Another year of growth

Essilor firmly focused on the future

- ↗ Profit attributable to equity holders up 7.4% vs. 5.9% revenue growth
- ↗ Dynamism of fast-growing countries
- ↗ An active year for acquisitions and partnerships
- ↗ Strong free cash flow[5] generation

Charenton-le-Pont, France (February 17, 2017 – 6:30 am) – The Board of Directors of Essilor International met on February 16, 2017 to approve the financial statements for the year ended December 31, 2016. The financial statements have been audited and the auditors are currently in the process of issuing their report.

Financial Highlights

€ millions	**2016**	2015	**% change**
Revenue	**7,115**	6,716	+5.9%
Contribution from operations[2] *(% of revenue)*	**1,321** ***18.6%***	1,263 *18.8%*	+4.6%
Operating profit	**1,230**	1,183	+3.9%
Profit attributable to equity holders *(% of revenue)*	**813** ***11.4%***	757 *11.3%*	+7.4%
Earnings per share *(in €)*	**3.79**	3.57	+6.2%
Free cash flow[5]	**900**	867	+3.8%[(a)]

"*In 2016, Essilor achieved another year of earnings growth, continued its mission to improve vision care around the world and expanded its operational and geographic reach. We are beginning 2017 with a strengthened leadership team and operational structure in order to even more effectively capture the growth opportunities offered by the vast eye-care market. Multiple initiatives are already underway in terms of innovation, product and service offerings. As a result, we expect a progressive acceleration in growth over the course of the year. Furthermore, the proposed combination with the Luxottica group would enable the integration of lenses, frames and distribution to open up particularly exciting new prospects,*" commented Hubert Sagnières, Essilor International Chairman and CEO.

In 2016, Essilor continued to provide an ever-growing number of solutions for unmet visual needs by pursuing a strategy of expanding its scope of operations in corrective lenses, sunwear and online sales. This strategy, which is based on innovation, consumer marketing and partnerships, led to the launch of many new products and about €209 million of investment in media spend to build greater awareness of the Group's brands among consumers.

In corrective lenses, Essilor continued to expand into new territories. In addition, the growth generated by new products, media campaigns, integrated supply chain services and acquisitions more than offset market fluctuations in a number of regions (notably the United States, Brazil and the Middle East).

Moreover, the Company continued to strengthen its sunwear and online retail activities by developing innovative product ranges, implementing new information systems and completing additional acquisitions.

The 2016 fiscal year was characterized by several highlights:

- Sales growth of 7.6% (excluding currency effects) which reflected healthy performance in both fast-growing markets and Europe, mixed fortunes in North America and the completion of 18 new partnerships and acquisitions representing cumulative full-year revenues of approximately €304 million.
- The global roll-out of the new Eyezen™ category of lenses for users of digital devices and the launch in the United States and Europe of Eye Protect System™, the new leading lens in the field of protection against UV rays and harmful blue-violet light.
- Strong growth of online retail activities, bolstered by two significant acquisitions (Vision Direct and MyOptique).
- Subdued full year performance by the Sunglasses & Readers division, despite improved momentum during the second half.
- Robust performance by the Equipment division throughout the year, reflecting the appetite of many optical industry players for the latest lens manufacturing technologies.

Dividend

The Board of Directors recommends that shareholders at the Annual Meeting on May 11, 2017 approve the payment of a dividend of €1.50 per share, an increase of 35.1% compared with the 2015 dividend. The dividend will be paid as from May 19, 2017 (ex-date May 17).

Outlook

In 2017, Essilor will accelerate the deployment of innovation. Over the course of the next 18 months the Company will launch several major products under its three leading brands of corrective lenses: Varilux®, Crizal® and Transitions®. In addition, the Company will step up the development of its Sunwear activities and online sales of eyecare products by leveraging the interconnections between product ranges, geographic expansion and synergies with recent acquisitions.

The strengthening of Essilor's top management and organizational structure will lead to greater responsiveness and more effective implementation of the strategy.

Overall, Essilor is forecasting revenue growth (excluding currency effects) of between 6% and 8% including between 3% and 5% on a like-for-like[1] basis. The contribution from operations[2] is expected to be around 18.5% of revenue, reflecting the short-term dilutive impact of the rapid development of online retail operations. Due to the progressive effect of the initiatives to be implemented over the course of the year and the comparison basis, the group expects a higher level of growth and profitability in the second half of the year versus the first half.

In parallel, following the announcement on January 16, 2017, Essilor has started the process intended to create a combined group with Luxottica Group. This combination would aim to create an integrated global player to answer the growing needs in visual health. The transaction is subject to satisfaction of several conditions precedent, including, but not limited to, approval of the transaction by Essilor shareholders convened for a general meeting, and by holders of double voting rights convened for a special meeting as well as clearance from relevant anti-trust authorities

Practical information

A meeting with analysts will be held in Paris today, February 17, at 10:00 am CET.
The meeting webcast may be viewed live or as a recording at:
http://hosting.3sens.com/Essilor/20170217-18D322A6/en/startup.php
The presentation may be viewed at:
https://www.essilor.com/en/investors/publications-and-downloads/

Notes

1. **Like-for-like growth**: Growth at constant scope and exchange rates.
2. **Contribution from operations**: Revenue less cost of sales and operating expenses (research and development costs, selling and distribution costs and other operating expenses).
3. **Bolt-on acquisitions**: Local acquisitions or partnerships.
4. **Operating cash flow**: Net cash from operating activities before working capital requirement.
5. **Free cash flow**: Net cash from operating activities less purchases of property, plant and equipment and intangible assets, according to the IFRS consolidated cash flow statement.

Investor calendar

April 25, 2017: First-quarter 2017 revenue
May 11, 2017: Annual Shareholders' Meeting, at Maison de la Mutualité in Paris, France

About Essilor

The world's leading ophthalmic optics company, Essilor designs, manufactures and markets a wide range of lenses to improve and protect eyesight. Its mission is to improve lives by improving sight. To support this mission, Essilor allocates more than €200 million to research and innovation every year, in a commitment to continuously bring new, more effective products to market. Its flagship brands are Varilux®, Crizal®, Transitions®, Eyezen™, Xperio®, Foster Grant®, Bolon™ and Costa®. It also develops and markets equipment, instruments and services for eyecare professionals.

Essilor reported consolidated revenue of more than €7.1 billion in 2016 and employs 64,000 people worldwide. It markets its products in more than 100 countries and has 33 plants, 490 prescription laboratories and edging facilities, as well as 5 research and development centers around the world. For more information, please visit www.essilor.com.

The Essilor share trades on the 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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EXCERPTS FROM THE MANAGEMENT REPORT BY THE BOARD OF DIRECTORS – FEBRUARY 16, 2017

2016 CONSOLIDATED REVENUE

Revenue *€ millions*	2016	2015	% Change (reported)	% Change (like-for-like[1])	Changes in scope	Currency effect
Lenses and Optical Instruments	**6,218**	**5,840**	+6.5%	+3.9%	+4.3%	-1.7%
North America	***2,707***	*2,587*	*+4.6%*	*+2.0%*	*+2.8%*	*-0.2%*
Europe	***1,905***	*1,777*	*+7.2%*	*+3.4%*	*+6.0%*	*-2.2%*
Asia/Pacific/Middle East/Africa	***1,138***	*1,071*	*+6.2%*	*+7.5%*	*+1.0%*	*-2.2%*
Latin America	***468***	*405*	*+15.6%*	*+8.0%*	*+16.1%*	*-8.4%*
Sunglasses & Readers	**685**	**673**	+1.7%	+1.0%	+2.5%	-1.8%
Equipment	**212**	**203**	+4.8%	+4.7%	+0.2%	-0.1%
TOTAL	**7,115**	**6,716**	**+5.9%**	**+3.6%**	**+4.0%**	**-1.7%**

In 2016, consolidated revenue totaled €7,115 million, an increase of 7.6% excluding the currency effect.

On a like-for-like[1] basis, sales increased 3.6%, representing 4.1% growth over the first half-year and 3.1% over the second against a higher comparison base.

The consolidation scope effect (up 4.0%) was entirely composed of the contribution of bolt-on acquisitions[3] during the year.

The overall exchange rate effect (negative 1.7%) reflected an appreciation of the euro against the Company's major billing currencies, mainly the British pound, Chinese yuan, Brazilian real, Canadian dollar and Mexican peso, partially offset by the strengthening of both the Japanese yen, and at the end of the year, the US dollar against the euro.

REVENUE BY OPERATING SEGMENT AND BY REGION

Lenses & Optical Instruments

The Lenses & Optical Instruments division delivered like-for-like growth[1] of 3.9% in 2016.

- **North America**

Like-for-like growth[1] was 2.0% in North America. Essilor continued to strengthen its positioning across all its distribution channels despite a US optical market that was characterized by a significant slowdown during the second quarter of 2016, following a particularly robust 2015.

In the **United States**, growth with independent optometrists was primarily due to the rollout of new offers for members of the alliance service platforms – Vision Source, PERC/IVA and Optiport – the market segment which posted the fastest growth in the US. These solutions are aimed among others at accelerating the development of value-added product categories and optimizing the supply chain of member stores of these alliances.

More broadly, further consumer marketing campaigns continued to support Company brands, particularly Crizal® lenses.

In addition to the development of integrated supply chain offerings, key account business was driven by the demand for valued-added products and designer lenses from national optical chains as well as by the development of relationships with certain mid-sized chains. The distribution of contact lenses remained buoyant.

This company-wide momentum was dampened by two specific factors. Firstly, there was a marked fall in Transitions Optical sales to other manufacturers contrasted with moderate growth in sales of Transitions® lenses across Essilor's own distribution networks. Secondly, there was a one-off impact of regulatory changes on certain lens supply contracts with government agencies (*Department of Veterans Affairs* and *Medicaid*).

In **Canada**, sales were stable with Shamir and Nikon lenses both performing well.

E-commerce activities in North America generated like-for-like growth[1] of around 7.3%. This performance encompassed three distinct factors: very high growth by EyeBuyDirect™, continued development of Frames Direct™ at a satisfactory rate, and a fall in sales for Clearly™ in the United States and Canada, mitigated by an improved trend in the fourth quarter.

- **Europe**

Revenue in Europe was up 3.4% on a like-for-like basis[1]. Marketing campaigns early in the year generated momentum for existing value-added lenses and the new Eyezen™ lens. In the second half of the year, however, due to high prior-year comparatives this momentum translated to more modest growth. The Optical Instruments business and online sales made a highly positive contribution to growth over the year. Analyzed by country, sales trends were favorable in **Eastern Europe** and **Russia**. Varilux® and Transitions® lenses drove increased business in **Italy** and **Spain**, while the new Eyezen™ lens was very well received in **France** and **Spain**. Turning to **Nordic countries**, sales trended upwards for key accounts and online sales. Performance was more mixed in the **United Kingdom** and **Central Europe**.

- **Asia/Pacific/Middle East/Africa**

Like-for-like revenue growth[1] was 7.5% in the Asia/Pacific/Middle East/Africa region, reflecting double-digit volume growth for several innovative products (Transitions®, Eyezen™) and a strong performance in fast-growing countries. Among these, **India** performed well over the year, due primarily to Varilux® and Transitions® lenses, but suffered in the last quarter from the demonetization of certain bank notes. **Southeast Asia** and **Africa** continued to record strong momentum. Measures to adapt to volatile market conditions in the **Middle East** and **Turkey** paid off with higher growth rates in the fourth quarter. **South Korea** benefited from the success of the Perfect UV range and brisk business with key accounts. Growth in **China** was maintained, led by robust performance in the mid-range and the successful launch of Eyezen™, while the optimization of the product range and distribution networks continued. Turning to the developed economies in the region, business expanded in **Japan** and accelerated quarter after quarter in **Australia**.

- **Latin America**

In Latin America, like-for-like revenue[1] grew 8.0% in 2016, reflecting strong momentum across all countries in the region with the exception of Brazil.

Having held up well in the first half-year, **Brazil**'s performance was impacted by the recession and the challenging political environment in the country. Sales were slightly down in the second half, resulting from a marked drop in foot traffic in optical stores. Nonetheless, Essilor successfully leveraged its multi-network strategy, and in particular its mid-range products – including Kodak® lenses – to strengthen its position over the year.

Mexico posted the highest growth in the region, driven by a dynamic market. Sales in **Argentina** grew on the back of demand for value added products – Varilux®, Crizal® and Transitions®. **Colombia** benefited from successful consumer marketing campaigns. Lastly, in **Chile**, **Costa Rica** and **Nicaragua**, the Company stepped up the marketing of its premium lenses, including Varilux® and Crizal®, by building on recent partnerships (with Ópticas OPV Ltda in Chile and Grupo Vision in Costa Rica and Nicaragua).

- **Instruments**

The Instruments business, which markets tools for use by optometrists and opticians and is included within the regions of the Lenses and Optical Instruments Division, maintained the healthy momentum seen in 2015 (up 8.0% on a like-for-like basis[1]). The business performed well both in Europe and across all fast-growing regions.

This performance was based on the rollout of innovation across all the segments covered by this business: edging/mounting, optometry (refraction and diagnostic devices) and measurement instruments used in points of sale. The consolidation of the range of edging/mounting machines, with successes at both entry level (Delta 2), notably in high-growth countries, and mid-range (Neksia® and Itronics), allowed the Company to post strong growth in the lens finishing segment, the division's leading business line. Within a dynamic market, the optometry business benefited both from sales contracts for refraction devices with certain key accounts in Europe and from the expansion of its distribution network, as seen in particular with the acquisition of Axis

Medical. This acquisition will enable the Company to accelerate the distribution of its refraction technologies in Canada. Lastly, sales of measurement instruments, including the M'Eyefit® tablet, were also buoyant.

Equipment

Like-for-like revenue[1] in the Equipment Division grew 4.7%, primarily driven by a marked rebound in fast-growing countries compared with the prior year. Business in Latin America was spurred by many small labs ordering digital surfacing machines. Asia gained from the increased production capacity in several laboratories serving both domestic and export markets. The ophthalmic segment in Europe benefited from the modernization of coating and surfacing machines by a number of key accounts. Growth was more moderate in North America, due to optical chains and independent eyecare professionals gradually pulling back on investments during the year.

Sunglasses & Readers

In 2016, the Sunglasses & Readers division delivered like-for-like growth[1] of 1%. After a first half that was adversely affected by poor weather and a fall in Xiamen Yarui Optical (Bolon™) sales, like-for-like growth[1] reached 6.7% in the second half.

In North America, FGX International's reading glasses business was impacted by an unfavorable comparison base, with several key account contracts having been renewed the previous year. However, sales of reading glasses to consumers grew almost 4%. For the sunwear business, despite the impact of poor weather on consumer purchases, sales of FGX sunglasses achieved healthy growth thanks to extensions in product ranges with existing customers and shelf space gains with new customers.

Costa achieved the best growth in the US sunwear market in 2016, despite growing at a slower rate than in 2015. 2016 performance was affected by challenges experienced by several specialist sports distributors and the fall in inventories of certain chains.

In China, Xiamen Yarui Optical (Bolon™) posted a slight fall in revenue, the first half-year having seen significant disruption from the introduction of a new inventory management system. In the second half, and over the fourth quarter in particular, growth returned to a level higher than the Chinese sunwear market owing to a 2017 collection that was very well received by Chinese retailers.

FOURTH-QUARTER 2016 CONSOLIDATED REVENUE

€ millions	2016	2015	% Change (reported)	% Change (like-for-like[1])	Changes in scope	Currency effect
Lenses and Optical Instruments	**1,549**	**1,440**	+7.5%	+2.4%	+4.6%	+0.5%
North America	***657***	*632*	*+4.1%*	*+0.5%*	*+2.0%*	*+1.5%*
Europe	***480***	*442*	*+8.4%*	*+1.5%*	*+9.5%*	*-2.6%*
Asia/Pacific/Middle East/Africa	***286***	*265*	*+7.8%*	*+6.8%*	*+0.3%*	*+0.7%*
Latin America	***126***	*101*	*+24.9%*	*+6.8%*	*+10.8%*	*+7.3%*
Sunglasses & Readers	**192**	**185**	+4.2%	+6.5%	-0.2%	-2.1%
Equipment	**68**	**63**	+8.3%	+5.2%	+2.0%	+1.1%
TOTAL	**1,809**	**1,688**	**+7.2%**	**+3.0%**	**+4.0%**	**+0.2%**

In the fourth quarter, revenue rose by 7.2% as reported and 3.0% like-for-like[1]. This reflected healthy performance of the Sunglasses & Readers and Equipment divisions, up 6.5% and 5.2% respectively. The Lenses and Optical Instruments division (up 2.4%) had lower growth due to the effects of a higher comparison base compared to the fourth quarter of 2015. The 4.0% consolidation scope effect was primarily the result of acquisitions completed in the first half-year. The slightly positive currency impact (up 0.2%) was mainly due to the appreciation of the US dollar and Brazilian real against the euro, which offset the impact of the depreciation of the British pound.

By region and division, the period saw:

- Increased momentum in fast-growing countries of Asia/Oceania/Middle East/Africa and Latin America;
- Slower growth in North America and Europe;
- The continued recovery of the Sunglasses & Readers division, primarily due to the strong growth of Xiamen Yarui Optical (Bolon™);
- A buoyant Equipment division, supported by a favorable investment cycle in the optical industry.

ACQUISITIONS AND PARTNERSHIPS

Essilor pursued its acquisitions and partnerships strategy in 2016, closing 18 transactions that brought in total additional full-year revenue of approximately €304 million and developed the Company's positions in the corrective lens, sunwear and online retailing segments.

STATEMENT OF INCOME

CONDENSED STATEMENT OF INCOME

€ millions	**2016**	**2015**	**% change**
Revenue	**7,115**	6,716	+5.9%
Gross profit	**4,181**	4,012	+4.2%
(% of revenue)	***58.8%***	*59.7%*	--
Operating expenses	**2,860**	2,749	+4.0%
EBITDA [(a)]	**1,695**	1,647	+2.9%
(% of revenue)	***23.8%***	*24.5%*	--
Contribution from operations [(b)]	**1,321**	1,263	+4.6%
(% of revenue)	***18.6%***	*18.8%*	--
Operating profit	**1,230**	1,183	+3.9%
(% of revenue)	***17.3%***	*17.6%*	--
Finance costs, net	**(66)**	(63)	--
Income tax expense	**285**	308	-7.8%
(tax rate)	**24.5%**	27.5%	--
Net profit	**880**	813	+8.2%
Attributable to equity holders of Essilor International	**813**	757	+7.4%
(% of revenue)	***11.4%***	*11.3%*	--
Earnings per share (*in €*)	**3.79**	3.57	+6.2%

(a) EBITDA is defined as earnings before interest, taxes, depreciation and amortization of property, plant and equipment, and intangible assets, and the re-measurement of inventories arising from acquisitions.

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

EARNINGS PER SHARE UP 6.2%

4.2% increase in gross profit

Gross profit (revenue less cost of sales) stood at €4,181 million for the year, representing 58.8% of revenue, versus 59.7% in 2015. Despite significant operating efficiency gains, the fall in gross margin was due to two major factors, namely weaker lens sales in North America and the growth of the online business, for which gross profit is below the Company average.

Operating expenses: up 4.0%

Operating expenses amounted to €2,860 million and represented 40.2% of revenue, versus 40.9% in 2015.
They mainly included:

- €214 million in R&D and engineering costs, stable compared to 2015.
- €1,750 million in selling and distribution costs, up from €1,678 million in 2015, mainly reflecting sales force expansion.

Contribution from operations[2] kept at a high level

Contribution from operations[2] rose 4.6% to €1,321 million while the margin retreated to 18.6% of revenue. This slight deterioration (down 20 basis points) reflected the combination of:

- Firstly, positive operating leverage linked to organic growth[1] in Company revenue and synergies implemented with partners.
- Secondly, the dilution resulting from bolt-on acquisitions[3], in particular those made in the online retail sector and whose contribution from operations[2] as a percentage of sales was lower than the Company average.

Operating profit: up 3.9% to €1,230 million or 17.3% of revenue

"Other income and expenses from operations" represented a net expense of €91 million versus a net expense of €80 million in 2015. These outlays covered:

- A total of €33 million in charges for restructuring provisions, mainly related to the streamlining of a number of production sites, the restructuring of trade flows and the impairment of intangible assets in North America.
- Compensation costs for share-based payments (in particular performance share plans), totaling €64 million.

Finance costs and other financial income and expenses, net

This item came to a net expense of €66 million, compared with €63 million in 2015.

Profit attributable to equity holders: up 7.4% to €813 million

Profit attributable to equity holders is stated after:

- €285 million in income tax expense compared with €308 million in 2015, representing an effective tax rate of 24.5%, compared with 27.5% in 2015. The lower rate was mainly due to a reduction in the tax on dividends as a result of a significant part of the 2015 fiscal year dividend being paid in Company shares, as well as to the advance pricing agreement (APA) on royalty rates signed between France and the United States in 2016.
- €67 million in non-controlling interests, compared with €56 million in 2015. This increase was primarily due to the impact of higher earnings for a number of Essilor's partners, in particular in Asia and Russia.

Earnings per share were €3.79, an increase of 6.2% which outpaced the growth in revenue.

BALANCE SHEET AND CASH FLOW STATEMENT

FREE CASH FLOW[5]: UP 3.8% TO €900 MILLION

Capital expenditure and investments

Purchases of property, plant and equipment and intangible assets totaled €294 million for the year, primarily related to capital expenditure to drive Company growth.

Financial investments, amounting to €754 million, notably included the acquisitions made in the United Kingdom in the online segment (Vision Direct Group Ltd and MyOptique Group Ltd), as well as Photosynthesis Group Co Ltd in China in the Sunglasses & Readers division.

Change in working capital requirement

The working capital requirement rose by €8 million over fiscal year 2016. This very healthy performance was primarily due to effective management of inventories and trade payables.

Operating cash flow[4]

Operating cash flow[4] stood at €1,202 million compared with €1,245 million at the end of December 2015. It included the payment during the first half-year of a €63 million fine, including interest, about which two of Essilor's subsidiaries in Germany were notified in 2010 by the German competition authority (BKA) and which was recognized in the Company's financial statements.

Despite this expense, free cash flow[5] grew 3.8% to €900 million, increasing in line with operating profit, and reflecting good control of capital expenditure and the working capital requirement. Adjusting for this expense, free cash flow[5] growth reached 11%.

Net debt

At the end of December 2016, Essilor's net debt stood at €2,062 million, equating to 1.2x company EBITDA, lower than in December 2015 where it was 1.3x EBITDA.

CASH FLOW STATEMENT

€ millions

Net cash from operations (before change in WCR[a])	1,202	Capital expenditure	294
Proceeds from share issues	41	Change in WCR[a]	8
		Dividends	119
		Acquisition of investments, net of disposals[b]	754
		Buyback of treasury shares	31
		Reported change in net debt	27
		Other[c]	10

a - Working capital requirement

b - Financial investments net of cash acquired, plus debt of newly consolidated companies.

c - Other items include the positive €33 million currency effect.

SUBSEQUENT EVENTS

Combination of Essilor and Luxottica (excerpt from January 16, 2017 news release)

Essilor and Delfin, the majority shareholder of Luxottica Group, announced on January 16, 2017 the signing of an agreement designed to create an integrated global player in the eyewear industry with the combination of Essilor and Luxottica. Intended to answer the growing needs in visual health, the new group would propose a comprehensive offering combining a strong brand portfolio, global distribution capabilities and complementary expertise in prescription lenses, prescription frames and sunglasses.

The transaction would entail a strategic combination of Essilor's and Luxottica's businesses consisting of: (i) Delfin contributing its entire stake in Luxottica (approx. 62%) to Essilor in return for newly-issued Essilor shares to be approved by the Essilor shareholders' meeting, on the basis of the Exchange Ratio of 0.461 Essilor shares for 1 Luxottica share, and (ii) Essilor subsequently making a mandatory public exchange offer, in accordance with the provisions of Italian Law, to acquire all of the remaining issued and outstanding shares of Luxottica pursuant to the same Exchange Ratio and with a view to delist Luxottica's shares.

Based on the 2015 financial statements of the two companies, the new entity would represent combined revenue in excess of €15 billion from more than 150 countries, net EBITDA of approx. €3.5 billion, and more than 140,000 employees.

The transaction is expected to close in H2 2017, subject to satisfaction of several conditions precedent, including, but not limited to, approval of the transaction by Essilor shareholders convened for a general meeting, and by holders of double voting rights convened for a special meeting as well as clearance from relevant anti-trust authorities.

Acquisitions

Since January 1, Essilor has pursued its strategy of forging partnerships with local optical market leaders with four transactions representing aggregate additional annual revenue of around €19 million.

In **Brazil**, the Company acquired a majority stake in **Visolab Produtos Opticos Ltda**, a prescription laboratory located in the State of Sergipe with revenue of around 22 million Brazilian reals.

In **India**, Essilor acquired a majority stake in **Mangalsons Optics PTE Ltd**, a distributor of plastic and glass lenses, sunglasses and prescription frames with revenue of around 460 million Indian rupees in 2016.

Essilor is preparing to enter **Ethiopia** by signing an agreement to acquire a majority stake in **Sun Optical Technologies**, a leading prescription laboratory with revenue of just over €1 million. The completion of this partnership is subject to final approvals by local authorities.

In the **Netherlands**, the Company acquired a majority stake in **Optitrade Logistics Center (OLC)**, the distribution platform of Optitrade, a purchasing alliance of around 650 optical stores in this country. The goal of this partnership is to develop new product and service ranges and support the growth of Optitrade members in the domestic market. OLC will continue to be managed by the existing team.

Notes

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APPENDICES

CONSOLIDATED REVENUE BY QUARTER

€ millions	2016	2015
First Quarter		
Lenses & Optical Instruments	1,567	1,454
➤ *North America*	*710*	*650*
➤ *Europe*	*470*	*441*
➤ *Asia/Pacific/Middle East/Africa*	*283*	*267*
➤ *Latin America*	*104*	*96*
Sunglasses & Readers	173	163
Equipment	44	42
TOTAL First Quarter	**1,784**	**1,659**
Second Quarter		
Lenses & Optical Instruments	1,562	1,501
➤ *North America*	*668*	*663*
➤ *Europe*	*495*	*462*
➤ *Asia/Pacific/Middle East/Africa*	*282*	*269*
➤ *Latin America*	*117*	*107*
Sunglasses & Readers	187	199
Equipment	50	49
TOTAL Second Quarter	**1,799**	**1,749**
Third Quarter		
Lenses & Optical Instruments	1,541	1,446
➤ *North America*	*671*	*643*
➤ *Europe*	*461*	*431*
➤ *Asia/Pacific/Middle East/Africa*	*288*	*270*
➤ *Latin America*	*121*	*102*
Sunglasses & Readers	132	126
Equipment	50	48
TOTAL Third Quarter	**1,723**	**1,620**
Fourth Quarter		
Lenses & Optical Instruments	1,549	1,440
➤ *North America*	*657*	*632*
➤ *Europe*	*480*	*442*
➤ *Asia/Pacific/Middle East/Africa*	*286*	*265*
➤ *Latin America*	*126*	*101*
Sunglasses & Readers	192	185
Equipment	68	63
TOTAL Fourth Quarter	**1,809**	**1,688**

2016 CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

€ millions, excluding per share data	**Year 2016**	**Year 2015**
Revenue	7,115	6,716
Cost of sales	(2,934)	(2,704)
GROSS MARGIN	**4,181**	**4,012**
Research and development costs	(214)	(214)
Selling and distribution costs	(1,750)	(1,678)
Other operating expenses	(896)	(857)
CONTRIBUTION FROM OPERATIONS (*)	**1,321**	**1,263**
Other income from operations	18	18
Other expenses from operations	(109)	(98)
OPERATING PROFIT	**1,230**	**1,183**
Finance costs, net	(54)	(54)
Other financial income	-	5
Other financial expenses	(12)	(14)
Share of profits of associates	1	1
PROFIT BEFORE TAX	**1,165**	**1,121**
Income tax expense	(285)	(308)
NET PROFIT	**880**	**813**
Attributable to Group equity holders	**813**	**757**
Attributable to minority interests	67	56
Net profit attributable to Group equity holders per share (€)	3.79	3.57
Average number of shares (thousands)	214,614	212,226
Diluted net profit attributable to Group equity holders per share (€)	3.71	3.50
Diluted average number of shares (thousands)	219,203	216,583

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

CONSOLIDATED BALANCE SHEET (ASSET)

€ millions	**December 31, 2016**	**December 31, 2015**
Goodwill	6,191	5,295
Other intangible assets	1,825	1,826
Property, plant and equipment	1,214	1,200
Investments in associates	8	5
Non-current financial assets	136	139
Deferred tax assets	187	169
Long-term receivables	37	24
Other non-current assets	56	41
TOTAL NON-CURRENT ASSETS	**9,654**	**8,699**
Inventories	1,125	1,099
Prepayments to suppliers	31	32
Short-term receivables	1,618	1,456
Tax receivables	81	60
Other receivables	25	34
Derivative financial instruments recognized in assets	45	64
Prepaid expenses	67	61
Cash and cash equivalents	517	466
CURRENT ASSETS	**3,509**	**3,272**
TOTAL ASSETS	**13,163**	**11,971**

CONSOLIDATED BALANCE SHEET
(EQUITY AND LIABILITIES)

€ millions	December 31, 2016	December 31, 2015
Share capital	39	39
Issue premiums	592	400
Consolidated reserves	5,084	4,504
Own shares	(317)	(286)
Hedging and revaluation reserves	(159)	(131)
Translation differences	636	424
Net profit attributable to Group equity holders	813	757
EQUITY ATTRIBUTABLE TO PARENT COMPANY OWNERS	**6,688**	**5,707**
Equity attributable to non-controlling interests	366	385
TOTAL CONSOLIDATED EQUITY	**7,054**	**6,092**
Provisions for pensions	344	295
Long-term borrowings	1,364	1,905
Deferred tax liabilities	383	422
Other non-current liabilities	300	404
NON-CURRENT LIABILITIES	**2,391**	**3,026**
Provisions	393	369
Short-term borrowings	1,246	674
Customer prepayments	33	31
Short-term payables	1,431	1,357
Tax payables	73	87
Other current liabilities	509	316
Derivative financial instruments recognized in liabilities	22	9
Deferred income	11	10
CURRENT LIABILITIES	**3,718**	**2,853**
TOTAL LIABILITIES	**13,163**	**11,971**

CONSOLIDATED CASH FLOW STATEMENT

€ millions		Year 2016	Year 2015
CONSOLIDATED NET PROFIT	**(a)**	**880**	**813**
Share of profits of associates, net of dividends received		(1)	(1)
Depreciation, amortization and other non-cash items		360	380
Profit before amortization and depreciation and associates		**1,239**	**1,192**
Provision charges (reversals)		(50)	(8)
Gains and losses on asset disposals, net		(6)	(1)
Cash flow after tax and finance costs, net		**1,183**	**1,183**
Finance costs, net	**(a)**	54	54
Tax expenses (including deferred taxes)	**(a)**	285	308
Cash flow before tax and finance costs, net		**1,522**	**1,545**
Taxes paid		(264)	(265)
Interest (paid) and received, net		(56)	(35)
Change in working capital requirement		(8)	(51)
NET CASH FROM OPERATING ACTIVITIES		**1,194**	**1,194**
Purchases of property, plant and equipment and intangible assets		(294)	(327)
Acquisitions of subsidiaries, net of the cash acquired		(706)	(780)
Change in other non-financial assets		(43)	(13)
Proceeds from the sale of other financial assets, property, plant and equipment and intangible assets		21	7
NET CASH USED IN INVESTING ACTIVITIES		**(1,022)**	**(1,113)**
Capital increase	**(b)**	41	46
Net sale (net buyback) of treasury shares	**(b)**	(31)	-
Dividends paid:			
- to ESSILOR shareholders	**(b)**	(79)	(216)
- to minority shareholders of the consolidated subsidiaries	**(b)**	(40)	(35)
Bond issues		-	300
Increase/(Decrease) in borrowings other than finance lease liabilities		(31)	(345)
Repayment of finance lease liabilities		(3)	(2)
NET CASH USED IN FINANCING ACTIVITIES		**(143)**	**(252)**
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**29**	**(171)**
Net cash and cash equivalents at January 1		431	598
Effect of changes in exchange rates		-	4
NET CASH AND CASH EQUIVALENTS AT PERIOD-END		**460**	**431**
Cash and cash equivalents		517	466
Bank credit facilities		(57)	(35)

(a) See income statement

(b) See statement of changes in equity