lives:

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

Land is not depreciated.

Differences between straight-line depreciation and reducing balance depreciation charged for tax purposes are included in untaxed provisions on the liabilities side of the balance sheet (regulated provisions).

All internal and external costs of producing items of property, plant and equipment are capitalized, with the exception of administrative, start-up and pre-operating costs.

Property, plant and equipment are tested for impairment when the occurrence of an event or a change of circumstances indicates that their recoverable amount may be less than their carrying amount.

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

The initial cost of the asset includes related transaction costs. Conversely, the Company has not used the option to record borrowing expenses in the initial cost of the intangible assets.

1.5 Investments and other non-current assets

Investment securities are recognized at acquisition cost. Acquisition costs for the investment securities are included in the initial costs.

The value in use of shares in subsidiaries and affiliates is estimated each year, generally on the basis of the investee's net assets and earnings outlook. In this case, the discount rate used is the weighted average cost of the capital.

Loans and receivables are stated at nominal value. Foreign currency loans and receivables are converted into euros at year-end at the closing exchange rate or the hedging rate. Provisions are recorded to cover any risk of non-recovery.

Own shares bought back by the Company are recorded under "Other long-term investments" at cost. A provision for impairment is recorded for any shares whose cost is greater than their average price for the last month of the fiscal year, except where the shares have been bought back in order to be canceled and those shares covered by a provision for risks because they were intended to hedge performance share plans and stock options.

For other investments, a provision for impairment is recorded when their recoverable amount, defined as the higher of fair value or value in use, is less than their carrying amount.

1.6 Inventories

Raw materials and goods inventories are stated at cost, including incidental expenses, determined by the weighted average cost method. Finished products, semi-finished products and work in progress are stated at actual production cost, which includes the cost of raw materials and direct and indirect production costs.

At each period-end, inventories are written down to net realizable value where applicable. Net realizable value is determined by reference to market prices, sales prospects and the risk of obsolescence, assessed on the basis of objective inventory levels.

1.7 Receivables and payables

Receivables and payables are stated at nominal value. Receivables and payables are converted as follows:

- translation of all receivables and payables denominated in foreign currencies, including hedged receivables and payables, at the closing rate;
- gains or losses in relation to original values are recognized in prepayments and accrued income or deferred income and accrued expenses (translation difference);
- creation of a provision for unrealized exchange losses.

Receivables are written down when their net realizable value, estimated by reference to the risk of non-recovery, is less than their carrying amount.

1.8 Marketable securities

Marketable securities, consisting primarily of units in SICAV mutual funds and bank deposits, are recognized at cost.

This item also includes own shares acquired under the liquidity contract.

A provision is recorded if the net asset value of the mutual fund units represents less than their cost.

1.9 Financial instruments

Derivative financial instruments are used only to hedge risks on commercial transactions and identified foreign currency receivables and payables *via* forward exchange contracts and currency options.

The Company uses derivative financial instruments solely for hedging purposes. All foreign exchange transactions are processed within predetermined management limits with the purpose of optimizing exchange rate risk hedging.

Gains and losses on hedging instruments are recognized in the year in which they are settled, on a symmetrical basis with the loss or gain on the hedged item. They are based on the forward rate at the balance sheet date for the remaining period to maturity.

The Company's interest rate management policy consists of hedging interest rate risks. To hedge interest rate risks, the Company uses interest rate and option swaps (Caps).

Financial expenses and profit related to interest-rate derivatives are recognized in income symmetrically to the gain or loss on the hedged item.

1.10 Foreign currency transactions

Any transactions that are not hedged are converted at the exchange rate on the transaction date.

At year-end, unhedged foreign currency receivables and payables are converted at the closing exchange rate. Differences arising on conversion are recorded under "Conversion losses" or "Conversion gains" on the assets or liabilities side of the balance sheet.

A provision is booked for conversion losses.

Foreign currency bank balances are hedged at the month-end exchange rate.

1.11 Pensions, length-of-service and other obligations

The Company has obligations towards employees for the payment of pensions, early-retirement benefits, length-of-service and other awards.

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

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

- the projected benefit obligation, corresponding to the vested rights of active and retired employees of the Company, is determined by the projected unit credit method, based on estimated final salaries, actuarial assumptions concerning inflation, staff turnover rates and the rate of future salary increases, and an appropriate discount rate;
- the discount rate corresponds to the prime interest rate in the country concerned for periods corresponding to the estimated average duration of the benefit obligation;
- in cases where all or part of the obligation is funded under an external plan, a provision is recorded for the difference between the projected benefit obligation and the fair value of the plan assets;
- actuarial gains and losses resulting from changes in assumptions and experience-based adjustments are recognized

in profit by the corridor method. This method consists of amortizing over the expected average remaining service lives of plan participants only the portion of the net cumulative gain or loss that exceeds the greater of 10% of either the projected benefit obligation or the fair value of the plan assets;

- if a company introduces a defined benefit plan or changes the benefit formula under an existing defined benefit plan and rights under the new or modified plan are unvested, the related change in the Company's obligation is recognized in profit on a straight-line basis over the expected average remaining service lives of the plan participants. If rights under the new or modified plan vest immediately, the resulting change in the Company's obligation is recognized in profit immediately;
- provisions recorded in the balance sheet correspond to the projected benefit obligation less the fair value of any plan assets, the value of unrealized actuarial gains and losses and unrecognized past service cost.

1.12 Foreign currency translation

The Essilor Industries financial statements are prepared in US dollars.

The financial statement conversion process for the Essilor Industries branch, which is considered an autonomous institution, is as follows:

- income statement items are translated at the average hedging rate for the year;
- balance sheet amounts were converted into euros, at the balance sheet closing date rate, except for:
  - equity items, which are translated at the historical rate,
  - net profit, which is translated at the hedging rate.

The difference arising on translation is recorded in equity under "Translation reserve."

1.13 Corporate income tax (Group relief)

Essilor International files a consolidated tax return with ESSILOR, BBGR, OPTIM, INVOPTIC, ESSILOR ACADEMY EUROPE, NOVISIA, ESSIDEV, OSE, TIKAI VISION, BNL EUROLENS, FGX HOLDING, DELAMARE SOVRA, OMI and ESSIHOLDING and pays the corporate income tax due by the tax group.

Each company in the tax group records the income tax charge that would apply if it were not a member of the tax group (with no impact on the Parent company financial statements).

The tax savings arising from the use of the tax losses of tax group members, which are returnable to them by Essilor are recognized as a liability through the recognition of a debt in the Company's balance sheet.

1.14 Recognition and measurement of provisions

Untaxed provisions

These mainly comprise provisions for excess tax depreciation.

Provisions for contingencies and charges

A provision is recognized when there is an obligation towards a third party and it is probable or certain that an outflow of resources generating economic benefits will be necessary to settle the obligation without any benefit of at least equivalent value being expected in return.

Contingent liabilities are not recognized in the balance sheet but are disclosed in the notes to the financial statements unless the probability of an outflow of resources generating economic benefits is remote.

Provisions for customer warranties

The provision is calculated:

- by multiplying revenue for the warranty period by a percentage corresponding to the ratio of average annual warranty costs to annual revenue; or
- when the estimated product return period is shorter, by multiplying revenue for the estimated return period by a percentage corresponding to the ratio of average annual warranty costs to annual revenue.

Provisions for treasury shares

- Shares held under stock option plans: Parent company shares held for stock option plans granted to Group employees are carried at cost under "Other long-term investments". They are recognized at acquisition cost. Where applicable, a provision is recorded to cover the difference between the option exercise price and the weighted average price of the corresponding shares held at the year-end.
- Grant of performance shares: A provision is recorded for the cost of performance shares, corresponding to the number of shares that are expected to vest multiplied by the weighted average price of our own treasury stock at the fiscal year-end. The estimate takes into account staff turnover rates and share price assumptions.

Effective from 2008, this provision is recognized over the performance share vesting period in accordance with Regulation CRC 2008-15 of December 4, 2008; one of the vesting conditions is the grantee's continued employment by the Company.

Since the granting of stock options and performance shares constitute a compensation item, these provisions are recognized as personnel expenses.

Provisions for losses from subsidiaries and affiliates

An impairment loss is recognized for investments whose current value is less than their net asset value. As necessary, the provision is allotted in the following order: securities, current account, long-term receivables and provision for risk for up to the contingent amount. However, this provision for risk is recognized only under the following conditions:

- the legal form implies that Essilor is indefinitely and jointly responsible for the liability; or
- for the amount of the commitments undertaken by Essilor, for the other legal forms.

1.15 Loan issuance charges

Loan issuance charges may be:

- kept in expenses in their entirety in the year they are incurred;
- or distributed over the term of the loan.

The choice between these two methods is made when a loan is issued and cannot be changed subsequently for that same loan.

NOTE 2. Revenue

2.1 Net revenue by business segment

2013 € thousands	France	Export	Total Treasury	% Change 2013/2012
Corrective lenses	338,404	279,869	618,273	12.0%
Optical instruments	32,246	58,762	91,008	9.1%
Industrial equipment	133	16,709	16,841	-25.3%
Other	14,963	59,762	74,725	-6.1%
TOTAL	**385,746**	**415,101**	**800,847**	**8.6%**

2012 € thousands	France	Export	Total Treasury	% Change 2012/2011
Corrective lenses	307,738	244,215	551,953	8.0%
Optical instruments	32,015	51,438	83,453	4.0%
Industrial equipment	186	22,356	22,542	35.7%
Other	15,391	64,204	79,595	12.8%
TOTAL	**355,330**	**382,213**	**737,543**	**8.7%**

2.2 Breakdown between intercompany and external sales, France and export

€ thousands	2013	2012	% Change 2013/2012
France:			
■ Group	68,097	45,180	50.7%
■ external	317,649	310,151	2.4%
SUB-TOTAL	**385,746**	**355,330**	**8.6%**
Export:			
■ Group	397,015	349,904	13.5%
■ external	18,085	32,309	-44.0%
SUB-TOTAL	**415,101**	**382,213**	**8.6%**
TOTAL	**800,847**	**737,543**	**8.6%**

NOTE 3. Other income

€ thousands	2013	2012
Royalties and rebilling of expenses to Group companies	255,448	203,512
Other	280	24
TOTAL	**255,727**	**203,537**

NOTE 4. Other external purchases and expenses

€ thousands	2013	2012
Outsourcing	52,221	49,663
Rentals, maintenance and Insurance	24,399	26,164
Studies, research and documentation	28,014	28,678
Temporary staff	13,867	13,222
Fees	27,203	27,620
Communication and advertising	26,361	28,243
Telecommunications, commissions and business travel	31,311	35,392
Other	1,931	1,953
TOTAL	**205,307**	**210,935**

NOTE 5. Financial income

€ thousands	2013	2012
Interest expense	(12,765)	(13,369)
Interest income		
■ Dividends	231,640	360,369
■ Investment income	3,381	5,041
■ Interest income from loans	21,104	20,114
Net discounts	(3,676)	(3,437)
Provisions for losses	(1,116)	(912)
Exchange gains and losses, net	2,542	(688)
Other	(5,424)	(695)
TOTAL	**235,685**	**366,424**

NOTE 6. Extraordinary income

€ thousands	2013	2012
REVENUE TRANSACTIONS	**(2,533)**	**(5,709)**
Other income and expenses from revenue transactions	(2,533)	(5,708)
Restructuring costs		(1)
CAPITAL TRANSACTIONS	**112**	**21,372**
Disposal of investments		
Other extraordinary income and expenses from capital transactions[(a)]	112	21,372
PROVISION MOVEMENTS	**(9,597)**	**19,350**
Untaxed provisions	(3,904)	(1,276)
Other[(b)]	(5,694)	20,626
TOTAL	**(12,018)**	**35,013**

(a) In 2012, other non-operating financial income and expenses mainly include the sale of intellectual property rights.
(b) "Other" mainly includes the provision reversal for tax audits.

NOTE 7. Corporate income tax

7.1 Profit excluding overriding tax assessments

€ thousands	2013	2012
Net profit	326,184	407,376
Income tax expense	1,066	11,294
Pre-tax profit	327,250	418,670
Change in regulated provisions	3,904	1,276
Profit before tax, excluding overriding tax assessments	331,154	419,946

3

Besides a tax charge of €30,117 thousand, taxes recognized at Essilor include income related to the research tax credit of €16,000 thousand and tax consolidation income of €5,478 thousand. In addition, the Company filed an additional tax loss carryback claim which generated tax income of €5,167 thousand. Essilor tax income ended up totaling €1,066 thousand.

7.2 Breakdown of income tax expense

Income tax expense breaks down as follows between operating and non-operating items:

2013 € thousands	Before tax	Corresponding tax	After tax
Profit before non-operating items and tax [(a)]	339,269	1,948	341,216
Non-operating income (expense), net	(12,019)	(3,014)	(15,033)
NET PROFIT			**326,184**

(a) Of which €231,640 thousand in dividends subject to the parent company-subsidiary treatment and €155,076 thousand in royalties taxed at the reduced rate of 15%.

2012 € thousands	Before tax	Corresponding tax	After tax
Profit before non-operating items and tax	383,657	(5,991)	377,666
Non-operating income (expense), net	35,013	(5,303)	29,710
NET PROFIT			**407,376**

7.3 Unrecognized deferred tax assets and liabilities

Assets

No deferred tax assets are recognized in the balance sheet.

€ thousands	2013	2012
Pension plan	29,514	30,050
Provisions for paid vacation[(a)]	12,349	12,002
Impairment of investments in subsidiaries and affiliates	56,098	62,662
Other	19,231	12,494
TOTAL	**117,192**	**117,208**
TAX LOSS CARRYFORWARD[(b)]	**241,030**	**242,638**
Or a tax of 38% (36.10% in 2012)	136,124	129,904

(a) The Company has elected to apply the provisions of Article 8 of the 1987 French Finance Act, allowing the deduction of vacation pay on a cash basis. The provision is therefore not deductible, giving rise to a future tax saving.

(b) This cumulative tax loss carryforward corresponds to the tax loss carryforward of the tax group. The tax savings arising from the use of the tax losses of tax group members, which are returnable to them by Essilor are recognized as a liability through the recognition of a debt in the Company's balance sheet. The amount of this tax loss is €3,535 thousand at December 31, 2013. The Company believes it will be able to use its tax loss carryforwards.

Equity and liabilities

No deferred tax liabilities are recognized in the balance sheet. Recognition of deferred taxes on the timing differences shown below would have the effect of increasing income tax expense by €13,732 thousand.

€ thousands	At 2011 year-end	2012 increase	2012 decrease	At 2012 year-end	2013 increase	2013 decrease	At 2013 year-end
Provisions for:							
■ Excess tax depreciation	30,863	7,457	6,181	32,138	10,438	6,535	36,042
■ Other	124	112		236	(141)		95
TOTAL	**30,987**	**7,568**	**6,181**	**32,374**	**10,298**	**6,535**	**36,137**
Future tax liability (38%)	11,186			11,687			13,732

NOTE 8. Intangible assets

€ thousands	Value at the start of the year	Acquisitions	Disposals	Movements	Provisions for the year	Reversals for the year	Value at year-end
2013							
R&D expenditure	4,752	2,714		0			7,466
Patents, trademarks, licenses	117,659	7,709	648	2,776			127,496
Goodwill	434						434
Other intangible assets	8,153	0	0	(2,746)			5,406
GROSS AMOUNT	**130,998**	**10,423**	**648**	**29**			**140,802**
Amortization, depreciation and impairment	83,072				8,765	648	91,189
NET AMOUNT	**47,926**						**49,612**
2012							
R&D expenditure	3,551	9		1,191			4,752
Patents, trademarks, licenses	99,591	2,580	121	15,611			117,659
Goodwill	434						434
Other intangible assets	20,873	5,055	968	(16,807)			8,153
GROSS AMOUNT	**124,449**	**7,644**	**1,089**	**(5)**			**130,998**
Amortization, depreciation and impairment	74,410				9,751	1,089	83,072
NET AMOUNT	**50,039**						**47,926**

NOTE 9. Property, plant and equipment

€ thousands	Value at the start of the year	Acquisitions	Disposals	Movements	Provisions for the year	Reversals for the year	Value at year-end
2013							
Land	13,894	73	10	0			13,957
Buildings	116,204	14,877	406	27,807			158,482
Plant and equipment	137,922	7,973	6,904	353			139,344
Other Property, plant and equipment	45,072	1,998	1,303	30			45,797
Property, plant and equipment in progress	32,067	2,522		(28,950)			5,640
Advances and deposits	120	33		(33)			120
GROSS AMOUNT	**345,279**	**27,477**	**8,623**	**(792)**			**363,341**
Amortization, depreciation and impairment	230,224				18,044	8,188	240,079
NET AMOUNT	**115,056**						**123,262**
2012							
Land	13,881	21		(8)			13,894
Buildings	117,980	424	3,434	1,234			116,204
Plant and equipment	135,927	3,373	2,600	1,222			137,922
Other Property, plant and equipment	44,447	1,258	703	69			45,072
Property, plant and equipment in progress	13,860	21,066		(2,858)			32,067
Advances and deposits	9	120		(9)			120
GROSS AMOUNT	**326,103**	**26,262**	**6,736**	**(350)**			**345,279**
Amortization, depreciation and impairment	218,639				18,398	6,813	230,224
NET AMOUNT	**107,464**						**115,056**

NOTE 10. Investment and other non-current assets

10.1 Analysis

2013 € thousands	Value at the start of the year	Increases	Decreases	Movements	Provisions for the year	Reversals for the year	Value at year-end
Subsidiaries and affiliates[a]	1,811,968	43,873	13,941	805			1,842,706
Loans to subsidiaries and affiliates[b] (Loans to subsidiaries/Advances on share issues)	476,264	1,007,225	924,069				559,420
Other long-term investments (own shares)	241,057	251,465	186,985				305,537
Other loans	44						44
Other long-term financial investments[c]	6,463	10,207	957	(805)			14,908
GROSS AMOUNT	**2,535,796**	**1,312,771**	**1,125,953**				**2,722,614**
Impairment	66,147				17,243	25,799	57,591
NET AMOUNT	**2,469,650**						**2,665,023**

(a) Increases:
– Essilor Middle East, Essilor South Africa, Canoptec, O'Max, FGX Holding, Optiben and Ophtalmica Galiléo capital increases totaling €17.7 million;
– acquisition of 51% of Onbitt, 51% of Movisia and 10% of Top Con with total increases amounting to €4.2 million;
– acquisition of a further 60% of Armgol Holding bringing the total stake to 80%, a further 30% of Optika Hulgikaubanduse Oü bringing the total stake to 100%, a further 10% of Frames 'N' Lenses bringing the total stake to 90% with total increases amounting to €20.8 million;
– additional price for IVS of €0.6 million.
Decreases:
– Disposal of 60% of Ophtalmica Galiléo shares.
Movements:
– Long-term assets of various acquisition fees (€0.8 million).
(b) Increases and decreases are for the most part connected to renewals of loans to subsidiaries.
(c) Balance comprising various acquisition fees attached to ongoing acquisitions.

2012 € thousands	Value at the start of the fiscal year	Increases	Decreases	Movements	Provisions for the year	Reversals for the year	Value at year-end
Equity interests	1,771,360	49,398	9,945	1,155			1,811,968
Loans to subsidiaries and affiliates (Loans to subsidiaries/Advances on share issues)	465,870	883,105	872,711				476,264
Other long-term investments (own shares)	266,983	230,436	256,362				241,057
Other loans	44						44
Other long-term financial investments	4,375	5,584	2,341	(1,155)			6,463
GROSS AMOUNT	**2,508,631**	**1,168,524**	**1,141,359**				**2,535,796**
Impairment	74,966				14,157	22,977	66,147
NET AMOUNT	**2,433,665**						**2,469,650**

10.2 Subsidiaries and affiliates

Subsidiaries and affiliates whose gross value as a percentage of Essilor International's share capital is

€ thousands	Share capital	Other Other equity	Carrying amount of shares held Gross	Carrying amount of shares held Net	Loans and advances granted by the Company	Guarantees and endorsements given by the Company	Net revenue for the last fiscal year	Profit for the last fiscal year	Dividends cashed by the Company over the fiscal year
A – MORE THAN 1%									
French companies	113,523	270,309	268,380	252,902			404,324	38,441	46,033
International subsidiaries	484,559	1,328,984	1,572,870	1,532,598	278,160	319,380	5,097,684	492,209	185,361
B – LESS THAN 1%									
French companies									
International subsidiaries	4,941	26,221	1,456	1,109	83,727		149,316	18,488	250

10.3 Analysis of long-term loans and receivables by maturity

€ thousands	2013	2012
More than one year	319,034	329,793
Less than one year	255,337	152,978
TOTAL	**574,371**	**482,771**

NOTE 11. Current assets

11.1 Inventories

€ thousands	2013	2012
Raw materials and other supplies	37,452	39,657
Goods for resale	8,464	8,971
Finished and semi-finished products and work in progress	24,369	29,498
SUB-TOTAL	**70,286**	**78,126**
Provisions:		
■ Raw materials and other supplies	(11,591)	(11,713)
■ Goods for resale	(2,422)	(1,278)
■ Finished and semi-finished products and work in progress	(3,660)	(4,671)
SUB-TOTAL	**(17,673)**	**(17,662)**
TOTAL	**52,613**	**60,464**

11.2 Analysis of operating receivables by maturity

€ thousands	2013
MORE THAN ONE YEAR	**24,385**
Trade receivables	24,385
Other receivables[(b)]	0
LESS THAN ONE YEAR	**549,486**
Prepayments to suppliers	2,074
Trade receivables[(a)]	262,317
Other receivables[(b)]	285,095
TOTAL	**573,871**

(a) The portion related to commercial paper represents €455.3 thousand.
(b) The "Other receivables" line primarily includes current accounts with regard to subsidiaries of €225 million.

11.3 Marketable securities

	2013		2012	
€ thousands	Gross	Net	Gross	Net
SICAV[(a)]	304,119	304,119	146,174	146,174
Currency options	482	482	1,045	1,045
TOTAL	**304,601**	**304,601**	**147,219**	**147,219**
Bank deposits	70,287	70,287	100,000	100,000
TOTAL	**374,888**	**374,888**	**247,219**	**247,219**

(a) Money market funds held at closing are comprised solely of money market funds.

Cash investments are subject to a policy that encourages safety and liquidity on the return. Available cash is invested only in short-term money-market funds, which limit the risk of capital loss and are immediately available. At December 31, 2013, counterparties for investment and capital markets transactions carried out by the Group Treasury Department were all rated at least A-2 (short-term) and A- (long-term) by Standard & Poor's.

11.4 Prepaid expenses

€ thousands	2013	2012
Prepaid expenses:		
■ Operating profit	12,046	15,887
■ Financial income	4,128	833
TOTAL	**16,174**	**16,720**

11.5 Accrued income

€ thousands	2013	2012
Investments and other non-current assets		
Loans to subsidiaries and affiliates	1,962	1,901
Receivables		
Trade receivables[(a)]	63,639	22,924
Other receivables	3,697	1,895
TOTAL	**69,298**	**26,721**

(a) The change in trade receivables was mainly due to an increase in intra-Group receivables.

NOTE 12. Equity

12.1 Share capital

Number of shares, except per share data	Number of shares: At the start of the fiscal year	Issued	Canceled	Traded	At year-end	Par value (in €)
Ordinary shares	214,724,040	1,475,458	(1,500,000)		214,699,498	0.18
TOTAL	**214,724,040**	**1,475,458**	**(1,500,000)**		**214,699,498**	**0.18**

Of which own shares:

Number of securities	Number of shares at the start of the fiscal year	Share purchases	Cancellation	Exercises of Options	Exercises Performance shares	Number of shares at year-end
Long-term Investments	4,387,477	2,192,298	(1,500,000)		(625,369)	4,454,406
TOTAL	**4,387,477**	**2,192,298**	**(1,500,000)**		**(625,369)**	**4,454,406**

12.2 Statement of changes in equity

€ thousands	Share capital	Issue premiums	Reserves and retained earnings	Net profit	Untaxed provisions	Government grants	Translation reserve[(a)]	Total equity
EQUITY AT JANUARY 1, 2013	**38,650**	**311,622**	**1,443,845**	**407,376**	**32,138**	**236**	**(1,713)**	**2,232,155**
Capital increase								
■ FCP Mutual funds	68	23,267						23,335
■ Subscription options	198	44,800						44,998
Capital reduction	(270)	(77,530)						(77,800)
Other movements over the fiscal year			6		3,904	(141)	(648)	3,121
Allocation of profit			407,376	(407,376)				0
Dividends paid			(185,339)					(185,339)
Net profit for the fiscal year				326,184				326,184
EQUITY AT DECEMBER 31, 2013	**38,646**	**302,160**	**1,665,888**	**326,184**	**36,042**	**95**	**(2,361)**	**2,366,655**

(a) The translation difference relates to the Puerto Rico branch.

2013

Capital totaled €38,646 thousand, corresponding to a decrease of 24,542 ordinary shares following:

- a reduction of capital *via* cancellation of treasury shares (-1,500,000 shares);
- subscriptions to Essilor group FCP mutual funds (377,407 shares);
- stock subscription options (1,098,051 shares).

New shares were entitled to dividends starting January 1, 2013.

2012

Capital totaled €38,650 thousand, corresponding to an increase of 685,744 ordinary shares following:

- a reduction of capital *via* cancellation of treasury shares (-2,400,000 shares);
- subscriptions to Essilor group FCP mutual funds (385,354 shares);
- stock subscription options (2,700,390 shares).

New shares were entitled to dividends starting January 1, 2012.

12.3 Stock subscription and purchase options, performance shares and employee share issues

Stock subscription and purchase options

The exercise price of stock subscription or purchase options corresponds to the average of the share prices quoted over the 20 trading days preceding the date of the Board Meeting at which the grants are decided. Gains on options granted since 2004 (corresponding to the difference between the average share price during the 3 calendar months prior to the month of exercise of the option and the exercise price) are capped at 100% of the exercise price.

Stock subscription options granted in 2006, 2007 and January 2008 are subject to vesting conditions based on the share performance over a period of 2 to 4 years, as well as to the 100% cap on gains. Stock subscription options granted since November 2008 are subject to vesting conditions based on the share performance over a period of 2 to 6 years, as well as to the 100% cap on gains.

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

	Number of stock subscription options at January 1, 2013	Exercise of options	Options canceled and forfeited	Options granted	Number of stock subscription options at December 31, 2013
Stock subscription options	2,774,285	(1,098,051)	(60,679)	87,880	1,703,435
TOTAL	**2,774,285**	**(1,098,051)**	**(60,679)**	**87,880**	**1,703,435**

Performance shares

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

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

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

	Number of performance shares at January 1, 2013	Performance shares vested	Performance shares canceled	Grants	Number of performance shares at December 31, 2013
Performance shares	2,848,274	(625,369)	(68,660)	1,376,340	3,530,585
TOTAL	**2,848,274**	**(625,369)**	**(68,660)**	**1,376,340**	**3,530,585**

Employee share issues

The main features of the employee share issues are:

€	2013	2012
Share subscription price	61.83	57.08
Total discount amount	15.46	14.27
Number of shares subscribed	377,407	385,354

NOTE 13. Provisions

13.1 Provisions for contingencies and charges

2013 € thousands	**Value at the start of the fiscal year**	**Provisions for the year**	**Reversals for the fiscal year (used)**	**Reversals for the fiscal year (unused)**	**Value at year-end**
Provisions for pensions and other post-employment benefits	30,050	4,196	4,731		29,514
Provisions for losses in subsidiaries and affiliates	300				300
Provision for losses on performance shares	36,166	55,231	35,631		55,767
Provisions for restructuring	15			15	
Other provisions[(a)]	14,927	18,507	4,207	589	28,638
TOTAL	**81,460**	**77,934**	**44,570**	**604**	**114,220**

(a) At December 31, 2013, "Other provisions" were comprised primarily of the provision for tax audits, provision for product risk and provision for exchange rate loss.

2012 € thousands	**Value at the start of the fiscal year**	**Provisions for the year**	**Reversals for the fiscal year (used)**	**Reversals for the year (unused)**	**Value at year-end**
Provisions for pensions and other post-employment benefits	32,535	8,751	11,200	35	30,050
Provisions for losses in subsidiaries and affiliates	300				300
Provision for losses on performance shares	13,566	57,029	34,428		36,166
Provisions for restructuring		15			15
Other provisions[(a)]	34,038	10,549	16,980	12,710	14,927
TOTAL	**80,469**	**76,344**	**62,608**	**12,745**	**81,460**

(a) At end 2012, "Other provisions" were comprised primarily of the provision for tax audits, provision for legal disputes, provisions for operating risks and other provisions.

13.2 Provisions for impairment

€ thousands	Value at the start of the year	Provisions for the year	Reversals for the year	Value at year-end
2013				
PROVISIONS FOR IMPAIRMENT	**108,276**	**38,473**	**56,758**	**89,991**
Inventories	17,662	17,673	17,662	17,673
Receivables	24,460	3,557	13,298	14,719
Shares in subsidiaries and affiliates	62,662	17,077	23,641	56,098
Loans to subsidiaries and affiliates	3,485		2,158	1,327
Other long-term investments		166		166
Other	8			8
2012				
PROVISIONS FOR IMPAIRMENT	**112,577**	**39,008**	**43,310**	**108,277**
Inventories	17,914	17,662	17,914	17,662
Receivables	19,689	7,189	2,419	24,460
Shares in subsidiaries and affiliates	74,966	10,672	22,977	62,662
Loans to subsidiaries and affiliates		3,485		3,485
Other long-term investments				
Other	8			8

NOTE 14. Liabilities

14.1 Maturities of liabilities

Analysis of total liabilities by maturity and by category

€ thousands	2013	2012
DUE WITHIN ONE YEAR	**790,335**	**815,217**
Borrowings	262,224	314,335
Operating liabilities [(b)]	322,933	303,684
Other liabilities[(a) and (b)]	205,179	197,198
DUE IN ONE TO FIVE YEARS	**295,393**	**157,733**
Borrowings	290,044	151,584
Operating liabilities		
Other liabilities	5,349	6,149
DUE IN MORE THAN FIVE YEARS	**290,044**	**75,792**
Borrowings	290,044	75,792
Operating liabilities		
Other liabilities		
TOTAL	**1,375,773**	**1,048,742**

(a) The "Other payables" line primarily includes current accounts with regard to subsidiaries of €190 million.
(b) The portion related to commercial paper was zero in 2013.

Analysis by maturity (total liabilities)

€ thousands	2013	2012
2013		815,217
2014	790,335	4,498
2015	5,349	1,652
2017	199,405	151,584
2018	90,639	75,792
2019	170,401	
2020	97,890	
2023	21,753	
TOTAL	**1,375,773**	**1,048,743**

Analysis by currency (financial debt)

€ thousands	2013	2012
EUR	205,433	160,038
USD	608,664	377,080
GBP	600	613
THB	21,082	
MXN	942	1,001
PLN	5,591	2,978
TOTAL	**842,312**	**541,711**

Covenants

The Company's financing is not subject to special financial covenants. Only the USD 300 and USD 500 million US private placements issued in 2012 and 2013 are subject to a special financial ratio. This was complied with at December 31, 2013.

14.2 Accrued charges

€ thousands	2013	2012
Accrued interest	4,067	2,714
Trade payables	51,375	49,070
Accrued taxes and personnel expense		
■ Vacation pay	36,055	33,911
■ Discretionary profit sharing	5,975	5,172
■ Other	29,666	28,415
Other operating liabilities		
■ Discounts and allowances to be granted	83,816	82,005
■ Amounts due to customers	578	743
■ Credit notes to be issued	6,111	4,363
■ Affiliates, dividends to be paid		4
Liabilities on long-term assets and related accounts	3,528	1,833
TOTAL	**221,170**	**208,229**

14.3 Related party transactions

Related parties are companies that are fully consolidated in the Group's consolidated financial statements. Businesses with which the Company has capital ties correspond to other Group companies.

Balance sheet € thousands	Net amount concerning other companies Related parties	with which the Company has capital ties	Other	Total assets
Equity interests	1,708,854	77,754	0	1,786,608
Receivables from companies in which an equity interest is held	553,458	5,300	662	559,420
TOTAL LONG-TERM FINANCIAL ASSETS (NET)	**2,262,312**	**83,054**	**662**	**2,346,028**
Trade receivables	213,688	15,879	53,248	282,816
Other receivables	217,242	358	56,663	274,263
TOTAL CURRENT ASSETS (NET)	**430,930**	**16,237**	**109,912**	**557,078**
TOTAL ASSETS	**2,693,242**	**99,291**	**110,574**	**2,903,106**
Trade payables	64,368	4,313	67,325	136,007
Other operating liabilities	2,926	4	183,996	186,926
Other liabilities	202,289	0	8,239	210,528
TOTAL LIABILITIES	**269,584**	**4,317**	**259,560**	**533,461**

Income statement € thousands	Net amount concerning other companies Related parties	with which the Company has capital ties	Other	Total income statement
Financial expense[a]	46,531	826	56,301	103,658
Financial income[b]	189,519	87,292	62,532	339,344

(a) Financial expense breaks down as follows:
Financial expense reported under "Related parties" corresponds mainly to impairment losses on shares in subsidiaries, interest on advances from the cash pool and interest on borrowings;
Financial expense reported under "Other companies with which Essilor has capital ties" corresponds mainly to impairment losses on shares in affiliates;
Financial expenses reported under "Others" mainly concern conversions of transactions at the end-of-month rate, interest on borrowings, discounts granted.

(b) Financial income breaks down as follows:
Financial income reported under "Related parties" corresponds mainly to dividend income, reversals of impairment losses on shares in subsidiaries, and interest on loans;
Financial income reported under "Capital ties" mainly concern deposited dividends;
Financial income reported under "Others" mainly concern conversions of transactions at the end-of-month rate, capital gains on investments (SICAVs, certificates of deposit), interest on borrowings and provisions for risks "exchange rate losses".

NOTE 15. Off-balance sheet commitments

15.1 Financial commitments

Commitments given and received

€ thousands	2013	2012
Commitments given		
Guarantees and endorsements[a]	342,335	341,080
Commitments received		
Guarantees, endorsements and sureties received	0	0

(a) Mainly consisting of guarantees given by Essilor International to financial institutions in favor of Group subsidiaries.

Confirmed lines of credit not drawn down at December 31, 2013 amounted to €1,553 million.

Forward foreign exchange contracts

At December 31, 2013, forward foreign exchange transactions (excluding *cross currency swaps*) were as follows:

€ thousands	Contractual amounts (initial price)	Fair value at December 31, 2013
Foreign currency sell position	386,139	1,957
Foreign currency buy position	651,312	(9,105)
TOTAL		**(7,148)**

The Company is a net seller of GBP, SGD, AUD and CAD for the most part and is a net buyer of USD, JPY and THB.

Currency options

At December 31, 2010, currency options were as follows:

€ thousands	Nominal amount (valuation at exercise price)	Premiums received (paid) at inception	Fair value at December 31, 2013
Foreign currency put purchases	45,000	837	91
Foreign currency put sales	22,500	367	(53)
Foreign currency call purchases	202	8	
TOTAL		**1,211**	**39**

Cross-currency swap

In 2007, the Company implemented a financing transaction for its subsidiary Essilor of America for €250 million. This transaction was hedged by internal and external cross currency swaps which obtained the classification of hedges of existing assets or liabilities. This financing and the related cross currency swaps mature on February 24, 2014.

In thousands of currency units	Notional amount (USD)	Notional amount (EUR)	Fair value at December 31, 2013
External cross-currency swaps	328,375	250,000	13,383
Internal cross-currency swaps	328,375	250,000	(13,414)
Interest rate swaps	150,000		(4,502)
EUR interest rate caps		50,000	3
USD interest rate caps	50,000		2
TOTAL			**(4,527)**

15.2 Finance lease commitments

There have been no commitments under finance leases since 2006.

15.3 Commitments under non-cancelable operating leases and other contracts

Contractual obligations 2013	Future minimum payments			
€ thousands	up to 1 year	1 to 5 years	over 5 years	Total Treasury
Non-cancelable operating leases	4,029	2,360	197	6,586
TOTAL	**4,029**	**2,360**	**197**	**6,586**

15.4 Commitment relating to the sale of put options on minority interests

Essilor granted put options to the minority shareholders of various controlled subsidiaries. At December 31, 2013, the valuation of all of these put options if they were fully exercised totaled €62,690 thousand.

NOTE 16. Employee data

16.1 Pension, length-of-service and other obligations

Supplementary pensions

The Company's obligation to management and management-level employees for supplementary pensions was updated in 2013, using a retrospective method. 2013 actuarial assumptions were as follows: inflation rate (2%), staff turnover rate, rate of future salary increases (2.75%) and discount rate (3.3%).

Measured in this way, the obligation totaled €41,953 thousand, of which €9,843 thousand already paid into pension funds managed by an independent insurance company at December 31, 2013.

€ thousands	2013	2012
Projected benefit obligation	41,953	43,760
Fair value of plan assets	(9,843)	(18,913)
Deferred items[(a)]	(25,176)	(17,257)
PROVISIONS RECOGNIZED IN THE BALANCE SHEET	**6,934**	**7,590**

(a) Deferred items correspond to actuarial losses or gains and costs for past services. In 2013, these items included a reversal of €4.1 million corresponding to the reclassification to assets of an Article 39 tax surplus. The balance of €6.9 million corresponds to obligations under Article 83.

Length-of-service awards

The Company's obligation for the payment of length-of-service awards in application of French labor laws, collective bargaining agreements and trade union agreements was estimated at €2,355 thousand at December 31, 2013 based on a discount rate of 3.3%.

€ thousands	2013	2012
Projected benefit obligation	2,355	2,400
Fair value of plan assets	0	0
PROVISIONS RECOGNIZED IN THE BALANCE SHEET	**2,355**	**2,400**

Retirement benefits

The Company's obligation for the payment of retirement benefits for all types of retirement was estimated, according to a retrospective method, at €34,100 thousand at December 31, 2013 based on a discount rate of 3.3%.

€ thousands	2013	2012
Projected benefit obligation	34,100	34,619
Fair value of plan assets	0	0
Deferred items[(a)]	(14,894)	(16,262)
PROVISIONS RECOGNIZED IN THE BALANCE SHEET	**19,206**	**18,357**

(a) Deferred items correspond to actuarial losses or gains and costs for past services.

Expenses for the year

€ thousands	2013	2012
Cost of services rendered in the period	(4,025)	(3,637)
Interest expense on discounting	(2,458)	(3,011)
Contributions paid	0	16,800
Benefits paid	3,790	3,469
Expected return on plan assets	516	282
Actuarial losses (gains)	(3,319)	(2,268)
Cost of past services	(302)	(302)
EXPENSES FOR THE YEAR	**(5,798)**	**11,333**

16.2 Average workforce

Breakdown of average number of employees	2013	2012
Managerial personnel	1,327	1,293
Supervisors and administrative	1,268	1,299
Production	830	865
TOTAL	**3,425**	**3,457**

16.3 Management compensation

€ thousands	2013	2012
Executive bodies		
Compensation received[a]	1,791	1,661
Length-of-service award payable on retirement (actuarial value)	740	585
Supplementary retirement benefit obligations (actuarial value)	10,040	9,119
Value of performance share rights granted during the year[b]	1,521	1,213
TOTAL	**14,092**	**12,578**
Administrative bodies		
Compensation received	462	371
TOTAL	**462**	**371**

(a) Compensation paid by Essilor International SA or any other consolidated subsidiary.

(b) The amounts indicated are the fair-value accounting amounts of the options and stocks in accordance with IFRS. These are, therefore, not real amounts which may be realized upon acquisition of the stock, if vested. It should also be noted that awards of shares are subject to employment and performance conditions.

16.4 Other employee information

Individual Training Entitlement ("DIF")

The cumulative number of hours training available to employees under the "DIF" incentive was 321,645.

The cumulative number of hours for which no training request had been received at the balance sheet date was 303,660.

NOTE 17. Fees paid to the auditors and members of their networks

	PricewaterhouseCoopers				Mazars			
	Amount		As a %		Amount		As a %	
€ thousands, except for percentages	2013	2012	2013	2012	2013	2012	2013	2012
Audit								
Statutory and contractual audit services	447	447			282	282		
Other audit-related services	922	325			162	171		
SUB-TOTAL	**1,369**	**772**	**100%**	**100%**	**444**	**453**	**100%**	**100%**
Other services								
Legal and tax advice								
Other								
SUB-TOTAL	**0**	**0**	**0%**	**0%**	**0**	**0**	**0%**	**0%**
TOTAL	**1,369**	**772**	**100%**	**100%**	**444**	**453**	**100%**	**100%**

The other work and services directly linked to the duties of the Statutory Auditor correspond principally to the work conducted within the context of acquisition transactions of companies to be included in the scope of consolidation.

NOTE 18. Subsequent events

Acquisition of Transitions

On July 29, 2013, Essilor announced the signing of an agreement to acquire the 51% stake in Transitions Optical owned by PPG. Transitions Optical is a leading provider of photochromic lenses to optical manufacturers worldwide. Following the transaction, Essilor will own 100% of the capital of Transitions Optical. Transitions Optical generated revenue of USD814 million in 2012, of which around USD310 million with lens manufacturers other than Essilor. Under the agreement, Essilor will also acquire 100% of the capital of Intercast, a high-performance sun lens manufacturer based in Parma, Italy. In 2012, Intercast revenue stood at nearly USD34 million. The consideration for the transaction amounts to USD1.73 billion at closing, as well as a deferred payment of USD125 million over five years, for 51% of the capital of Transitions Optical and 100% of Intercast.

Subject to various regulatory approvals, the transaction is expected to close during the first half of 2014. Based on current estimates, the transaction should have a positive impact on Essilor's financial indicators and, in particular, an accretive impact on earnings per share as of year one of the integration and of at least 5% per year in subsequent years. Following the transactions, the consolidated debt-to-equity ratio will remain below 40%.

NOTE 19. Five-year financial summary

Capital at the fiscal year-end € thousands	**2013**	**2012**	**2011**	**2010**	**2009**
Share capital	38,646	38,650	38,527	38,098	38,792
Number of ordinary shares outstanding	214,699,498	214,724,040	214,038,296	211,655,342	215,509,972
o/w treasury stock	4,454,406	4,387,477	5,363,126	2,894,112	4,630,653
Number of preferred, non-voting shares outstanding (without voting rights)	0	0	0	0	0

Results of operations € thousands	**2013**	**2012**	**2011**	**2010**	**2009**
Net revenue	800,847	737,543	678,430	680,533	670,474
Profit before tax, depreciation, amortization and provisions	373,329	445,205	300,219	362,900	246,094
Income tax expense	1,066	11,294	(14,408)	(5,077)	(14,111)
Employee profit-sharing due for the year					
Profit after tax, depreciation, amortization and provisions	326,184	407,376	273,061	341,947	214,753
Total dividends	197,630	185,096	177,374	173,272	147,616

Per share data € thousands	**2013**	**2012**	**2011**	**2010**	**2009**
Earnings per share, after tax and employee profit-sharing, but before depreciation, amortization and provisions, excluding treasury stock	1.77	2.06	1.51	1.76	1.23
Earnings per share, after tax, employee profit-sharing, depreciation, amortization and provisions, excluding treasury stock	1.55	1.94	1.31	1.64	1.02
Net dividend per ordinary share	0.94[a]	0.88	0.85	0.83	0.70
Net dividend per preferred, non-voting share					

(a) Subject to the decision of the Shareholders' Meeting of May 7, 2014.

Employee data € thousands, except for the average number of employees	**2013**	**2012**	**2011**	**2010**	**2009**
Average number of employees in the year	3,425	3,457	3,464	3,528	3,584
Total payroll	172,407	167,943	161,028	157,673	151,855
Total benefits	97,673	96,729	81,492	79,270	76,982