



## A robust quarter, led by product innovation

- Revenue up 8.4% excluding the currency effect
- Stepped-up expansion in fast-growing markets and rebound in the US
- Success of the Crizal<sup>®</sup> Previncia<sup>™</sup> and Transitions<sup>®</sup> Signature<sup>™</sup> lenses
- Transitions Optical and Coastal.com acquisitions completed

Charenton-le-Pont, France (April 29, 2014, 6:30 a.m.) – Essilor International, the world leader in ophthalmic optics, today announced that consolidated revenue for the three months ended March 31, 2014 totaled €1,322.6 million. Compared with first-quarter 2013, this represented **an increase of 8.4%, excluding the currency effect.**

### Consolidated revenue

<i>in € millions</i>	Q1 2014 <sup>a</sup>	% Change (reported)	% Change (like-for-like)	Change in the scope of consolidation	Currency effect
<b>Lenses and Optical Instruments</b>	<b>1,159.7</b>	<b>+1.0%</b>	+3.0%	+2.9%	-4.9%
<i>North America</i>	<b>466.8</b>	<b>+0.9%</b>	+2.7%	+2.7%	-4.5%
<i>Europe</i>	<b>399.6</b>	<b>-0.7%</b>	-1.0%	+0.6%	-0.3%
<i>Asia/Pacific/Middle East/Africa</i>	<b>211.1</b>	<b>+3.1%</b>	+9.1%	+3.9%	-9.9%
<i>Latin America</i>	<b>82.2</b>	<b>+4.4%</b>	+8.9%	+13.4%	-17.9%
<b>Equipment</b>	<b>38.9</b>	<b>-8.4%</b>	-4.4%	-1.0%	-3.0%
<b>Readers</b>	<b>124.0</b>	<b>+45.7%</b>	-1.8%	+51.0%	-3.5%
<b>TOTAL</b>	<b>1,322.6</b>	<b>+3.6%</b>	<b>+2.4%</b>	<b>+6.0%</b>	<b>-4.8%</b>

(a) Since second-quarter 2013, Nikon-Essilor's revenue in North America and Europe has been recognized in their respective regions, whereas previously, it was recognized in the Asia/Pacific/Middle East/ Africa region.

Commenting on these figures, Hubert Sagnières, Essilor's Chairman and Chief Executive Officer, said: "With 8.4% growth in revenue excluding the currency effect, Essilor delivered one of its best quarterly performances of the past three years, in a more favorable global environment. It reflected the vitality of our value creation strategy built on product innovation, consumer marketing, the development of a high-quality sunwear range and the deployment of our unique partnership model. Since April 1, 2014, Essilor has also strengthened its business base with the acquisitions of Transitions Optical and Coastal.com, the world leaders in photochromic lenses and online vision care retail. Our teams are determined to capitalize on these promising trends and these new competitive advantages to strengthen the Company's momentum in the coming quarters."

## First quarter shaped by the rebound in the Lenses and Optical Instruments division

The 2.4% like-for-like increase in revenue was led by the rebound in the Lenses and Optical Instruments division. Despite the impact of the loss of a major contract in Europe in 2013 and unfavorable weather conditions in North America, the division reported a 3% like-for-like gain, its best performance since fourth-quarter 2012. Growth was driven by a number of promising developments:

- Popular new products, such as the Crizal<sup>®</sup> Previncia<sup>™</sup> lens, the new Transitions<sup>®</sup> Signature<sup>™</sup> photochromic lens and the Xperio<sup>®</sup> range of polarizing lenses.
- A powerful dynamic in fast-growing markets, such as Brazil, China and India, and a recovery in their export business.
- An upturn in demand in most developed markets, especially the United States.
- A very good performance by the progressive lens line-up, especially products made using digital surfacing technology.

The other divisions were adversely impacted by a number of expected one-time events, such as the weak backlog in the Equipment division early in the year and the unfavorable inventory situation in the Readers division.

Newly acquired companies increased reported revenue for the period by 6%, led by a major contribution from Costa Inc. in the United States and Xiamen Yarui in China, two sunglass distributors that are leaders in their respective market segments. Among the noteworthy additions to the scope of consolidation over the period were Polycore, a sun lens manufacturer, and Riverside, a large Canadian prescription laboratory.

Lastly, the currency effect remained negative, at 4.8%, due to the decline against the euro in every billing currency except the British pound. The most keenly felt impacts concerned the US dollar and the Brazilian real.

## Revenue by region and division

In **North America**, growth rebounded sharply, rising 2.7% like-for-like. In the United States, revenue was lifted by growing demand for the Company's progressive lenses made using digital surfacing technology, the positive impact of Managed Vision Care networks on the laboratory business and the successful sales of new products. Crizal<sup>®</sup> anti-reflective lenses returned to sustained growth, the Varilux<sup>®</sup> S series<sup>™</sup> progressive lens enjoyed faster momentum and the new Transitions<sup>®</sup> Signature<sup>™</sup> photochromic lens launched early in the year got off to a promising start. The polarizing lens segment was also very dynamic, led by strong growth of the Xperio<sup>®</sup> range. Sales to key accounts trended favorably.

Lastly, strong momentum in the laboratory business also drove a return to robust growth in Canada.

In **Europe**, like-for-like revenue eased back 1.0% as reported, impacted by the loss of a sales contract in 2013. Business in the region benefitted from the success of the new Varilux<sup>®</sup> E series<sup>™</sup> and Intuitiv<sup>™</sup> mid-range progressive lenses and the Varilux<sup>®</sup> S series<sup>™</sup> high-end lens. Sales were led by a strong rebound in Spain, where the Company won a major contract with the country's leading optical chain and benefitted from a successful promotional campaign. In the United Kingdom, growth was supported by a favorable trend with both key accounts and independent opticians. Led by the Varilux<sup>®</sup> range, revenue rose in Switzerland and Eastern Europe, offsetting more difficult business conditions in Portugal and the Netherlands. In France, where demand was adversely impacted by changes in the regulatory environment, innovations like the Crizal<sup>®</sup> Previncia<sup>™</sup> lens continued to be warmly received by independent opticians.

Revenue in the **Asia/Pacific/Middle East/Africa** region rose by 9.1% like-for-like (of which + 5.0% in developed countries and + 10.6% in fast-growing markets), lifted by the ongoing solid domestic performance in the region's main fast-growing markets, as well as by a recovery in export sales and a rebound in the developed markets. In China, the new products went from strength to strength with the growing sales of anti-fatigue lenses and Crizal<sup>®</sup> UV anti-reflective lenses, leading to market share gains with existing customers and contracts with new ones. In India, demand continued to be led by the reputation of the Varilux<sup>®</sup> and Crizal<sup>®</sup> brands. Business rose sharply in Russia and recovered in South Africa. In the region's developed markets, Japan continued to deliver sharp growth thanks to the more normal competitive environment, robust customer relationships and the successful sales of new products. In Australia, business benefited from the solid gains with independent optometrists, buying groups and optical chains.

Revenue rose by 8.9% overall in **Latin America**, with growth in every country except Argentina, where the market continues to suffer from a highly disruptive economic environment. In Brazil, growth continued to be led by the Company's flagship brands, especially Varilux<sup>®</sup>, as well as by the other product offerings. In particular, the Company positioned the Kodak<sup>®</sup> brand as the benchmark in the mid-range segment, making it possible to fine-tune its multi-network strategy. In Mexico, Essilor is continuing to widen its market share in a sluggish economy, in particular thanks to the deployment of a long-term contract with one of the country's leading not-for-profit organizations that provides health care access to low-income people. In Colombia, new promotional campaigns were successfully rolled out to strengthen the Varilux<sup>®</sup> and Transitions<sup>®</sup> brands and the Nikon<sup>®</sup> lens brand was launched. Lastly, operations in Chile delivered very strong growth.

Revenue in the **Equipment** division contracted by 4.4% like-for-like on a decline in billings in the wake of the extensive deliveries in fourth-quarter 2013, especially in Latin America. Setting aside this factor, Satisloh enjoyed sustained growth in the developed markets, led by box coater sales and the success of its new edging solutions. During the quarter, Satisloh also introduced a green alternative to the traditional alloy ophthalmic blocking process. Known as ART, for Alloy Replacement Technology, the machine uses



a universal, reusable organic block-piece and UV-curable adhesive. It aroused considerable interest among visitors to the Vision Expo optics trade show in New York in late March.

Revenue in the **Readers** division declined by 1.8% like-for-like, due to a number of unfavorable effects during the period, including inventory drawdowns by a large customer in the Readers segment (which nevertheless reported higher sales) and a one-time negative restocking effect in sunglasses sales. On the other hand, retail sales of FGX products were very lively and sustained by the launch of new products and advertising campaigns. International sales continued to expand, especially in FGX International's European host countries.

## Major events since January 1, 2014 and other transactions

### **Transitions Optical Inc.**

On April 1, Essilor International finalized the acquisition of PPG Industries' 51% stake in Transitions Optical, the world's leading provider of photochromic lenses to optical manufacturers, and of all the outstanding shares of Intercast, a manufacturer of premium sun lenses. Founded in 1990 and based in Pinellas Park, Florida (USA), Transitions Optical reported sales of US\$844 million in 2013, of which around US\$279 million with lens manufacturers other than Essilor. Transitions Optical and Intercast have been consolidated since April 1. According to Essilor estimates, the consolidation of Transitions Optical will have a positive impact on the Company's financial indicators, notably with an increase in the consolidated contribution margin of around 150 bps as from the second year, an accretive effect on earnings per share as from 2014, representing at least 5% a year in subsequent years, and a positive impact of around 50 bps on the like-for-like growth in consolidated revenue as from the third year.

### **Costa Inc.**

In the first quarter, Essilor completed the acquisition of all outstanding shares of Costa Inc., a US leader in high-performance sunglasses.

Based in Lincoln, Rhode Island (USA), Costa Inc. designs, assembles and markets sunglasses under the Costa and Native brands. Costa has become the fastest growing performance sunglass brand in the United States. The company generated revenue of nearly US\$100 million in 2013. Costa Inc. has been consolidated in the Readers division since February 1.

### **Coastal.com**

On April 28, Essilor International has completed the acquisition of all outstanding common stock of Coastal.com, one of the world's leading online vision care retailers (please refer to the news release issued on April 28).

Based in Vancouver, British Columbia (Canada), Coastal.com designs and distributes one of the widest online selections of optical equipment, including contact lenses, prescription and non-prescription eyeglasses, sunglasses and accessories. It reported revenue of CAD 218 million for the fiscal year ended October 31, 2013. Coastal.com will be consolidated by Essilor from May 1<sup>st</sup>, 2014.

### **Other partnerships**

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

- Plunkett Optical, an Arkansas-based prescription laboratory with annual revenue of US\$3.3 million.
- iCoat, an independent California-based prescription laboratory specialized in the development and licensed sale of thin-film deposit and coating technologies for premium optical equipment. It generates around US\$26 million in annual revenue, primarily through optical chains and eye care insurance companies in North America.

### **New Centre for Innovation and Technologies opened in France**

Essilor has opened in Créteil (France) a new Centre for Innovation and Technologies (CI&T), the world's largest private campus dedicated to research and innovation in the ophthalmic optics industry (900 employees). Consolidating research and engineering teams and expertise in a single site will foster fruitful collaboration and optimize quality, performance, product development as well as new products and technologies launches.

Together with two other Centers for Innovation and Technologies, one in the United States (Dallas) and one in Asia (Singapore), this new campus, which represents an investment of €35 million, completes the Company's global research organization.

### **New production facility opened in Laos**

Essilor has opened a new production facility near Savannakhet, Laos, in order to serve growing demand in the region and in a constant commitment to optimizing its industrial capacity. The new facility will be dedicated to producing finished polycarbonate lenses, for which consumer demand is increasing by 4-5% per year. It will be able produce 20 million lenses per year when at full capacity, enabling Essilor to provide competitive, mid-range polycarbonate products to major customers, particularly in emerging markets.

### **Cash and financing**

The payment for the 51% stake in Transitions Optical and the normal seasonal fluctuations in the business increased net debt to €1,878 million at March 31, 2014, from €369 million at the end of 2013.

To broaden its access to capital markets, Essilor disclosed its issuer ratings from Standard & Poor's – A1 short-term – and Moody's – P1 short-term and A2 with a stable outlook long-term. The group first launched a \$1.5 billion US commercial paper program, of which around \$800 million had been issued as of March 31. In early April, it then issued €800 million in bonds in two tranches: a €500-million seven-year tranche, with a 1.750% coupon, and a €300-million ten-year tranche, with a 2.375% coupon. This is the lowest rate ever obtained on an inaugural seven-year issue by a non-financial issuer and the lowest ten-year rate obtained by a non-financial issuer so far this year.

This illustrates investor confidence in Essilor's business model and the quality of its credit profile. These two new sources of financing have enabled us to raise funds under competitive conditions, while diversifying our investor base.

## Outlook

Essilor confirms its 2014 targets of 10% to 12% growth in revenue at constant exchange rates and an 18.2% to 18.6% contribution margin, depending on the final IFRS adjustments on the Transitions Optical acquisition. These figures are stated before the consolidation of Coastal.com.

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### **A conference call in English will be held today at 10:00 a.m. CEST.**

Please dial-in at the following numbers: +33(0)1 70 99 42 71 or +44(0)20 3427 1908 (access code: 3721179).

The call may also be heard later at <http://hosting.3sens.com/Essilor/20140429-43C7FA9A/en/>

## Forthcoming investor events

The Annual General Meeting of shareholders will be held in Paris on May 7, 2014.

The 2014 first-half results will be released on August 28, 2014.

### **About Essilor**

*The world's leading ophthalmic optics company, Essilor designs, manufactures and markets a wide range of lenses to improve and protect eyesight. Its corporate mission is to improve lives by improving sight. To support this mission, the Company allocates more than €150 million to research and innovation every year, in a commitment to continuously bring new, more effective products to market. Essilor's flagship brands are Varilux<sup>®</sup>, Crizal<sup>®</sup>, Transitions<sup>®</sup>, Definity<sup>®</sup>, Xperio<sup>®</sup>, Optifog<sup>™</sup>, Foster Grant<sup>®</sup>, Bolon<sup>®</sup> and Costa<sup>®</sup>. It also develops and markets equipment, instruments and services for eyecare professionals.*

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

*For more information, please visit [www.essilor.com](http://www.essilor.com).*

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

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

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## Appendix

### Essilor International's consolidated revenue (€ millions)

	2014	2013
<b>First Quarter</b>		
<b>Lenses and Optical Instruments</b>	1,160	1,149
> <i>North America</i>	467	463
> <i>Europe</i>	400	402
> <i>Asia/Pacific/Middle-East/Africa</i>	211	205
> <i>Latin America</i>	82	79
<b>Equipment</b>	39	42
<b>Readers</b>	124	85
<b>TOTAL First Quarter</b>	<b>1,323</b>	<b>1,276</b>
<b>Second Quarter</b>		
<b>Lenses and Optical Instruments</b>		1,148
> <i>North America</i>		452
> <i>Europe</i>		400
> <i>Asia/Pacific/Middle-East/Africa</i>		203
> <i>Latin America</i>		93
<b>Equipment</b>		50
<b>Readers</b>		102
<b>TOTAL Second Quarter</b>		<b>1,300</b>
<b>Third Quarter</b>		
<b>Lenses and Optical Instruments</b>		1,114
> <i>North America</i>		439
> <i>Europe</i>		376
> <i>Asia/Pacific/Middle-East/Africa</i>		208
> <i>Latin America</i>		91
<b>Equipment</b>		52
<b>Readers</b>		71
<b>TOTAL Third Quarter</b>		<b>1,237</b>
<b>Fourth Quarter</b>		
<b>Lenses and Optical Instruments</b>		1,095
> <i>North America</i>		416
> <i>Europe</i>		394
> <i>Asia/Pacific/Middle-East/Africa</i>		197
> <i>Latin America</i>		88
<b>Equipment</b>		60
<b>Readers</b>		97
<b>TOTAL Fourth Quarter</b>		<b>1,252</b>